endesa12

light, gas, people

Annual Report 2012 **Activities**

endesa

ENDESA is an

Enel Group company.

Enel is one of the largest utilities in the world. The group produces, distributes and sells sustainable energy, respecting people and the environment. Enel serves over 60 million residential and business customers in 40 countries and creates value for 1.3 million investors.

ENDESA was incorporated in 1944 as Empresa Nacional de Electricidad, S.A.. Its name was changed to Endesa, S.A. at the General Shareholders' Meeting held on 25 June 1997.

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

At 31 December 2012, the company had share capital of Euro 1,270,502,540.40, represented by 1,058,752,117 shares, each with a par value of Euro 1.20. Its shares are listed in Spanish stock exchanges and the Santiago de Chile offshore exchange.

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

ENDESA is the leading company in the Spanish electricity sector and the largest private electricity multinational in Latin America with total ASSETS OF EURO 58,778 MILLION AT 31 December 2012.

In 2012, ENDESA generated **net income** of Euro 2,034 million, **EBITDA** of Euro 7,005 million, **EBIT** of Euro 4,418 million and **total revenues** of Euro 33,933 million.

At year-end 2012, it **directly employed** 22,807 people, 11,504 in Spain and Portugal, and 11,303 in Latin America and other countries and business areas.

MISSION

Our mission is to generate and distribute value in the global energy market to the benefit of our customers and investors, to boost the competitiveness of the countries in which we operate, and to fulfil the expectations of everyone who works with us. We serve the community, respecting the environment and safety of individuals, and are committed to creating a better world for future generations.

VALUES

- Respect
- People-centric
- Focused on results
- Ethical rigour
- Social responsibility

As Pontes thermal power station

Endesa's mission, vision and values are logically intended to ensure our own operations contribute to fulfilling the Enel Group's strategic objectives as a whole, and to reinforce our position as an energy market leader, always with the benefit of our stakeholders in mind and generating value for our shareholders.

VISION

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

MISSION

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

VALUES

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

A-P Senterada hydroelectric power station, La Pobla de Segur, Bajo Pallaresa

Presentation

Borja Prado Eulate
Chairman

2012 was one of ENDESA'S most challenging and complicated years in its history. As in the past, the company decisively overcame the difficulties faced, taking a robust stance and, it it can even be said, posting far better results than initially expected given the difficult circumstances.

Two factors, principally unrelated to the company's management, were decisive in this context. The first, although already widely know, should still be mentioned. Obviously, it involves the crisis which as impeded economic growth in Spain for yet another year. One of its most direct consequences for the electricity sector has been the 1.7% reduction in electricity demand in 2012, corrected for working days and temperature effects. On the other hand, we are proud to announce that Endesa is making excellent progress overcoming the other most noteworthy impacts of the crisis (the negative impacts on companies' financial position), and therefore currently boasts robust financials and a limited debt position.

Given this serious recession and drop in energy demand across Europe, and in Spain in particular, it is worth highlighting the very different performance of the economies and electricity markets of the five Latin American countries in which Endesa is present (Chile, Colombia, Peru, Argentina and Brazil). During 2012, the economy of the entire region once again showed they were more resilient to the crisis than more developed nations and consequently, average electricity demand in the aforementioned markets rose 4.5% year on year.

Without doubt, Endesa's capacity to exploit the opportunities existing in the healthier economies and energy sectors of these five countries in 2012 once again confirmed that the company had taken the right approach, not only by investing heavily to attain a leading position in the sector but also by retaining strong ties to the region even in the most difficult of circumstances. In short, Endesa has always shown that its commitment to Latin America is unwavering and based firmly on the belief that this region has a very bright future ahead.

In this regard, the Enersis share capital increase, which was approved by the vast majority of shareholders (as a percentage of shares conferring voting rights) at the General Shareholders' Meeting in December 2012, clearly emphasises this commitment. The fact that shareholders supported this operation is also an indication of investors' faith in this approach.

I have referred to one of the main external factors behind the company's performance in 2012 (i.e. the recession and its negative impacts on electricity demand in Spain); however the consequences of the second factor are by no means less important. This factor concerns the regulatory changes affecting the Spanish electricity sector in 2012 and in to the first quarter of 2013.

In order to evaluate these changes in an unbiased and balanced manner, they should be considered in the general context of the decisions the Spanish government is being forced to take to deal with the crisis. Logically, these hard and difficult decisions are having a major repercussions on society and the economy. While some of these decisions may be challenged or questioned, there is no doubt that at least two facts have to be accepted: the Spanish government is governing and legislating, while it is not exactly easy to govern and legislate in the current environment.

We should not overlook the fact that based on the latest data available, Spain saw GDP shrink by 1.1%, industrial output fall by 8.6%, an unemployment rate of over 26% with over 5.9 million people out of work, and 21% of the population living below the poverty line during 2012.

In general, the measures taken by the Government to tackle this serious situation and put the country on the right footing appear to be moving the country in the right direction, which is backed up by the markets and our European partners. Perhaps this explains why those of us operating in the electricity sector are so surprised that most of the regulatory decisions being adopted are not truly in line with the goal that all of us should consider to be logical and indisputable, which is to establish the electricity sector (one of the few sectors shown to be truly strong and resilient to the crisis) as one of the key drivers of the next phase of economic recovery.

However disheartening and painful it is to acknowledge, it is clear that, apart from a few notable exceptions, the raft of wide-ranging laws enacted or announced since the start of 2012 and in to 2013 are weakening the sector's ability to achieve the goal I have just mentioned. In Endesa's specific case, just the enactment of Royal Decree 13/2012 drove down our 2012 profit by Euro 313 million. Furthermore, other measures and the bundle of new taxes imposed on the electricity business that have been approved or announced in the first quarter of the year are set to have a negative impact on our earnings in 2013.

In this sense, just the figures themselves support the arguments I have just outlined: in 2012, Endesa posted EBITDA of Euro 7,005 million, down Euro 260 million on the previous year. If the impact of the regulatory measures is calculated at Euro 313 million, i.e. if the said measures had not been implemented, at the very least the company's operating profit would have remained stable; more than satisfactory given the current recession in which we find ourselves.

Even so, the company was able to end the year with attributable net income of Euro 2,034 million, which highlights the company's ability to face up to the highly challenging circumstances, even if it has fallen 8% year on year. It is also worth pointing out that Endesa's two major geographical business segments contributed significantly to this figure: although Spain and Portugal's net profit fell Euro 183 million, it still amounted to Euro 1,410 million; while Latin America's net profit climbed 0.5% from 2011 to Euro 624 million, indicating that the healthy performance of the distribution business successfully offset the effects of the severe drought in Chile and a number of difficulties faced by the generation business in Argentina.

These results, which I must insist are especially significant considering the challenging climate in which they were achieved, were mainly possible thanks to the redoubling of efforts to unlock synergies, streamline costs and drive up efficiency. On the whole, these measures gave rise to savings of Euro 1,307 million in 2012, which clearly surpassed the target for the year and were the result of the synergies achieved with Enel in particular, amounting to over Euro 1,000 million.

Yet again, this underscores the major advantages to Endesa of forming part of one of the most important multinational groups in the world, and the benefits to all stakeholders achieved through economies of scale, the transfer of best practices, process standardisation, cost optimisation, and a steadfast commitment to the same corporate values.

I would like to point out that these advances in efficiency and streamlining are being achieved without impinging on Endesa's position as a major investor. Despite the adverse regulatory environment and downturn in demand, the company invested a total of Euro 2,727 million in 2012 (down just 3.5% year on year), and has earmarked Euro 2,000 million for investments in 2013 which it plans to increase year after year.

These figures are down on prior years, which is as expected given the reduced need for new capacity due to the drop in demand, although they remain significant and substantially higher than those invested by Spanish businesses on the whole. These investments are critical to protecting direct and indirect jobs and ensuring the company's numerous partners of all sizes are able to continue their activity.

This outstanding investment effort is, in any event, proof that Endesa is prepared to honour its voluntary commitment to the societies it serves. This responsibility results in a wide range of initiatives that are closely connected with the company's pledge to provide citizens with a basic service.

This is underscored for example by its stanch support for a more sustainable energy model materialised through projects such as: the roll-out of over 600 electric vehicle charging points over the last two years; the installation of three million smart meters in Spain; the implementation of smart grid pilot projects in Spain (Malaga, Barcelona), Brazil (Buzios) and Chile (Santiago); improvements to electricity supply quality and security indices in Spain and Latin America; the considerable decline in accident rates among personnel and contractors; the high number of projects underway that bring electricity to disadvantaged communities using new technologies and by breaking down economic barriers, etc.

All these initiatives form part of our commitment to sustainable development. We report on our commitment to sustainability to bodies and institutions throughout Spain and the world that are most active in this area in a transparent and rigorous manner, which is widely reflected by our noteworthy standing in several indices and rankings. In 2012 for example, we were ranked for the twelfth consecutive year on the most important sustainability index in the world: the Dow Jones Sustainability Index (DJSI), having achieved our highest score to date (81 out of 100). We also achieved a score of 92 out of 100 (up four points on 2011) in the index of the Carbon Disclosure Project, which reflects on the efforts made by businesses to tackle climate change.

Endesa conducted these and other initiatives pursuant to its strong sense of responsibility and therefore does not expect any special acknowledgements or treatment. That said, the company does believe it is essential that a level playing field should be created through stable, safe, fair and non-discriminatory rules on which it can satisfactorily carry out its work to the benefit of citizens and society in general. If this is not achieved, it will not be just the results of a major Spanish corporation that will be affected, but also a plethora of irreplaceable measures for boosting employment, competitiveness and sustainability, and protecting the business community, quality of life and welfare in general, without which it would be impossible to survive the current recession.

Endesa is well aware of the severity of the current situation and that we all need to make sacrifices to pull us out of it. We do not believe there is any doubt about our conviction to rise to these challenges to the best of our ability. This is echoed by the decision taken by the company's Board of Directors to propose to the shareholders at the 2013 General Meeting that they vote in favour of not distributing a dividend against the previous year's profits in order to strengthen the company's finances and better position it to confront the immediate challenges that lie ahead.

Equally, in the same way that we offer clear proof of our willingness to operate in the interests of citizens', we consider that the decisions regarding the laws and regulations affecting our businesses should be influenced by a logical sense of mutual interchange to ensure that this readiness to help can be realised more widely and effectively.

Endesa is not an abstract concept, a fictitious entity, a series of facilities or a raft of cold facts. Endesa comprises thousands of individuals - employees, shareholders, suppliers, partners of all types - whose sole mission is to serve millions of customers and citizens as well as they can, and who therefore ask for nothing more than the right environment in which to achieve this.

Borja Prado Eulate
Chairman

Presentation

Andrea Brentan
Chief Executive Officer

For yet another year, Endesa had to deal with a number of factors in 2012 that have been affecting the global economy and energy sector for some time, and which in a number of specific markets in which we operate had a greater impact than ever during the year.

The recession's impacts on electricity demand once again rose to the surface in Spain, with demand dipping by 1.7% in 2012, corrected by the effects of working days and temperature. In contrast, the five Latin American markets in which the company operates saw electricity demand grow by 4.5% on average, yet again reflecting the healthy performance of their economies.

New electricity sector regulations approved by the Spanish government in 2012 were also of significance, hitting the company's earnings.

Endesa responded to this bleak environment by carefully managing its businesses; optimising the balanced profile of its generation mix and markets, and working hard to boost efficiency, all of which had a positive impact on results.

The satisfactory performance of the company's businesses is clearly reflected by its revenues, which climbed 3.8% from 2011 to Euro 33,933 million. The 2% rise in total electricity output to 141,434 GWh and the 0.1% uptick in energy sales to 162,490 GWh played a significant role in this achievement. These increases are relatively modest, although they are particularly relevant in light of the current recession and downturn in demand in Spain.

EBITDA fell 3.6% to Euro 7,005 million due to the aforementioned regulatory and economic circumstances and the consequences of the drought in Chile and operational problems in Argentina. That said, EBITDA is only Euro 260 million down on the 2011 figure, which underscores the fact that the company's operating results would have remained practically stable, had it not been for the negative impact of Euro 313 million of the aforesaid regulatory measures. Attributable net income amounted to Euro 2,034 million, some 8% below the previous year due to the regulatory measures in Spain and the fact that gains on the sale of the ICT business were recognised in 2011.

The most outstanding factors contributing to the company's ability to stand its ground in this challenging economic and regulatory climate were the synergies achieved by Enel and Endesa, which led to savings of Euro 1,048 million during the year. Additional savings of Euro 259 million from other efficiency plans, such as "Zenith", drove up total savings to Euro 1,307 million, 17% above the target set.

The highlight of Endesa's key financial indicators is its net financial debt, which has been slashed by Euro 2,224 million to Euro 8,778 million at 31 December 2012 from the previous year, underlining Endesa's efforts to strengthen its financial position. This significant underpinning is also clearly shown by the Euro 1,690 million year-on-year rise in Endesa's consolidated equity to Euro 26,369 million at 31 December 2012.

At the 2012 year end, Endesa also had the recognised right to collect Euro 4,839 million in connection with several Spanish electricity market regulatory matters: Euro 2,958 million for financing the revenue shortfall from regulated activities and Euro 1,881 million in compensation for stranded costs in non-mainland generation. If these amounts are discounted, Endesa's net financial debt at 31 December 2012 would stand at Euro 3,939 million.

In relation to securitisation of the tariff deficit, in 2012 Endesa collected Euro 2,674 million, but had to finance Euro 1,331 million. Furthermore, a non-mainland deficit of Euro 1,403 million built up over the period, which must be added to the electricity system deficit, which was fully financed by Endesa at 31 December 2012.

In 2012, Endesa invested a total of Euro 2,727 million. The importance of this investment effort should not be overlooked, which was only Euro 99 million below that of the previous year, given that it was completed against a backdrop of a market downturn and a series of damaging regulatory measures in Spain which fuelled uncertainty surrounding the future of the electricity business. This investment drive despite the prevailing climate underlines Endesa's continuing noteworthy contribution to wealth creation, safeguarding a high number of jobs, and ensuring the survival of a large number of suppliers.

Turning to the headline figures of Endesa's two main geographical business lines, it can be seen that revenues rose by 2.2% in Spain and Portugal to Euro 23,146 million, despite the negative impact of the aforementioned regulatory measures of Euro 313 million. This effect and higher fuel prices resulting from the increased dependence on thermal power to offset the dip in hydroelectric output, gave rise to EBITDA of Euro 3,796 million, some 5.7% down on 2011. Meanwhile, net finance expenses fell by 11% thanks to a decrease in debt and lower interest rates. Lastly, this business line's net income totalled Euro 1,410 million, down Euro 183 million year on year.

Endesa's electricity output in Spain rose by 2.5% during the year driven by significant year-on-year increases in output using imported coal (+34.6%) and nuclear fuel (+7.1%). Consequently, Endesa remained at the top of Spain's electricity sector in terms of ordinary regime output, with a 36.7% market share, in distribution with a 43.3% share, and in electricity sales on the deregulated market with a share of 39.1%. It also reinforced its position as the second largest gas supplier boasting a 16% share.

In Latin America, our company once again tapped in to the significant growth in this region. Revenues climbed 7.5% to a total of Euro 10,787 million across the five countries in which Endesa operates, primarily driven by a 4.6% uptick in electricity sales and higher average distribution prices.

The slowdown in the generation business in Argentina and Chile, the latter of which resulting from the drought this country has suffered for the last three years, was almost completely offset by the healthy performance of the generation business in Brazil, the distribution business in Peru, and both businesses in Colombia. As a result, EBITDA only fell by 1% tear on year to Euro 3,209 million, while attributable net income increased by 0.8% to Euro 624 million.

An especially noteworthy event in the Latin American business line was the fact that 82% of Enersis shareholders (as a percentage of total shares) resolved at their General Meeting in Santiago de Chile on 20 December 2012 to increase this company's share capital to US dollar 6,000 million, which had been proposed several months prior, thereby underscoring the feasibility of the operation.

This capital increase will bolster Enersis' position as the leading private, multinational power utility in the region and will help significantly shore up its statement of financial position, thereby putting it in an enviable position to firmly tap into any growth opportunities that may arise in order to generate profits.

On the other hand, as part of its policy to sell off non-strategic assets, in October 2012, Endesa sold off its 100% stake in Endesa Ireland to Scottish and Southern Energy for Euro 286 million. In December 2012, Endesa also reached an agreement to sell its 12% stake in Medgaz, S.A. This stake, along with the loan awarded, which total Euro 88 million, will be acquired by two Medgaz, S.A. shareholders, Cepsa and Sonatrach, on exercising their pre-emptive acquisition rights. During 2012, Euskaltel, S.A. was also sold off for Euro 47 million, along with Gas Extremadura Transportista, S.L. y Distribución and Comercialización de Gas Extremadura, S.A. for Euro 38 million.

In short, Endesa's financials indicate that it has managed to come through a difficult 2012 by managing its businesses in a stringent and disciplined manner. The very same criteria of rigour and discipline led to the Board of Directors agreeing to propose to shareholders not to distribute a dividend against 2012 profits, in order to shore up the company's financial position and exercise due prudence given the current regulatory, energy sector and economic climate.

In 2012, Endesa also continued to work hard to contribute to building a new more competitive, efficient and sustainable energy model.

A flagship example of this effort has been the company's commitment to developing e-mobility. Endesa now boasts over 600 electric vehicle charging points in Spain and 40 in Latin America, and has rolled out 11 fast charging points throughout Spain and three in Latin America.

Meanwhile, Enel is a world leader in remote management - another of the fields of innovation where Enel and Endesa are at the helm. Over 3 million smart meters have been installed in Spain, in line with the target of 13 million by 2018. Smartcity projects are another example in the field of technology innovation on which Enel and Endesa are collaborating, which are leading to important results through the experiences gleaned in Malaga (the first full-scale project in Europe) and Barcelona in Spain, Buzios in Brazil, and Santiago in Chile.

98% of Endesa's power output in both Spain and Latin America is certified according to environmental standards. Meanwhile, the measures implemented between 2008 and 2012 to manage and curb emissions have led to an 89% decrease in SO_2, a 49% drop in NOx and a 74% reduction in suspended particulates emitted by the major fossil fuel-fired plants.

Nevertheless, the company is convinced that future business plans that are not founded on people's well-being are neither possible not decent, and that the foundations of this welfare must be health and safety. As a member of the Enel Group, Endesa's utmost priority is the health and safety of those working in and for the company. Our shared vision is unwavering and does not give room for short cuts: achieve a "zero accident" rate. While this target has not yet been achieved, we are making huge strides towards this goal year after year.

2012 figures underline this progress. Thanks to the combined efforts of Enel and Endesa, the latter has driven down its accident rates to an all-time low. The combined accident frequency rate (i.e. taking into consideration both employees on the payroll and those of sub-contractors) fell by 24% year on year. These results are positive and very encouraging, although we will not rest until we have cut our accident rates to "zero".

Of course, this staunch commitment to people includes our customers. They are the final beneficiaries of not only the outputs from our electricity generation and distribution activities, but also of our technological advances and customer services. We have also made huge strides in this regard: The company's System Average Interruption Duration Index (SAIDI) in Spain was reduced by 8 minutes to 52 minutes, which equates to full supply security 99.99% of the time per annum. At an operational level, waiting time at sales offices was also slashed by 9%.

To sum up, people - shareholders, investors, customers, employees and so forth - are the beacon that brings sense to our activities and guides our efforts. There is no greater reward for the 22,000 people working at Endesa that the trust placed in them by the millions of people who can enjoy a better life thanks to the electricity, gas, light we supply... brightening their lives. We have done this throughout our history and will continue to do so.

Andrea Brentan
Consejero Delegado

Anllares thermal power station Cooling tower

Corporate governance

BOARD OF DIRECTORS

Honorary Chairmen

RODOLFO MARTÍN VILLA
MANUEL PIZARRO MORENO

Chairman

BORJA PRADO EULATE

Vice Chairman

FULVIO CONTI

ChiefExecutive Officer

ANDREA BRENTAN

Members

MASSIMO CIOFFI
GIANLUCA COMIN
ALEJANDRO ECHEVARRÍA BUSQUET
LUIGI FERRARIS
MIQUEL ROCA JUNYENT

Secretary (director)

SALVADOR MONTEJO VELILLA

EXECUTIVE COMMITTEE

Chairman

BORJA PRADO EULATE

Members

FULVIO CONTI
ANDREA BRENTAN
LUIGI FERRARIS

Secretary

SALVADOR MONTEJO VELILLA

AUDIT AND COMPLIANCE COMMITTEE

Chairman

MIQUEL ROCA JUNYENT

Members

BORJA PRADO EULATE
LUIGI FERRARIS
ALEJANDRO ECHEVARRÍA BUSQUET

Secretary

SALVADOR MONTEJO VELILLA

APPOINTMENTS AND COMPENSATION COMMITTEE

Chairman

ALEJANDRO ECHEVARRÍA BUSQUET

Members

MASSIMO CIOFFI
LUIGI FERRARIS
MIQUEL ROCA JUNYENT

Secretary

SALVADOR MONTEJO VELILLA

EXECUTIVE MANAGEMENT COMMITTEE (*)

Chief Executive Officer

ANDREA BRENTAN

General Manager - Legal Department and General Secretary

BORJA ACHA BESGA

General Manager – Latin America

IGNACIO ANTOÑANZAS ALVEAR

General Manager – Spain and Portugal

JOSÉ DAMIÁN BOGAS GÁLVEZ

General Manager - Finance

PAOLO BONDI

General Manager - Procurements

FRANCESCO BURESTI

General Manager – Systems and Telecommunications

RAFAEL LÓPEZ RUEDA

General Manager - Communication

ALBERTO FERNÁNDEZ TORRES

General Manager – Strategy and Development

HÉCTOR LÓPEZ VILASECO

General Manager – Organisation and Human Resources

JOSÉ LUIS PUCHE CASTILLEJO

General Director - Innovation

FEDERICO FEA

(*) Up-to-date at the date of preparation of this report.

Key Financial Data

Key statement of financial position data	Euro million				
	2008	2009	2010	2011	2012
TOTAL ASSETS	**58,546**	**59,937**	**62,588**	**58,721**	**58,778**
Business in Spain and Portugal	41,668	40,876	40,779	37,477	36,063
Business in Latin America	16,878	19,061	21,809	21,244	22,715
Other	0	0	0	0	0
PROPERTY, PLANT AND EQUIPMENT	**31,528**	**32,913**	**32,896**	**32,904**	**34,106**
Business in Spain and Portugal	21,727	23,404	22,001	21,978	22,457
Business in Latin America	9,801	9,509	10,895	10,926	11,649
Other	0	0	0	0	0
EQUITY OF THE PARENT	**17,082**	**14,227**	**17,776**	**19,291**	**20,653**
Business in Spain and Portugal	14,325	10,218	12,800	14,416	15,642
Business in Latin America	2,757	4,009	4,976	4,875	5,011
Other	0	0	0	0	0
EQUITY, NON-CONTROLLING INTERESTS	**3,682**	**4,733**	**5,388**	**5,388**	**5,716**
Business in Spain and Portugal	200	199	–2	15	–7
Business in Latin America	3,482	4,534	5,390	5,373	5,723
Other	0	0	0	0	0
NET FINANCIAL DEBT	**14,003**	**18,562**	**15,336**	**11,002**	**8,778**
Business in Spain and Portugal	8,732	13,865	10,684	6,841	5,059
Business in Latin America	5,271	4,697	4,652	4,161	3,719
Other	0	0	0	0	0

Key income statement data	Euro million				
	2008	2009	2010	2011	2012
INCOME	**22,836**	**25,925**	**31,177**	**32,686**	**33,933**
Business in Spain and Portugal	14,482	17,473	21,191	22,650	23,146
Business in Latin America	8,354	8,452	9,986	10,036	10,787
Other	0	0	0	0	0
EBIT	**5,234**	**5,052**	**5,031**	**4,653**	**4,418**
Business in Spain and Portugal	2,826	2,555	2,483	2,244	1,998
Business in Latin America	2,408	2,497	2,548	2,409	2,420
Other	0	0	0	0	0
PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS	**7,169**	**3,430**	**4,129**	**2,212**	**2,034**
Business in Spain and Portugal	2,209	2,759	3,498	1,593	1,410
Business in Latin America	506	671	631	619	624
Other	4,454	0	0	0	0
EBITDA	**6,895**	**7,228**	**7,474**	**7,265**	**7,005**
Business in Spain and Portugal	3,927	4,060	4,079	4,024	3,796
Business in Latin America	2,968	3,168	3,395	3,241	3,209
Other	0	0	0	0	0

Key economic flows	Euro million				
	2008	2009	2010	2011	2012
NET FLOWS FROM OPERATING ACTIVITIES	**5,329**	**4,967**	**5,905**	**5,838**	**5,247**
Business in Spain and Portugal	3,056	2,387	3,532	3,407	3,114
Business in Latin America	2,273	2,580	2,373	2,431	2,133
Other	0	0	0	0	0
TOTAL INVESTMENT	**4,150**	**4,180**	**3,408**	**2,826**	**2,727**
Business in Spain and Portugal	2,628	2,972	2,211	1,495	1,413
Business in Latin America	1,442	1,208	1,197	1,331	1,314
Other	80	0	0	0	0
DIVIDENDS	**6,243**	**1,088**	**1,077**	**642**	**—**

Per share data	Euro				
	2008	2009	2010	2011	2012
Yield	6.77	3.24	3.9	2.09	1.92
Dividend	5.9	1.03	1.02	0.61	—
Equity of the Parent	16.13	13.44	16.79	18.22	19.51
Total shareholder return (%)	–17.1	4.34	–15.13	–12.58	10.26
P/E ratio (Price/Earnings (x))	4.22	7.39	4.95	7.59	8.78

Key Financial Data

	2008	2009	2010	2011	2012
Workforce	**26,587**	**26,305**	**24,732**	**22,877**	**22,807**
Spain and Portugal (1)	13,590	13,397	12,151	11,670	11,504
Latin America	12,896	12,676	12,462	11,092	11,301
Other	101	232	119	115	2
Installed capacity (MW)	**39,656**	**39,642**	**40,142**	**40,095**	**39,403**
Spain and Portugal	24,228	22,577	23,116	23,072	23,122
Hydroelectric	5,417	4,729	4,731	4,716	4,716
Conventional thermal (2)	13,136	13,375	14,720	14,675	14,720
Thermal – nuclear (2)	3,641	3,670	3,665	3,681	3,686
CHP and renewables (2)	2,034	803	0	0	0
Latin America (3)	15,284	15,853	15,835	15,832	16,158
Other (2)	144	1,212	1,191	1,191	123
Output (GWh)	**149,830**	**137,053**	**130,485**	**138,714**	**141,434**
Spain and Portugal (4)	88,189	72,707	67,049	75,132	77,386
Hydroelectric	7,548	8,533	9,208	6,179	5,350
Conventional thermal	50,942	38,506	29,664	43,776	45,069
Thermal – nuclear (2)	26,112	22,630	27,619	25,177	26,967
CHP and renewables (2)	3,587	3,038	558	0	0
Latin America (3)	60,690	62,767	62,416	62,767	63,118
Other (2)	951	1,579	1,020	815	930
Sales (GWh)	**160,661**	**157,254**	**162,465**	**162,336**	**162,490**
Spain and Portugal	109,032	104,618	106,894	105,241	102,766
Regulated market	61,327	23,445	0		
Deregulated market (5)	47,705	81,173	106,894	105,241	102,766
Latin America (6)	51,629	52,636	55,571	57,095	59,724
Energy distributed (GWh) (7)	**189,914**	**186,883**	**193,223**	**193,527**	**197,176**
Spain and Portugal	119,529	115,265	117,670	115,727	115,390
Latin America	70,385	71,618	75,553	77,800	81,786
Customers (thousands)	**24,066**	**24,607**	**25,001**	**25,192**	**25,443**
Spain and Portugal	11,649	11,700	11,729	11,537	11,431
Regulated market (8)	10,296	0	0		
Deregulated market (5)	1,353	11,700	11,729	11,537	11,431
Latin America	12,417	12,907	13,272	13,655	14,012

(1) In contrast to previous years, 2008 to 2012 data include figures for Asociación Nuclear Ascó-Vandellos, Carbopego, Nuclenor, Pegop Energía Eléctrica, Tejo Energía and Endesa Ingeniería due to changes to the consolidation scope.
(2) Data consolidated by Endesa.
(3) Includes the Chilean plant GasAtacama, accounted for using the proportionate consolidation method from 1 January 2008.
(4) Data measured according to busbar cost. 2009 hydro output sold to Acciona is included to June and output from Nuclenor and Tejo Energia throughout the year as these assets were accounted for using proportional consolidation.
(5) To provide coherent economic data for this business, we include sales made by Endesa Energía and customers in European countries outside of Spain and Portugal.
(6) Does not include tolls or unbilled consumption
(7) Data measured according to busbar cost.
(8) Tariff customers. Does not include access customers.

The Enel Group

1. Enel, líder internacional

Enel is the largest power utility in Italy. It owns most of the country's electricity distribution grid and is an active operator in the electricity and gas supply, distribution and generation market.

Enel has been listed on the Milan Stock Exchange since 1999 and its main shareholder is Italy's Ministry of Economy and Finance which holds a 31.24% stake. It boasts the greatest number of shareholders of any Italian company; approximately 1.3 million minority and institutional shareholders.

The Enel Group operates in 40 countries across four continents, with an installed capacity of 98 GW, and distributes electricity and gas to more than 61 million customers.

Having completed a period of international expansion, Enel is now actively involved in consolidating the businesses it has acquired and continuing with business integration.

Thanks to our Code of Ethics, sustainable approach, respect for the environment, and adoption of international best practices regarding transparency and corporate governance, Enel's shareholders include the largest international investment funds, insurance companies, pension and ethical investment funds and over one million individual savers.

2. Endesa, integrating a great partner

Enel has a 92.06% stake in Endesa, the largest electricity company in Spain and the leading private power utility in Latin America.

Through Endesa, the Enel Group boasts 23 GW of installed capacity in Spain and Portugal and a major presence in the electricity and gas supply and distribution business, serving 11.4 million customers. It is the largest private corporation in Latin America with 16 GW of installed capacity, and operates in the distribution sector in the five largest cities in South America with close to 14 million customers.

Through Endesa, Enel also plays a role in the gas market in Morocco where it operates a thermal power plant.

3. Energy without borders

The Enel Group also has operations in other European countries. It is an end-to-end operator in the gas cycle, and in electricity generation and supply through SeverEnergia (a consortium in which Enel has a 19.6% stake) , and manages assets in the natural gas sector. Enel also boasts a 56.43% stake in GEnco (an electricity generation company) «Enel OGK-5», which has four thermal power plants in the areas of the country registering the greatest growth. In the retail sector, Enel has a 49.5% stake in RusEnergoSbyt, the largest electricity supplier in Russia.

In Slovakia, Enel holds 66% of the share capital of Slovenské Elektrárne (SE), the biggest electricity producer in the country with 5.4 GW of capacity and the second largest in Central and Eastern Europe, boasting a balanced mix of thermal, nuclear and hydroelectric generation assets.

Enel has 2.6 million customers in Romania's electricity supply market through Enel Energie and Enel Energie Muntenia, and in its electricity distribution market through Enel Distributie Banat, Enel Dobrogea Distributie and Enel Muntenia Distributie. Enel Green Power also operates in Romania's renewable energy sector.

Elsewhere, Enel operates in France's nuclear sector, and its renewable energy sector through Enel Green Power.

Enel holds 68.3% of the share capital of Enel Green Power, the Group's renewable energy company with 8 GW of capacity in Europe and America. Enel Green Power operates approximately 1.9 GW of renewable energy plants in Spain and Portugal, and over 1.2 GW of hydro, geothermal, wind solar and biomass power assets in North America.

Cascade 2012

The Enel Group also operates in other countries where it is involved in the extraction of fuels, grid research, and supply and representation activities (Albania, Algeria, Saudi Arabia, Belgium, China, Egypt, the United Arab Emirates, the Philippines, Germany, Honduras, Indonesia, Nicaragua, Holland, Poland, Qatar, Turkey and Hungary).

4. Innovation and service quality

The Enel Group is at the leading edge of technological innovations to generate electricity more efficiently and responsibly, and offers new solutions to customers (from energy efficiency products to smart grids) under a common denominator: electricity, the cleanest and most efficient energy vector.

Enel is the first company anywhere in the world to have installed 34 million smart meters in Italy. It will also roll out a further 13 million among its customers in Spain. This cutting-edge tool is critical to developing smart grids, smart cities and e-mobility.

All this work is conducted while paying the utmost attention to service quality and relations with our stakeholders through a transparent corporate social responsibility policy that guarantees value creation for all our stakeholders today and tomorrow.

5. Enel Group’s 2012 results

In 2012, the Enel Group hit its published targets, generating EBITDA of Euro 16,738 million, compared to Euro 17,605 million in 2011. It also brought down its net financial debt by almost Euro 1,700 million to Euro 42,948 million at the reporting close. Profit after tax stood at Euro 3,455 million or Euro 865 million including the impact of non-recurring losses (including the write-down of the stake in Endesa).

Macroeconomic, energy and regulatory framework

1. Macroeconomic highlights

1.1. Global economic climate

At a global level, the world economy continued to slide during 2012, while future growth projections are being revised downwards. Activity indicators, especially regarding growth and unemployment, flagged up a growing and widespread economic slump in the latter six months of 2012 and do not appear to be improving much in the current year.

Economic activity in the advanced economies (especially the United States, Germany and the United Kingdom) remained weak in 2012.

Furthermore, the effect of contagion from those economies experiencing financial problems and internal difficulties put the brakes on activity in the emerging and developing economies. This contagion drove down raw materials prices and hit trade in many exporter countries.

The lower rate of growth of emerging and developing economies also stemmed from internal factors, particularly a limited ability to sustain the high growth rates of these economies and accumulated fiscal imbalances.

According to IMF data, the US economy was more buoyant than initially expected at the start of 2012, although real GDP growth subsequently decelerated to 1.7% in the second half of the year. The nation's job market and consumption did not pick up, spurring the Federal Reserve into introducing new stimulus measures. On a brighter note, the real-estate market stabilised and lending to the private sector rose moderately.

The periphery of the Eurozone was at the epicentre of a further ratcheting up of pressures in the financial markets in 2012, primarily fuelled by increased political and financial uncertainty in Greece, banking sector difficulties in Spain, and doubts about the ability of governments to drive through reforms and complete fiscal adjustments. The Eurozone was at the heart of financial sector destabilisation and the bloc that reported the lowest growth throughout 2012.

According to the EU Statistical Office, Eurostat, the Eurozone economy fell into a recession after posting a 0.1% dip in activity in the third quarter of 2012 compared to the previous three months, when it had already shrunk by 0.2%. Meanwhile, Eurozone GDP flatlined for the fourth consecutive quarter.

Year on year, Eurozone GDP contracted 0.6% in the third quarter, while the EU-27 posted a decline of 0.4%. By country, the Netherlands suffered the worst downtick (-1.1%), ahead of Portugal (-0.8%), Cyprus (-0.5%), Spain (-0.3%), Italy (-0.2%) and Austria (-0.1%), while countries such as Estonia (+1.7%), Slovakia (+0.6%), Finland (+0.3%) and France and Germany (+0.2%) enjoyed some growth. The latest forecasts of the European Commission indicated a widespread downgrading of growth forecasts in the Eurozone to -0.4% in 2012 and +0.1% in 2013 (from +1.0%), above all because of the worsening situation in Germany, where the growth rate is expected to slide next year (from +1.7% to +0.8%).

After a spike following the credit crunch, emerging economies in Europe have also seen a slowdown in exports to the Eurozone, with a subsequent knock-on effect on their GDP. Meanwhile, a buoyant Russian, which benefitted several economies in the region, also lost its initial thrust during the year.

Elsewhere, according to IMF data, developing economies on the Asian continent saw growth hit by the slowdown in China because of a tightening of lending terms, a return to more sustainable public spending rates, and weakening of external demand. India's economy was hit by a drop in business confidence due to the drying up of new project approvals, the slow pace of structural reforms, rising interest rates to restrict inflation, and a slump in external demand.

1.2. Economic climate in Spain

The Spanish economy continued to adjust in 2012, experiencing a substantial downtick in private and public spending, although the trade deficit did improve slightly.

At a political level, the Government was heavily criticised in 2012 for the reforms and adjustments introduced to bring down the public deficit. Cuts to the budget and welfare provision and the economic reforms passed led to significant opposition by the public, with the executive and legal authorities under fire.

Towards the end of 2012 and especially from the second quarter of the year onwards, the Spanish economy was affected by the re-emergence of financial tensions in the Eurozone due to the worsening sovereign debt crisis and doubts about the Spanish economy, particularly the banking sector's recapitalisation requirements and the country's ability to complete the process of shoring up its fiscal position.

The markets were influenced by this uncertainty which led to rising sovereign debt risk premiums, stock markets losing ground, and a downgrading of the credit ratings of public and private debt.

In this context, the Bank of Spain reported that the Spanish economy shrank less that expected in 2012, by 1.37% compared to the rate of 1.5% forecast by the Government. This contraction in GDP was driven by a downturn in domestic demand of 3.9%, which was higher than in the previous year. In contrast, for yet another year net external demand softened the impact of the drop in domestic spending on activity, making an average positive contribution of 2.6 percentage points during the year and underpinned by rising exports and a reduction in imports.

On the supply side, Bank of Spain data showed that all sectors posted poorer results compared to 2011, with decreases in value added by industry, non-market services, and above all, construction. Growth in market services remained practically flat.

Employment contracted at a faster rate than in the previous year, with the number of people in work falling by 4.3%, partly due to job cuts in the public sector for the first time since the start of the recession. Unemployment climbed to 26% in the fourth quarter of 2012.

Meanwhile, rising product prices due to the raise in VAT drove up the interannual inflation rate to 3.5%, the highest figure posted during the year.

1.3. The Spanish electricity market

The poor economic climate described in the previous sections has driven down electricity consumption in Spain. Following the drop in electricity demand in 2011, domestic electricity demand was 1.7% lower in 2012 than in the previous year, stripping out the effects of working days and temperature.

The amount of electricity required by industry fell 5.3% in 2012, while that used by the service sector dropped 3.3%, according to the major electricity consumer index of Red Eléctrica de España (REE). On aggregate, this segment of major consumers used 4.2% less electricity during the year.

Nationally, nuclear power covered the largest share of total demand, contributing between 21% and 22%, with coal taking over second slot from wind power. The share of total electricity demand covered by coal-fired plants rose from 15% to 20%, while wind power climbed from 16% to 18%.

Output from hydroelectric and combined cycle plants fell as a percentage of total demand to 7% and 14%, respectively, while the contribution from other technologies remained fairly stable.

Turning to the regulatory environment in 2012, the Spanish electricity sector was affected by the bill passed by Government introducing seven new taxes on generation, which will significantly reduce power utilities' revenues.

The bill, which has been appealed against and still has to go through parliament, stipulates that taxes will be charged solely on output, especially output from inefficient plants, which are also those that provide the cheapest electricity to consumers, the price of which is totally in line with those in the rest of Europe.

1.4. Economic climate in Latin America

In general, the Latin American countries where ENDESA operates weathered the crisis better than the EU markets, largely thanks to domestic demand and raw material exports.

Nevertheless, as from the second half of 2012, the region's economy slowed somewhat primarily because of more stringent monetary policies, and above all, the global economic downturn which affected GDP growth rates. That said, on the whole, growth rates remain positive and fairly high, although in some cases they are lower than in the previous year.

2012 figures for GDP and inflation in the countries in which Endesa operates are shown below:

			Dif. previous year (pp).	
	GDP growth %	Inflation %	GDP	Inflation
Chile	5.5	1.9	–0.5	–2.5
Argentina	1.5	10.3	–7.4	–0.8
Brazil	1.1	5.5	–1.6	–1.0
Colombia	4.4	2.9	–1.5	–0.8
Peru	6.1	2.9	–0.8	–1.8

Source: 2012 Annual Forecast as per Consensus (December 2012).

1.5. Latin American electricity market

Latin American countries comprise the second most dynamic electricity market in the world in terms of growth in electricity demand. According to the International Energy Agency, demand for electricity and gas is likely to grow by around 2.5% per annum through to 2020 in this region.

In 2013, electricity demand in the areas of Latin America where ENDESA operates is forecast to rise by 4.7% year on year; generally showing a very different response to the crisis than countries in the European Union.

2. Interest rate and exchange rate trends

Euro and US dollar interest rates fell throughout 2012, reaching all-time lows at both the short and long end of the curve. Short-term rates fell due to the monetary policies rolled out by the respective central banks, while long-term rates were affected by investors' aversion to risk and the search for safe-havens leading to the acquisition of low-risk North American and German treasury bonds.

The three-month Euribor fell to a minimum in December 2012 (0.181%), while ten-year, long-term Euro interest rate swaps dropped from 2.38% at year-end 2011 to 1.565% at the end of 2012 (which was the lowest rate in 2012 and also an all-time minimum).

In the case of the US dollar, the three-month US dollar Libor began the year at 0.58%, and went on to decline to 0.30%.

At the long end of the curve, ten-year US dollar interest-rate swap rate fell from 2.04% at the start of 2012 to 1.04% at year end. It reached a yearly low in July of 1.53%.

The EUR/USD exchange rate fluctuated wildly during 2012, reaching a high of 1.3458 and a low of 1.2061, standing at 1.3193 at year end.

Latin American currencies (Chilean Peso, Colombian Peso and the Peruvian New Sol) largely strengthened against the US dollar, except for the Brazilian real which lost ground.

The headline figures in countries such as Chile and Peru were increasing GDP growth rates and contained inflation. In Colombia, macroeconomic indicators remained stable, while the country enjoyed marked inflows of foreign direct investment. During the year, Latin America's largest economy, Brazil, was confronted with the growth vs. inflation dilemma. In 2012, the Brazilian Central Bank announced the highest ever cut in the Selic rate (375 bp to 7.25%). The other central banks left their reference interest rates unchanged.

3. International fuel and freight market

3.1. Oil and oil derivatives

Oil prices remained stable year on year, remaining above US dollar 100 a barrel throughout 2012, except in June and July. Brent averaged US dollar 111.68/barrel, closing the year down at US dollar 109.99/barrel.

Oil derivatives prices climbed slightly higher than oil prices. FOB ARA 0.1% sulphur fuel oil and FOB NWE 1% sulphur fuel oil closed the year at an average price of US dollar 953.4/t (+2% vs. 2011) and US dollar 666.9/t (+5% vs. 2011), respectively.

3.2. Natural gas

Spot prices in Europe remained low and in line with those seen in the prior year, contrasting with LNG prices in the Far East.

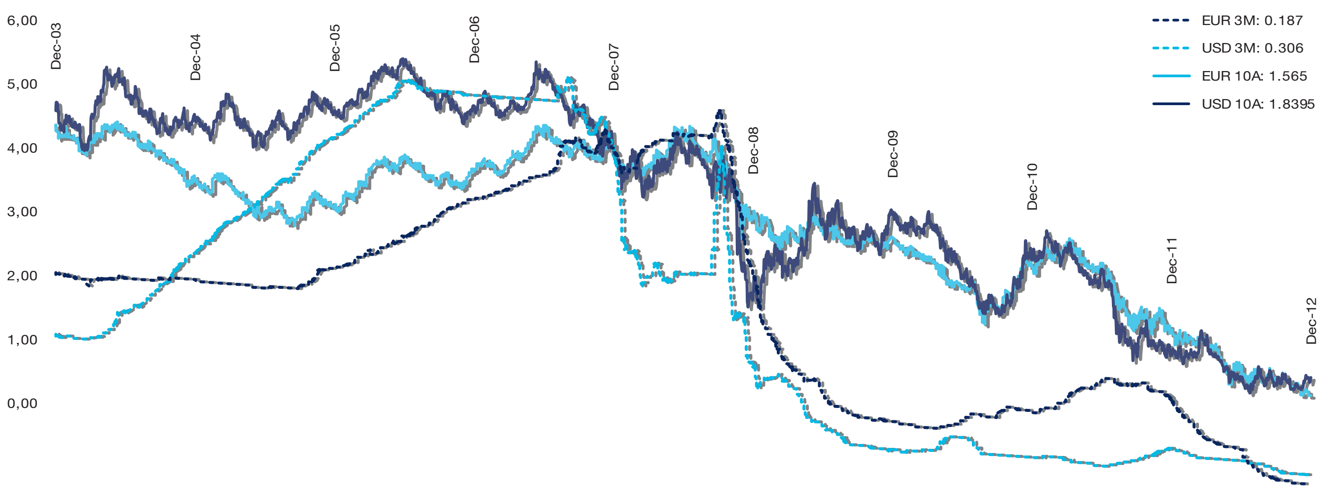
Natural gas demand in Spain fell 2.8% year on year, primarily due to the 23% drop in demand for electricity. Natural gas demand in the conventional power generation sector remained stable compared to 2011.

23% of the natural gas consumed was used to generate electricity, compared to 29% in the previous year.

3.3. Coal

Coal prices fell sharply year on year in 2012. The average FOB price for South African coal was US dollar 92.92/t in 2012, down 20% on the 2011 figure of 116.30/t. This decline was mainly the result of greater coal supply from around the

Interest rates in recent years



world, especially American coal from the Atlantic Ocean and Indonesian and Australian coal from the Pacific. 904 million tonnes of coal were sold globally in 2012, up 10.5% on the figure of 818 million tonnes in 2011.

Endesa's thermal power stations in Spain used a total of 9.6 million tonnes of coal in 2012, 30% more than in the previous year (7.2 million tonnes).

3.4. Freight market

The oversupply of vessels continued into 2012, which was the primary reason for the slump in the freight market, even though demand for shipments rose. The average price for the South Africa-Europe route for *Cape tankers* (150,000 tonnes) was US dollar 8.34/t, 22% lower than in 2011. The *time charter* price closed the year at US dollar 9,148/day, down 43% on 2011.

Endesa explored new formulae to hedge against freight prices, chartering vessels through time charter arrangements and Contracts of Affreightment linked to bunker (fuel) prices.

4. Regulatory framework in 2012

4.1. Main regulatory changes in Spain

The Spanish electricity sector is basically regulated under the Electricity Sector Act 54/199 of 27 November, which was last amended on 4 July 2007 by Law 17/2007.

Since 1 July 2009, all customers have bought their electricity through supply companies. Nevertheless, customers meeting certain requirements can acquire their energy at a price pre-established by the Government, the Last Resort Tariff (LRT). These customers are supplied by Last Resort Suppliers (LRS).

The Spanish gas sector is regulated under the Hydrocarbons Sector Act 34/1998 of 7 October, which was last amended on 2 July 2007 by Law 12/2007.

Also, since 1 July 2008, customers have obtained natural gas from supply companies although, in some cases, customers meeting certain requirements can acquire their gas at a price pre-established by the Government, the LRT. These customers are supplied by LRSs.

4.1.1. Energy sector reform

In 2012, the Spanish government approved a series of measures to cut the revenue shortfall in the settlement system for regulated activities. The measures adopted were as follows:

- Royal Decree-Law 1/2012 of 27 January, eliminating the feed-in tariffs and pre-registration procedure for CHP/ renewable energy plants not registered on the list of plants entitled to said tariffs.

- Royal Decree-Law 13/2012 of 30 March, transposing EU directives on the electricity and gas markets and certain measures to reduce the electricity and gas industries' deficit, which affected the electricity distribution and transmission businesses, ordinary regime generation in island and non-mainland electricity systems, the capacity payment mechanism, the mechanism of restrictions to guarantee supply (encouraging use of domestic coal), etc.

- Royal Decree-Law 20/2012 of 13 July, establishing specific measures relating to ordinary regime generation in the island and non-mainland electricity systems, and the electricity transmission business. It also introduced a supplementary charge to be paid by consumers in addition to the access tariffs and the LRT in the case of regional taxes or regional surcharges over and above state taxes. This legislation also authorised the Ministry for Industry, Energy and Tourism to establish sliding scale criteria for access tariffs. Tariffs will be revised annually.

- Law 15/2012 of 27 December, amending certain taxes on electricity generation: a 7% general tax on ordinary regime output and CHP/renewable energy output; a tax on spent nuclear fuel and radioactive waste and the storage thereof in centralised deposits; a 22% levy on revenues from hydroelectric power output (with certain scenarios under which this levy can be reduced); and the imposition of a green tax of one Euro-cent on electricity generated using natural gas, coal, fuel-oil or gas-oil. Revenues from these taxes and part of the revenues from emission allowance auctions will be used to finance electricity system costs.

- Royal Decree-Law 29/2012 of 28 December, amending the deficit thresholds for 2012 and 2013.

- Royal Decree-Law 2/2013 of 1 February, replacing the current system for remunerating regulated activities linked to the Consumer Price Index with a system linked to the Consumer Prices Index at constant tax rates, i.e. excluding prepared foodstuffs and energy products. This legislation also amends the options available to sell energy produced by CHP/renewable energy facilities.

Lastly, on 15 February 2013 the Spanish cabinet put a bill before the Spanish parliament through which the Ministry for Industry, Energy and Tourism will award an extraordinary loan to finance, if required, feed-in tariffs in 2013, up to a maximum of Euro 2,200 million.

Further details of some of these measures are set out below.

4.1.2. Generation and markets

Royal Decree-Law 1221/2010 introduced restrictions on guarantee of supply, establishing a preferential dispatch mechanism for certain levels of energy volume at power stations fired by domestic coal. These power stations must offer energy at variable cost in the day ahead market and, in the event that their offer is not taken up, the transmission system operator will transfer programmed energy from other plants on a decreasing CO_2 emission basis. The above-mentioned regulation also provides for the restrictions on guarantee of supply to remain in force until the end of 2014.

In 2012, exceptional, urgent measures were brought in through Royal Decree-Law 20/2011 of 30 December, relating to budgetary, tax and financial matters to eliminate the public deficit. This legislation authorised the Ministry to establish each quarter the amounts of coal to be consumed, the maximum output covered by this mechanism, and the energy prices to be applied in this process. Royal Decree-Law 13/2012 also reduced the maximum annual volume that can be scheduled under this mechanism to 10%. Throughout 2012, quarterly rulings were issued pursuant to the aforementioned provisions.

Ministerial Order ITC/3127/2011 established an availability service to be provided by 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 Euro 5,150/MW, although this will be affected by the different availability factors for each technology. The Ministerial Order also amends the current investment initiative for facilities built after 1998, increasing this figure from Euro 20,000 to Euro 26,000/MW. It also establishes an investment incentive (Euro 8,750/MW) for those installations which have invested in environmental improvements and in substantially reducing sulphur oxide emissions.

The Spanish government also introduced regulatory amendments and changes to the remuneration system for CHP/renewable energy output. Royal Decree 1/2012 suspended the procedure for pre-assigning feed-in tariffs and premiums for electricity generated by new CHP, renewable energy and waste-to-power plants. This has affected CHP/renewable energy technologies such as wind, solar, solar thermal, cogeneration, biomass, biogas, small hydro and waste-to-power as well as Ordinary Regime facilities offering these technologies. The regulation is not retroactive.

Royal Decree-Law 29/2012 also stipulated that the premiums for CHP/renewable energy plants would not be available for installations inscribed in the Remuneration Pre-assignment Register which were not fully commissioned within the specified deadline.

Lastly, Royal Decree 2/2013 amended the system for revising the feed-in tariffs for CHP/renewable energy plants, eliminating the possibility of such plants collecting a premium if they have opted to sell their output on the open market. Thus, with effect from 1 January 2013, all plants opting to sell on the open market are automatically required to sell their output at tariff (unless expressly stated otherwise, in which case they will not be able to sell at tariff in the future).

4.1.3. Shortfall from regulated activities

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

Meanwhile, and until 1 January 2013, any temporary mismatches between the shortfall on regulated activity settlements and the recognised ex-ante deficit on the access tariffs, will be financed by the companies in differing proportions, with 44.16% corresponding to Endesa.

However, the Spanish government adopted the aforementioned measures in 2012 prompted by the structural deficit in the Spanish electricity system and in order to reduce or eliminate this deficit. Royal Decree-Law 29/2012 also amended the deficit thresholds, specifically increasing the 2012 deficit that may be transferred to the Deficit Securitisation Fund for the Electricity System (FADE) up to the amount resulting from the final settlement that year. The first section of the twenty-first additional provision of the aforementioned law was also eliminated, which specified that the 2013 deficit would be zero.

2011 tariff deficit

At 31 December 2011, the tariff deficit was Euro 3,850 million. The difference between the final amount of the settlements and the maximum deficit, i.e. Euro 3,000 million, was deemed to be a cost charged to access tariffs in 2012 pursuant to Royal Decree-Law 6/2010.

2012 tariff deficit

The lack of access tariff collections to cover system costs in 2012 led to an estimated shortfall in revenue from regulated activities of Euro 3,014 million for the sector (not including the amount exceeding the 2011 deficit added to the 2012 deficit of Euro 867 million). Of this amount, Endesa must finance 44.16%. Furthermore, a non-mainland deficit of Euro 1,403 million built up over the period, which must be added to the electricity system deficit, which was fully financed by Endesa at 31 December 2012. In short, the 2012 system deficit is expected to reach Euro 5,284 million.

4.1.5. 2012 electricity tariff

Ministerial Order IET/3586/2011 revised the access tariffs from 1 January 2012, setting an average rise of 8.2% and stipulating a revenue shortfall on settlements for regulated activities of Euro 1,500 million.

The Resolution of 30 December 2011 established that the LRT applicable in the first quarter 2012 should remain the same as in the previous quarter, thanks to the decrease in energy costs following the CESUR auction.

Additionally, and in application of the Supreme Court order that suspended the reduction in access tariffs established by Ministerial Order ITC/2585/2011, the Ministry for Industry, Energy and Tourism set new LRT rates for the period between 23 (when the court order was passed) and 31 December 2011. Subsequently, the Supreme Court issued various rulings in which it agreed to the cautionary suspension of Ministerial Order IET/3586/2011, and urged the Ministry for Industry, Energy and Tourism to ensure access tariffs were sufficiently high.

Therefore, Ministerial Order IET/843/2012 set new access tariff rates for the first quarter of 2012, as well as for the rest of the fourth quarter of 2011 (between 1 October and 22 December). Furthermore, the aforementioned order increased access tariffs from 1 April by an average 6.3% with respect to previous tariffs.

The General Directorate of Energy and Mining resolution of 25 April 2012 approved an average increase in the LRT of 7% compared to the prevailing tariff, as a result of the CESUR auction and the aforementioned revisions of the access tariffs laid down in Ministerial Order IET/843/2012 introducing changes to the LRT for the periods affected by the aforementioned Supreme Court rulings.

The Resolution of 28 June 2012 approved the LRTs from 1 July 2012, establishing an average increase of 3.9%, in the wake of the increase in energy costs resulting from the CESUR auction and stable access tariffs.

Subsequent to the corresponding auction, the General Directorate of Energy and Mining resolution of 27 September 2012 also reduced the LRT for the fourth quarter by 2.29%.

4.1.5. 2013 electricity tariff

The Resolution of 27 December 2012 set the LRT for the first quarter of 2013 at 2% higher than that applicable to the previous quarter as a result of the increase in energy costs resulting from the CESUR auction and stable access tariffs.

Ministerial Order IET/221/2013 established the access tariffs applicable as from 1 January 2013, maintaining those currently in force.

4.1.6. Non-mainland systems

Royal Decree 1623/2011 of 14 November, adapted the regulation for island and non-mainland systems, taking into consideration power obtained from the Mainland-Balearics interconnection.

Law 2/2012 of 29 December, concerning the Spanish government budgets for 2012, and Law 17/2012 of 27 December on the budgets for 2013, amended the percentages set by Royal Decree-Law 6/2009 for funding compensation for these systems in 2011 and 2012 via the budgets, as the settlement system managed by the CNE is intended to be supplementary. Furthermore, Ministerial Order IET/221/2013, setting the access tariffs as from 1 January, gave instructions for the Spanish National Energy Commission (CNE) to include these items in the 2012 settlements.

As part of the aforementioned reform, various measures were also adopted affecting these systems. Specifically, Royal Decree-Law 13/2012 of 30 March, laid down that the Ministry for Industry, Energy and Tourism should present a revision of the model for remunerating output from the island and non-mainland systems.

Meanwhile, Royal Decree-Law 20/2012 amended certain aspects of the recognised costs of non-mainland generation with effect from 1 January 2012, specifically:

- The yield spread over the government bond for the purposes of financial return on the investment is established at 2%.
- Annual fixed operating and maintenance costs are reduced by 10%.
- Remuneration on recurring costs has been removed.

Royal Decree-Law 20/2012 also laid down that any revision resulting from the provisions of Royal Decree-Law 13/2012 be applied from 1 January 2012.

4.1.7. Distribution

Royal Decree 222/2008 of 15 February, which includes remuneration for electricity distribution activities, set a new remuneration regime for four-yearly regulatory periods, the first being 2009-2012. Final remuneration for 2011 was calculated using methodology developed by the CNE as stipulated in the Royal Decree.

Royal Decree 1699/2011 of 18 November, was particularly important for the distribution business as it regulates the connection of low-voltage facilities to the grid, whereby the connection can be either direct or via the customer's installation.

Lastly, Royal Decree 647/2011 of 9 May, which regulates charging management for power recharging services, implemented the figure of the Charging Manager created under Royal Decree-Law 6/2010.

Royal Decree-Law 13/2012 introduced a reduction in remuneration for electricity distributors in 2012, including in their commercial management activities, of Euro 689 million, of which Euro 278 million would correspond to Endesa on an annual basis. According to the Royal Decree-Law, the remuneration criteria from 1 January 2012 are as follows:

- Non-depreciated assets in service will be remunerated under the concept of investment, taking their net value as a base for their financial remuneration.

- The accrual of compensation generated by installations put into service in year "n" will begin on 1 January of year "n +2".

The Royal Decree-Law states that the Ministry for Industry, Energy and Tourism will submit a proposal that ties investment compensation to non-depreciated assets in service.

4.2. Main regulatory changes in Europe

4.2.1. EU Directive on Energy Efficiency

The EU Directive on Energy Efficiency was published on 14 November and is designed to cut primary energy consumption by 20% by 2020 (compared to a "*business as usual*" scenario). The main features of the proposal are as follows:

- Room for authorities and companies to achieve the non-binding 20% target in 2020.

- A national target for each Member State based on primary or final energy consumed, primary or final energy saved, or energy intensity, and the requirement to submit a National Action Plan every three years (in 2014, 2017 and 2020).

- Power companies (distribution companies and/or suppliers/ESCOs) must achieve an annual energy efficiency target equivalent to at least 1.5% of energy sales, using the average of the last three years as a benchmark. Member States can design flexible national models combined with alternative measures to ensure targets are met, such as: achieving the target gradually in three stages, excluding ETS sectors from the energy sales calculation, or including measures already implemented since 2009. However, these alternative measures must not account for more than 25% when calculating the aforementioned 1.5%.

- Member States must conduct impact assessments and notify the European Commission thereof before January 2015 regarding the development of high-efficiency cogeneration and district *heating and cooling*. These assessments must be based on cost-benefit analyses which take into account the particular characteristics of each Member State or region.

4.2.2. Regulations on OTC derivatives, clearing houses and trade repositories

On 27 July, the regulation on OTC derivatives, clearing houses and trade repositories (known as the European Market Infrastructure Regulation (EMIR)) was published, laying down requirements for OTC derivative transactions, and the obligation to clear all OTC derivative contracts through central counterparties.

Non-financial firms that use these OTC derivatives for hedging commercial transactions are exempt from the clearing obligation up to a certain threshold. If this threshold is exceeded, all transactions, irrespective of whether or not they are hedge transactions, must be cleared through central counterparties.

4.3. Main regulatory changes in Latin American countries where Endesa operates

4.3.1. Chile

In February, the President of the Republic launched the programme of the 2012-2030 National Energy Strategy (ENE) founded on the proposals set forth in an energy strategy report prepared in 2011 by the advisory committee for electricity development (CADE).

In March, Law 20,571 on net metering was published in the state gazette, which allows customers who have installed non-conventional, renewable energy systems in their homes to sell surplus electricity to the grid.

Law 20,600 was published to set up an environmental justice system. Specifically, three new special courts were created to arbitrate on environmental disputes. The Santiago court opened its doors in December 2012, while the others will begin operating in June 2013.

In August, the President of the Republic put before parliament a plan to hold an auction to build an interconnection between the two primary electricity systems, SIC and SING. He also submitted a bill on the "Electric Highways Act" which sets forth criteria for developing new transmission grids.

Lastly, Decree 130 was enacted in December 2012 setting out the Regulation on Complementary Services. The regulation took effect in April 2013 and sets remuneration for these services.

4.3.2. Brazil

The methodology for the third cycle of revisions was completed, with Coelce the first distribution concessionaire to apply the calculations using the new methodology.

In April, the Brazilian Electricity Regulatory Agency (ANEEL) approved the rules for distributed generation from microgeneration (up to 100 kW) and small generation (up to 1 MW), enabling the power generated by consumers with these systems to be discounted from their bill. Consumers may also convert the surplus power generated into credit, which may be used in a period of up to three years. In September, ANEEL also published Resolution 502/12 regulating electronic electricity meters for residential consumers paying the time-related tariff.

In September, the Government approved Provisional Measure 579 to reduce the final price of the electricity tariff and revive the Brazilian economy, which sets out the conditions for renewing electricity sector concessions expiring between 2015 and 2017, and reduces the levies on the electricity tariff. This measure will not affect the concessions operated by Endesa investees in Brazil.

4.3.3. Colombia

Progress continued towards approving the regulation on the Colombia-Panama interconnection and integrating the Andes region into the electricity system.

In May, the Colombian Regulatory Commission of Energy and Gas (CREG) published Resolution 043/2012 on the new Regulation on Supply which came into force on July 2012.

The new schedule of losses for distribution companies to 2018 was also defined, which proved satisfactory for Codensa.

4.3.4. Peru

Several laws were enacted to promote the development of new infrastructures. On the one hand, the act ensuring energy security through the use of hydrocarbons and the Energy Social Inclusion Fund (FISE) was approved, which will benefit the most needy sections of the population. The Energy Security Act was also enacted which establishes a cross subsidisation mechanism between electricity consumers and the owners of future gas pipelines and other facilities to bolster security of the energy supply.

In April, the Regulation on the Prior Consultation Act was also published, regulating indigenous communities' access to advice on the laws or administrative rulings affecting them. These consultations are not considered as binding and do not represent a right to veto the Government's energy policy.

4.3.5. Argentina

Much of the group's efforts in Latin America concerning the regulatory framework centered around Argentina.

In August, the Chairman of the Interministerial Commission for the Strategic Planning and Coordination of the National Hydrocarbons Investment Plan announced the Government's decision to roll out a new regulatory model based on average costs, while continuing to group activities to ensure a balance between remuneration, investment levels and returns. Until it is implemented (in 2014) and during the transition period, Endesa Costanera and Edesur have reached various agreements with the Secretary of State for Energy to resolve this difficult situation.

In October, Endesa Costanera signed an agreement to implemented a new raft of investments at the generation units of the Central Costanera power station to optimise this facility, totalling approximately US dollar 304 million over seven years. The agreement also set out the payment schedule of a *Long-term Service Agreement (LTSA)* for the plant's combined cycle units.

In the distribution business, the Argentine Energy Sector Regulator (ENRE) approved Resolution 347 in November, authorising distribution companies to impose a surcharge to finance corrective maintenance work and investments totalling Argentine peso 1,000 million per annum through a trust deed signed on 30 November. The surcharge led to an increase in distribution tariffs billed as from November 2012.

In July, ENRE also appointed a supervisor to oversee Edesur for a period of 45 days, which was successively extended over the whole of 2012. The appointment of this supervisor does not represent any loss of control over the company.


39,656
24,228
5,417
13,136
3,641
2,034
15,284
144
4,729
13,375
3,670
803
15,853
1,212
3,665
0
15,835
1,191
130,485
137,053
72,707
149,830
88,189
7,548
50,942
26,112
38,506
22,630
3,038
62,767
109,032
61,327
Conventional thermal
Thermal – nuclear (2)
CHP and renewables (2)
Latin America (3)
Other (2)

Results

1. Financial data

1.1. Consolidated key figures

1.1.1. Net income

Endesa reported net income of Euro 2,034 million in 2012, 8% less than in 2011. The decline is primarily explained by the dip in revenues from certain regulated activities in Spain, the lower margin on output in Chile due to adverse hydrological conditions, and the recognition of a net gain of Euro 123 million in 2011 from the sale of the ITC business line to ENEL Energy Europe, S.L.U.

Endesa's net income, Fiscal Year 2012

	Euro million	% change 2011	% of total net income
Spain and Portugal and Other	1,410	(11.5)	69.3
Latin America	624	0.8	30.7
TOTAL	2,034	(8.0)	100.0

1.1.2. Revenues and EBITDA

In 2012, EBITDA and EBIT declined by 3.6% and 5.1%, respectively, to Euro 7,005 million and Euro 4,418 million.

The decrease in EBITDA was due to the contraction of the business in Spain and Portugal (-5.7%) because of the impact of the measures taken to reduce regulated remuneration applied since the start of 2012, and the contraction of the business in Latin America (-1%) primarily stemming from the drought in Chile and its impact on generation.

Income rose 3.8% in the period, to Euro 33,933 million, primarily boosted by higher sales prices.

Variable costs increased by 6.6% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro output, leading to a hike in fuel costs. The cost of energy acquired for re-sale also increased.

Profit from operations fell 5.1% to Euro 4,418 million, which includes the Euro 146 million total write-down of certain assets including the Santa María de Garoña nuclear facility, mining assets in Spain, and the Tarapacá plant in Chile.

1.1.3. Financial results

Endesa reported a net finance cost of Euro 641 million in 2012, an improvement of Euro 19 million year on year.

Finance expenses stood at Euro 599 million, down Euro 41 million in 2011, while a net exchange loss was posted of Euro 42 million compared to a net gain of Euro 18 million a year earlier.

1.1.4. Cash flow from operating activities

Cash flow from operating activities amounted to Euro 5,247 million, compared to Euro 5,838 million in 2011, representing a decline of 10.1%.

1.1.5. Assets held for sale

At the end of 2010, Endesa started proceedings for the sale of its 100% stake in Endesa Ireland Limited, which was completed in October 2012. The company was sold to SSE Generation Ltd. for Euro 286 million. In 2012, a provision of Euro 67 million was recognised to write down the carrying amount of the assets in Endesa Ireland Limited to their estimated selling price.

On 18 December 2012, Endesa reached an agreement to sell its 12% stake in Medgaz, S.A. and transfer the loan extended to this company to the buyer. In 2013, the shareholders of Medgaz, S.A., Compañía Española de Petróleos, S.A.U. (CEPSA) and Sonatrach, exercised their pre-emptive right to acquire the stake within the established deadline. The transaction is expected to be closed during the first half of 2013, once all the authorisations required to substitute the seller under the guarantees granted in respect of the Medgaz project financing have been obtained. At 31 December 2012, this stake and the loan awarded were recognised as non-current assets held for sale at the selling price of Euro 88 million.

	Revenues		EBITDA		EBIT	
	Euro million	% change 2011	Euro million	% change 2011	Euro million	% change 2011
Spain and Portugal and Other	23,146	2.2	3,796	(5.7)	1,998	(11.0)
Latin America	10,787	7.5	3,209	(1.0)	2,420	0.5
TOTAL	33,933	3.8	7,005	(3.6)	4,418	(5.1)

1.1.6. Investment

Endesa invested a total of Euro 2,727 million in 2012. Of this figure, Euro 2,558 million was capex and the remaining Euro 169 million related to financial investments.

Investment

	Euro million			% change 2011
	Capex and investment in intangible assets	Financial investments	TOTAL	
Spain and Portugal and Other	1,367	46	1,413	(5.5)
Latin America	1.191	123	1.314	(1,3)
TOTAL (*)	**2.558**	**169**	**2.727**	**(3,5)**

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 73 million, and the acquisition of the portfolio of gas customers in the Madrid area for Euro 34 million.

1.2. Financial management

2012 was dominated by the impact of the crisis affecting developed countries, weak growth which at times involved contraction, cutbacks in public spending, and measures to contain debt. Greece's possible exit from the Eurozone (and the knock-on effects on the Euro) overshadowed the year, as did the worsening sovereign debt crisis. During the last quarter, the mood in the financial markets brightened as a result of the European Central Bank's commitment to support the stability of the Euro.

One of the impacts of the crisis was the downgrading of credit ratings, particularly of the most indebted countries in the Eurozone. Spain's credit rating was downgraded on successive occasions, tightening access to the capital markets and increasing borrowing costs. Against this backdrop, the European Central Bank required Member States to adopt budgetary discipline measures in return for the roll-out of expansionary monetary policies and its staunch commitment to the single currency.

In order to tackle this situation, the Spanish government took decisive measures such as: the financial sector reform, requesting a bank bailout from the Eurogroup to the tune of a maximum of Euro 100 billion, establishing the Sareb (Company for the Management of Assets proceeding from Restructuring of the Banking System) through which toxic real-estate assets will be channelled, labour market reform, and measures to contain the public deficit at a state, regional and municipal level.

Euro and US dollar interest rates reached all-time lows at both the short and long end of the curve during 2012 due to the expansionary monetary policies rolled out by the respective central banks, including unorthodox measures and even verbal announcements to drive up weak consumption and improve the growth and investment outlook.

The EUR/USD exchange rate fluctuated widely reaching a high of 1.3458 and a low of 1.2061, and closing the year at 1.3193 after the Euro was bolstered by an improvement in the mood of the market regarding the sovereign debt crisis.

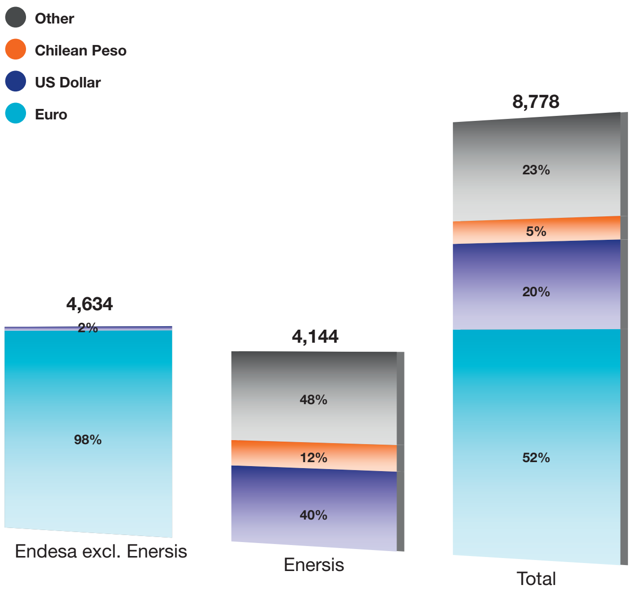
Most of the Latin American currencies strengthened against the US dollar, especially the Chilean peso and Colombian peso, and the Peruvian new sol. The Brazilian real went against this general trend, weakening as a result of inflationary pressures and a slowdown in growth.

Emerging economies continued to enjoy growth despite the impact of the crisis on their exports. In general, their credit ratings remained unchanged while Chile enjoyed a considerable upgrading, with its sovereign debt rating being raised a notch.

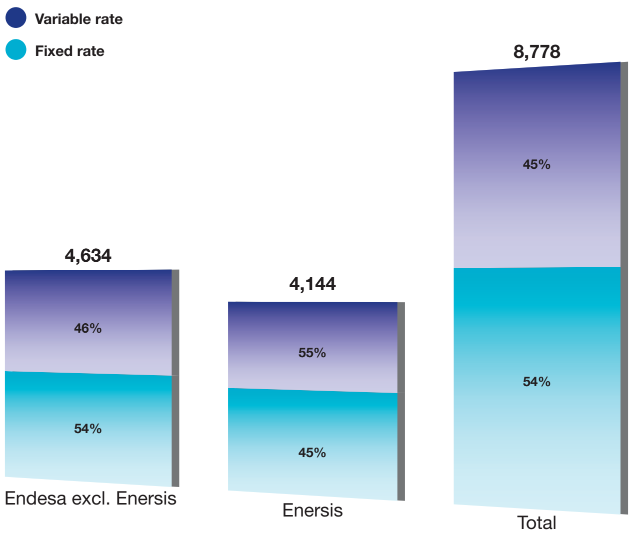
Countries such as Chile and Peru stood out because of their growth and controlled inflation, Colombia posted healthy macroeconomic data, Brazil continued to face the growth vs. inflation dilemma (with record decreases in the Selic rate of 375 bp), while the other central banks in Latin America did not touch their reference rates.

In this climate, Endesa continued to boast a robust financial position and comfortable level of liquidity, allowing it to obtain new finance and substantially reduce its debt. Endesa and its investees therefore ended the year with committed

Net debt structure according to currency (Euro million)



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



liquidity lines totalling Euro 6,694 million, excluding the Enersis Group.

The average life of debt at Endesa and its subsidiary companies, excluding the Enersis Group, stood at 4.7 years at December 2012. Liquidity stood at Euro 6,418 million, of which Euro 5,790 million corresponded to undrawn credit lines; sufficient to cover debt maturities for the next 46 months.

At the same time, the company maintained its programme of short-term debt issues on international markets, with an outstanding figure of Euro 359 million at the end of the year.

Meanwhile, Enersis Group companies continued to access local and international financial markets. The average life of debt was 5.5 years at the year end and liquidity stood at Euro 1,793 million, of which Euro 435 million related to unconditional long-term credit lines, and cash of Euro 1,358 million. These amounts are sufficient to cover debt maturities falling due in the next 18 months.

The average life of the Endesa Group's debt at 31 December 2012 was 5.1 years.

At year end, 52% of total debt was in Euros, 20% in US dollars, and 28% in other currencies, primarily Latin American currencies. Endesa continued to deploy a policy whereby its companies' debt is always denominated in the currency in which its cash flows are generated.

Debt at fixed interest rates accounted for 54% of total debt at 31 December 2012, while 46% was at floating rates.

1.2.1. Indebtedness and average cost of debt

Endesa had net financial debt of Euro 8,778 million at 31 December 2012, a reduction of Euro 2,224 million compared to 31 December 2011.

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

	Euro million			% change
	31 December 2012	31 December 2011	Change	
Business in Spain and Portugal and Other	5,059	6,841	(1,782)	(26.0)
Business in Latin America	3,719	4,161	(442)	(10.6)
Enersis	4,144	3,883	261	6.7
Other	(425)	278	(703)	(252.9)
TOTAL	**8,778**	**11,002**	**(2,224)**	**(20.2)**

(*) (*) Net financial debt = Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under assets

The average interest rate incurred on Endesa's total debt was 5.7% in 2012, while the cost of the debt corresponding to Enersis was an average of 8.6%. Stripping out Enersis' debt, the average interest rate incurred on Endesa's debt was 3.5%.

At 31 December 2012, Endesa had the recognised right to collect Euro 4,839 million in connection with various regulatory issues: Euro 2,958 million for financing the revenue shortfall from regulated activities and Euro 1,881 million in compensation for stranded costs in non-mainland generation. Stripping out these amounts, Endesa's net debt stood at Euro 3,939 million, down Euro 1,683 million on the 31 December 2011 figure.

On 1 December 2011 and 19 January 2012, Endesa notified the Deficit Securitisation Fund for the Electricity System (FADE) of its irrevocable commitment to transfer all deficit collection rights derived from the financing of the revenue shortfall from regulated activities in 2010, 2011 and 2012. The term of this commitment was extended in December 2012 to 1 December 2013.

In 2012, Endesa ceded deficit collection rights to the FADE for a total amount of Euro 2,674 million. Since 1 January 2013 and to the date of preparing its financial statements for submission, Endesa has ceded a further Euro 568 million to the FADE.

At year-end 2012, Endesa's liquidity in Spain stood at Euro 6,418 million, sufficient to cover debt maturities falling due in the next 46 months. Euro 5,790 million of this amount related to undrawn sums on unconditional credit lines, Euro 3,000 million of which is related to the credit line with ENEL Finance International, N.V. Meanwhile, Enersis could draw on liquidity of Euro 1,358 million and had undrawn sums on

Structure of Endesa's net financial debt at 31 December 2012 (Euro million)

	Endesa and direct investees		Enersis		Total ENDESA	
	Euro million	% of total	Euro million	% of total	Euro million	% of total
Euro	4,558	98	–	–	4,558	52
US Dollar	80	2	1,673	40	1,753	20
Chilean Peso /UF	–	–	479	12	479	5
Brazilian Real	–	–	549	13	549	6
Other currency	(4)	–	1,443	35	1,439	17
TOTAL	**4,634**	**100**	**4,144**	**100**	**8,778**	**100**
Fixed rate	2,504	54	2,263	55	4,767	54
Variable rate	2,130	46	1,881	45	4,011	46
TOTAL	**4,634**	**100**	**4,144**	**100**	**8,778**	**100**
Avg. life (years)	4.7		5.5		5.1	

unconditional credit lines of Euro 435 million, which covered debt maturing for the next 18 months.

1.2.2. Credit ratings

As of the date of release of the 2012 consolidated financial statements, Endesa's long-term debt ratings were: Moody's: Baa2, Standard & Poor's and Fitch: BBB+, all with a negative outlook.

1.2.3. Financial leverage

Endesa's consolidated equity was Euro 26,369 million at 31 December 2012, Euro 1,690 million higher than at 31 December 2011.

Of this amount, Euro 20,653 million corresponded to Endesa S.A. shareholders, and Euro 5,716 million to non-controlling interests.

Changes in Endesa's equity and net debt resulted in leverage of 33.3% at 31 December 2012, compared to 44.6% at 31 December 2011.

1.2.4. Main financial transactions

The main transactions completed in 2012 were as follows:

- Negotiation of guarantee loans (extension of existing lines, new contracts and cancellations) totalling Euro 2,028 million.
- Arrangement of long-term credit lines and loans amounting to Euro 785 million earmarked for general use.
- The transfer of 16 tariff deficit collection rights corresponding to the securitisation bonds issued by the FADE totalling Euro 5,400 million for the electricity sector as a whole. Of this total, Euro 2,674 million were allocated to the Endesa Group.

The main transactions performed by the Enersis Group through its investees were as follows:

- In Colombia, Emgesa arranged loans with local financial institutions totalling Colombian peso 305,000 million (equivalent to Euro 130 million) for a ten-year term. It also issued domestic bonds denominated in Colombian pesos totalling Colombian peso 500,000 million (equivalent to Euro 213 million) for ten-and fifteen-year terms to finance the El Quimbo project.
- In Brazil, Ampla issued domestic debentures in Brazilian reals totalling Brazilian real 400 million (equivalent to Euro 155 million) for five- and seven-year terms.

2. Results by business line

2.1. Business in Spain and Portugal and Other

2.1.1. Net income

The net income of the business in Spain and Portugal and Other amounted to Euro 1,410 million in 2012, Euro 183 million down on 2011.

EBITDA of Euro 3,796 million and EBIT of Euro 1,998 million were posted, down 5.7% and 11%, respectively.

The decline in EBITDA was primarily due to the impact on the revenues of the distribution business of the measures taken to reduce the electricity sector tariff deficit laid down in Royal Decree-Law 13/2012 of 30 March, and Royal Decree-Law 20/2012 of 13 July. The higher drop in EBIT relative to the decrease in EBITDA was also mainly caused by the write-down of assets at the Santa María de Garoña nuclear plant and mining assets.

2.1.2. Highlights

In 2012, electricity demand shrank by 1.3% year on year (-1.7% correcting for the effect of working days and temperature), which impacted on business.

During the period, electricity prices on the day ahead market also decreased by 3.1% year on year from Euro 50.8/MWh to Euro 49.2/MWh.

In 2012, Endesa achieved a market share in ordinary regime generation of 36.7%, a 43.3% share in distribution, and a 39.1% share of sales to deregulated customers.

2.1.3. Revenues

Revenues from Endesa's business in Spain and Portugal, and Other came to Euro 23,146 million in 2012, a rise of 2.2% versus 2011. Of this amount, Euro 22,028 million came from electricity sales, 3.7% more than in 2011.

Sales – Business in Spain and Portugal and Other

	Euro million			% change
	2012	2011	Change	
Electricity sales	17,019	16,666	353	2.1
Sales to the deregulated market	7,881	7,172	709	9.9
Sales to Last Resort Suppliers	4,841	4,973	(132)	(2.7)
Wholesale market sales	1,283	1,333	(50)	(3.8)
Supply to customers in deregulated markets outside Spain	822	626	196	31.3
Non-mainland compensation	1,954	1,762	192	10.9
Power trading	76	626	(550)	(87.9)
Other sales	162	174	(12)	(6.9)
Regulated revenue from electricity distribution	2,025	2,241	(216)	(9.6)
Gas supply	1,929	1,525	404	26.5
Other sales and services rendered	1,055	802	253	31.5
TOTAL	22,028	21,234	794	3.7

Supply to deregulated customers

Sales in the Spanish deregulated market totalled Euro 7,881 million, up 9.9% on 2011. Sales to customers in the European deregulated market also rose 31.3% from the figure in 2011 to Euro 822 million.

Sales to Last Resort Suppliers

In 2012, sales to Last Resort suppliers generated revenues for Endesa of Euro 4,841 million, some 2.7% lower than in 2011.

Electricity distribution

Regulated revenue from distribution activities amounted to Euro 2,025 million, 9.6% lower year on year. This fall was due to Royal Decree-Law 13/2012 of 30 March, on the reduction in remuneration for electricity distribution, coming in to force on 1 January 2012.

Gas supply

Revenues from the sale of gas on the deregulated market totalled Euro 1,929 million, up 26.5% on 2011.

2.1.4. Operating expenses

The breakdown of operating expenses in the Spain and Portugal and Other business in 2012 is provided below:

Procurements and services (variable costs)

Power purchases stood at Euro 5,848 million in 2012, down Euro 473 million (-7.5%) year on year, mainly due to lower volumes of electricity acquired for resale off the back of the increase in electricity generated in house.

In contrast, the cost of fuel consumed rose 15.3% to Euro 3,052 million due to increased thermal output over the period.

Personnel expenses and other fixed operating expenses

Fixed costs totalled Euro 2,528 million in 2012, Euro 35 million (-1.4%) less than in 2011 basically because of the combined effect of a Euro 28 million rise in personnel expenses (+2.7%) to Euro 1,078 million and a Euro 63 million drop in other fixed operating expenses (-4.2%) to Euro 1,450 million.

Depreciation and amortisation charges and impairment losses

Depreciation and amortisation charges and impairment losses amounted to Euro 1,798 million in 2012, representing a year-on-year rise of Euro 18 million (+1%). This amount includes the write-downs of the assets of the Santa María de Garoña nuclear plant and assets of Empresa Carbonífera del Sur, S.A.U., totalling Euro 60 million and Euro 66 million, respectively. Euro 67 million of write-downs were also recognised for assets in Ireland.

2.1.5. Financial results

In 2012, the net finance cost stood at Euro 261 million, representing an improvement of Euro 34 million on the 2011 figure (Euro 31 million less net finance expense and Euro 3 million decrease in net exchange differences from a Euro 8 million loss in 2011 to a Euro 5 million loss in 2012).

In order to compare net finance cost in 2012 with that accumulated in 2011, it is necessary to consider the net finance cost in 2011 included finance income of Euro 27 million consisting of the interest associated with the rulings handed down by the Spanish High Court in relation to the income tax of the companies belonging to the Endesa tax group for 1998 and 1999, and the impact of applying a lower rate to discount obligations under workforce reduction programmes giving rise to a finance expense of Euro 76 million in 2012 and finance income of Euro 26 million in 2011.

Stripping out these effects, net finance costs fell Euro 160 million as a result of both a decrease in the volume of net financial debt and a reduction in the average cost of debt.

Net financial debt in the Spain and Portugal and Other business at 31 December 2012 stood at Euro 5,059 million versus Euro 6,841 million at year-end 2011.

Euro 4,839 million of this amount was deployed to finance regulatory receivables: Euro 2,958 million to finance the revenue shortfall from regulated activities and Euro 1,881 million to compensate for stranded costs in non-mainland generation.

2.1.6. Cash flow from operating activities

Net cash flows from operating activities totalled Euro 3,114 million in 2012, down 8.6% on the figure of Euro 3,407 million posted in 2011.

2.1.7. Investment

Investment in the Spain and Portugal and Other business in 2012 totalled Euro 1,413 million:

Total investment – Business in Spain and Portugal and Other

	Euro million		% change
	2012	2011	
Capex	1,265	1,284	(1.5)
Intangible	102	115	(11.3)
Financial investments	46	96	(52.1)
TOTAL (*)	**1,413**	**1,495**	**(5.5)**

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 73 million in 2012 and Euro 101 million in 2011, and the 2012 acquisition of the portfolio of gas customers in the region of Madrid amounting to Euro 34 million.

Capex – Business in Spain and Portugal and Other

	Euro million		% change
	2012	2011	
Generation	420	474	(11.4)
Distribution	840	806	4.2
Other	5	4	25.0
TOTAL	**1,265**	**1,284**	**(1.5)**

2.2. Business in Latin America

2.2.1. Net income

In Endesa's Latin America business net income rose 0.8% year on year in 2012 to Euro 624 million.

2.2.2. EBITDA

In 2012, EBITDA in the Latin America business was 1% down versus 2011 at Euro 3,209 million due to the impact of the severe drought in Chile on electricity output. EBIT rose by 0.5% between 2011 and 2012 to Euro 2,420 million.

EBITDA and EBIT – Business in Latin America

	EBITDA (Euro million)			EBIT (Euro million)		
	2012	2011	% change	2012	2011	% change
Generation and transmission	1,695	1,875	(9.6)	1,317	1,549	(15.0)
Distribution	1,544	1,402	10.1	1,125	893	26.0
Other	(30)	(36)	n/a	(22)	(33)	n/a
TOTAL	**3,209**	**3,241**	**(1.0)**	**2,420**	**2,409**	**0.5**

EBITDA and EBIT – Business in Latin America: Generation and Transmission

	EBITDA (Euro million)			EBIT (Euro million)		
	2012	2011	% change	2012	2011	% change
Chile	457	728	(37.2)	296	595	(50.3)
Colombia	602	433	39.0	541	377	43.5
Brazil	256	224	14.3	235	207	13.5
Peru	249	245	1.6	182	186	(2.2)
Argentina	49	118	(58.5)	4	80	(95.0)
TOTAL GENERATION	**1,613**	**1,748**	**(7.7)**	**1,258**	**1,445**	**(12.9)**
Brazil-Argentina interconnection	82	127	(35.4)	59	104	(43.3)
TOTAL GENERATION AND TRANSMISSION	**1,695**	**1,875**	**(9.6)**	**1,317**	**1,549**	**(15.0)**

EBITDA and EBIT – Business in Latin America: Distribution

	EBITDA (Euro million)			EBIT (Euro million)		
	2012	2011	% change	2012	2011	% change
Chile	272	233	16.7	217	188	15.4
Colombia	503	371	35.6	392	276	42.0
Brazil	678	684	(0.9)	491	529	(7.2)
Peru	152	137	10.9	112	104	7.7
Argentina	(61)	(23)	(165.2)	(87)	(204)	57.4
TOTAL DISTRIBUTION	**1,544**	**1,402**	**10.1**	**1,125**	**893**	**26.0**

The improvement in EBIT despite the reduction in EBITDA is explained by the write-downs of distribution assets in Argentina in 2011.

2.2.2.1. Generation and transmission

Chile

The drought in Chile led to a 2.5% decline in electricity output for investees in this country, and higher variable costs for the business. These effects, combined with a 1.8% drop in average selling prices (mainly due to the decrease in the number of marginal cost-linked contracts, greater energy procurements, and higher transmission costs) hit the business's margin hard, although this was offset slightly by income of Euro 88 million from the insurance payout due to the loss in earnings of the Bocamina I and II plants caused by the earthquake in 2010. All of the above drove down EBITDA by 37.2% in 2012 to Euro 457 million.

EBIT totalled Euro 296 million, a 50.3% decline versus 2011.

Colombia

EBITDA of the generation business stood at Euro 602 million and EBIT at Euro 541 million in 2012, having climbed by 39% and 43.5%, respectively, year on year.

Stripping out the non-recurring impact of the wealth tax recognised in 2011 (representing an expense of Euro 65 million), the generation business in Colombia posted 20.9% and 22.4% rises in EBITDA and EBIT, respectively, primarily driven by an uptick in hydroelectric output over the year (+10%) and higher selling prices and capacity payments.

Brazil

The upturn in the generation business during the year saw EBITDA climb +14.3% and EBIT +13.5% to Euro 256 million and Euro 235 million, respectively.

Peru

EBITDA rose by 1.6% to Euro 249 million thanks to the margin increase of 11.6%.

EBIT fell by 2.2% year on year to Euro 182 million.

Argentina

EBITDA of Euro 49 million was posted, some 58.5% down on 2011 because of the 4.6% decrease in electricity output, lower sales margins resulting from the non-renewal of the higher prices agreed by the generation companies in the previous year, and higher fixed costs.

EBIT totalled Euro 4 million, a 95.0% decline year on year.

Argentina-Brazil interconnection

EBITDA generated by Compañía de Interconexión Energética, S.A. in 2012 totalled Euro 82 million, Euro 45 million down on the previous year due to the non-recurring income of Euro 58 million posted in 2011 resulting from the favourable outcome of legal disputes with the tax authorities.

EBIT totalled Euro 59 million, Euro 45 million less than in 2011.

2.2.2.2. Distribution

Chile

Sales growth (+4.4%) fuelled by the upturn in demand, and higher average sales prices had a positive impact on EBITDA and EBIT in the distribution business in Chile, which climbed by 16.7% and 15.4% to Euro 272 million and Euro 217 million, respectively.

Colombia

EBITDA and EBIT in the distribution business in Colombia increased by Euro 132 million and Euro 116 million, respectively. Euro 44 million of this increase was the result of the non-recurring wealth tax expense recognised in 2011. Stripping out this effect, EBITDA and EBIT rose by 21.2% and 22.5%, respectively, thanks to the upturn in electricity sales (+1.9%) and a higher unit margin (+15.9%).

Brazil

EBITDA stood at Euro 678 million, similar to the 2011 figure (-0.9%), while EBIT was down 7.2% at Euro 491 million.

Peru

The financials of the distribution business in Peru improved during 2012 due to the 4.5% rise in sales and 14% increase in the unit margin, which saw EBITDA climb 10.9% year on year to Euro 152 million.

EBIT was 7.7% higher than in 2011 at Euro 112 million.

Argentina

EBITDA in the distribution business in Argentina was negative at Euro 61 million, compared to the negative figure of Euro 23 million a year earlier, despite the improvement in sales (+3.3%) and higher demand (+4.2%). This worsening result was driven by higher fixed costs due to the uptick in inflation in the country, which could not be passed on to customers through higher tariffs.

Meanwhile, EBIT was negative at Euro 87 million, having improved by Euro 117 million from the previous year primarily because of the Euro 158 million write-down of assets in 2011.

2.2.3. Financial results

The net finance cost of Endesa's business in Latin America totalled Euro 380 million in 2012, up Euro 53 million compared to 2011.

This variation includes a Euro 10 million decrease in finance expenses, but a Euro 63 million worsening of the foreign currency position from a Euro 26 million exchange gain in 2011 to a Euro 37 million exchange expense in 2012.

The net finance cost in 2012 included Euro 180 million due to the revaluation of the financial asset associated with the distribution concessions in Brazil pursuant to Federal Law 12,783/13.

The net finance cost in 2011, meanwhile, included Euro 36 million in income associated with the rulings handed down by the Spanish High Court in relation to income tax payable by companies belonging to the Endesa tax group, and Euro 51 million in interest on the receivable from the Brazilian state electricity distribution company (CELG Distribução, S.A.).

Net debt at Endesa's Latin American business stood at Euro 3,719 million at 31 December 2012, a reduction of Euro 442 million since year-end 2011.

2.2.4. Cash flow from operating activities

Endesa's business in Latin America generated cash flow from operating activities of Euro 2,133 million in 2012, Euro 2,431 million lower than in 2011 (-12.3%).

2.2.5. Investment

Investment in this business unit stood at Euro 1,314 million in 2012, of which Euro 123 million corresponded to financial investments and Euro 1,191 million to capex and investments in intangible assets.

Capex and investment in intangible assets – Business in Latin America

	Euro million		% change
	2012	2011	
Generation	530	508	4.3
Distribution and Transmission	360	360	—
Other	11	7	57.1
TOTAL CAPEX	**901**	**875**	**3.0**
Intangible assets (*)	290	284	2.1
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	**1,191**	**1,159**	**2.8**

(*) 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.

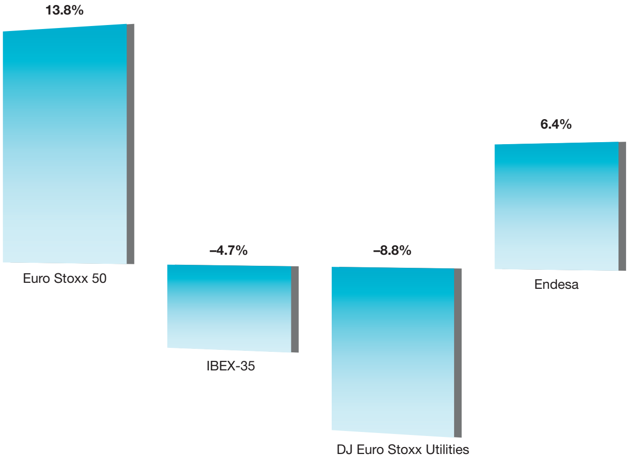
3. Share price performance and investor relations

3.1. Endesa on the Stock Market

In 2012, stock markets were affected in the first half of the year by the poor economic forecasts and the debt crisis in peripheral Europe. This led to most international stock markets posting losses over that period.

The mood in the stock markets was brighter in the second half of the year thanks to the stance taken by the European Central Bank to protect the Euro, a better economic outlook for 2013, an uptick in US GDP figures in the third quarter of the year, and the expansionary monetary policies set in motion by the major central banks.

Share price performance: Endesa versus benchmark indices. 2012



2012 was especially buoyant for some stock markets, such as the Frankfurt Stock Exchange which climbed 29%, Tokyo (23%) and Hong Kong (23%).

In Europe, the main stock markets ended the year in positive territory, except Madrid where the IBEX 35 lost 5%. Behind Frankfurt, Paris (15%), Milan (8%) and London (6%) also posted gains.

Over in North America, meanwhile, the largest stock market in the world achieved significant gains by year end. The *Nasdaq* climbed 16%, followed by the Standard & Poors index (S&P) 500 (13%) and the Dow Jones (7%).

The European electricity sector once again faced headwinds due to the current state of the economy, suffering electricity system overcapacity off the back of the renewable energy boom and a fall in demand. This gloomy backdrop was reflected in a downgrading of the credit ratings of European *utilities* and the *Dow Jones Eurostoxx Utilities* index falling 9% during 2012.

The electricity sector in Spain was impacted by shrinking regulated market revenues affected by Royal Decree-Laws 13/2012 and 20/2012, and the introduction of fiscal measures with effect from January 2013 to reduce the tariff deficit.

This challenging environment did not impede Endesa, which already posted an attractive share price at year-end 2011, from enjoying an uptick of 6.44% in its share price to Euro 16.87 per share in 2012. However, Endesa's share price did fluctuate wildly throughout the year, reaching a low of Euro 11.63 per share on 24 July and a high of Euro 17.67 per share on 27 December.

At year end, Endesa's market capitalisation stood at Euro 17,861 million.

3.2. Dividend

In 2012, Endesa paid out a gross dividend against 2011 results of Euro 0.606 per share, bringing the total payout for the year to Euro 642 million.

This dividend paid out against 2011 results was settled in a single payment on 2 July 2012, having been approved by the shareholders in their General Meeting.

3.3. Endesa on the main benchmark indices

3.3.1. Total shareholder returns

The share price gain of 6.44% in 2012, plus the dividend yield of 3.82% left total shareholder return at 10.26%.

3.3.2. Endesa on the IBEX 35

Endesa is included on the IBEX 35 index with a market capitalisation ratio of 5% due to its free-float of 7.94%. However, at its meeting on 9 December 2010, the IBEX 35 Advisory Committee decided to increase the coefficient applied to Endesa's capitalisation to 10%. As a result of this adjustment and as of January 2011, Endesa was ranked twenty-fourth on the IBEX 35 in terms of *free-float* market capitalisation.

3.3.3. Liquidity

The average number of Endesa shares traded on a daily basis in 2012, including trading on the Spanish stock market (continuous market) as well as block trades and special transactions, was 637,007, 2.2% more than in 2011 (623,352).

Total trading volume for 2012 was 0.15 times the company's capital. However, trading volume was 1.9 times the market capitalisation represented by the real number of outstanding shares, a figure that is more in line with that registered in previous years.

The effective volume traded in 2012 was Euro 2,350 million, i.e. 27% lower than in the previous year due to lower daily share prices than in 2011.

3.3.4. Endesa's credit rating

The recession in Spain and greater regulatory risk in the electricity sector had a negative effect on the credit ratings of the leading Spanish utilities, including Endesa.

Both *S&P* and *Fitch* downgraded their rating for Endesa during 2012. At year end, *S&P* gave the company a BBB+ rating with a negative outlook and *Fitch* put the company on negative watch (which was adjusted to a negative outlook at the start of 2013).

Meanwhile, *Moody's* downgraded Endesa's rating two notches to Baa2 with a negative outlook at year-end 2012.

Nevertheless, at the end of 2012 Endesa's credit rating was still *investment grade* according to all the ratings agencies.

3.4. Enersis and Endesa Chile share price performance

3.4.1. The Chilean Stock Exchange

The main stock exchanges in Latin America ended 2012 in positive territory, very much in line with the trend in the majority of the European indexes.

The main index of the Santiago Stock Exchange, the IPSA, ended 2012 slightly up (2.96%) following the upward trend of the other indexes in the region on which the group is listed: Colcap, Colombia (+16.6%); Merval, Argentina (+15.9%); Bovespa, Brazil (+7.4%); and IGBVL, Peru (+5.9%).

Endesa's main investees in Chile, Enersis and Endesa Chile, posted mixed returns at the 2012 close.

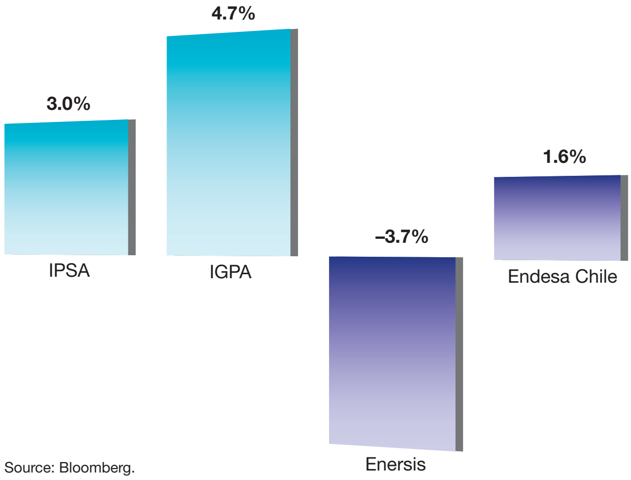
Enersis' share price fell 3.7% closing the year at Chilean peso 175.82 per share, primarily hindered by the ongoing impact of the drought affecting the country in recent years, the uncertain global economic outlook, and the announced share capital increase at Enersis.

In contrast, Endesa Chile saw its share price climb 1.6%, closing 2012 at Chilean peso 778.11 per share, despite the drought and volatility in financial markets.

As in previous years, Enersis and Endesa Chile continued to rank among the companies with the highest trading volume on the Chilean Stock Exchange. Enersis' shares ranked among the top five most traded shares, posting a total trading volume of Chilean peso 975,971 million. Endesa Chile, meanwhile, occupied the sixth slot, with a trading volume of Chilean peso 972,204 million.

Throughout 2012, Enersis' average daily trading volume stood at 24.95 million shares, 25% up on the figure of 19.96 million shares in 2011. The average daily volume of Endesa Chile shares traded dropped 5.1% from 5.74 million shares in 2011 to 5.45 million in 2012.

Endesa on the Madrid Stock Exchange and comparison with leading benchmark indices 2012



Source: Bloomberg.

3.4.2. New York Stock Exchange

The stock market performances marked by Enersis and Endesa Chile in dollar terms were positive: The ADR (*American Depositary Receipt*) of Enersis (ENI) ended the year up 3.35% at US dollar 18.22. Equally, the price of the ADR of Endesa Chile (EOC) rose 10.06%, closing the year at US dollar 48.81.

3.4.3. Latibex

Enersis' shares (XENI) on the *Latibex* market gained 4.12%, closing the year at Euro 0.278 per share, while Endesa Chile's share price (XEOC) closed 7.66% up at Euro 1.209 per share[1].

3.4.4. Enersis and Endesa Chile ratings

During 2012, the ratings agencies *S&P and Fitch* ratified the BBB+ with a stable outlook ratings of Enersis and Endesa Chile. In June, *Moody's* kept both companies ratings at Baa2 with a stable outlook.

[1] Enersis and Endesa Chile shares were admitted for trading on the Latin American Securities Market (Latibex) of the Madrid Stock Exchange on 17 December 2001. Until April 2011, the trading unit for Enersis was 50 shares and for Endesa Chile, 30 shares. Since 2 May 2011, the trading unit is unitary.

Key share price data for Endesa, Enersis and Endesa Chile in 2012

	High	Low	Average	Close	Annual gain/loss (%)	Volume traded
Madrid Stock Exchange						
Endesa (€/share)	17.67	11.63	14.66	16.87	6.4%	163,073,313
Santiago Stock Exchange						
Enersis (CLP/share)	201.56	151.81	176.59	175.82	–3.7%	6,163,083,554
Endesa Chile (CLP/share	894.00	713.88	805.30	778.11	1.6%	1,345,179,539
NYSE						
Enersis (USD/ADR)	20.78	16.15	18.12	18.22	3.3%	135,263,018
Endesa Chile (USD/ADR)	55.41	44.56	49.69	48.81	10.1%	31,265,962

Source: Bloomberg.

3.5. Investor Relations and Shareholders' Office activities

Endesa is in constant contact with its shareholders, private and institutional investors and the leading stock market analysts, providing them with a steady stream of detailed information through the Investor Relations Department and Shareholders' Office in Madrid.

3.5.1. Investor Relations

The most noteworthy activities performed in 2012 include the publication of the company's quarterly results for the benefit of analysts and investors.

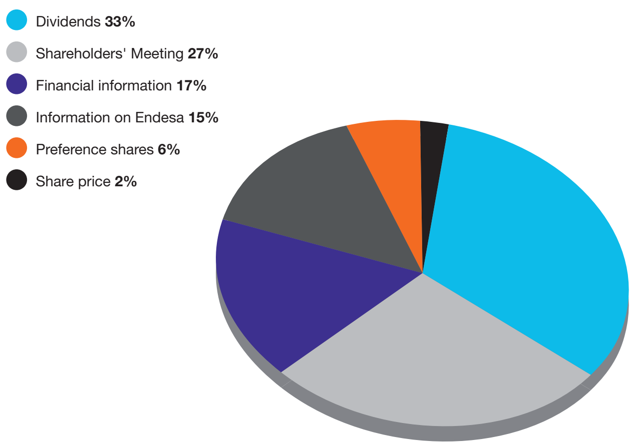
Endesa held its Ordinary General Shareholders' Meeting on 26 June 2012 at its headquarters in Madrid. All the items on the Agenda were approved at the meeting, with a quorum of 93.50% of the share capital.

3.5.2. Shareholders' Office

During 2012, the Shareholders' Office received 2,417 calls and 70 visits and sent out a large amount of information.

One of the main information channels for private shareholders is the "Investors" section of the corporate website (www.endesa.com).

Type of information requested by Endesa private shareholders in 2012



Panoramic view of the Lanzarote thermal plant

Strategy

Presentation of 2012 results and 2013-2017 Strategic Plan

Endesa's 2013-2017 Strategic Plan

On 13 March 2013, Endesa announced the outline for its 2013-2017 Strategic Plan, the main lines of action of which are broken down by business area below. This presentation forms part of the company's commitment to update its Strategic Plan annually.

1. Strategy in Spain and Portugal

The macroeconomic outlook for 2013 in Spain and Portugal is bleak due to weakening in electricity demand compared to 2012 and the regulatory measures enacted to reduce the tariff deficit.

Against this backdrop, the 2013-2017 Strategic Plan for the business in Spain and Portugal will focus on dealing with the heightened regulatory framework by streamlining assets and cutting costs.

These priorities will be achieved through the following key actions:

- Generation and supply:
  - Optimisation of investments, by cutting back 20% on the figure earmarked in the previous strategic plan (2012-2016).
  - Focus on supply business to protect margins, where a 7% uptick in electricity sales and a 2% rise in customers in the deregulated market is forecast up to 2017.
- Distribution:
  - Focus on driving up operating efficiency by reducing operating and maintenance costs by 14%.
  - Roll-out of new value added projects and services such as the introduction of digital meters.
- Active management of regulatory framework by submitting new proposals to regulators.

2. Strategy in Latin America

Endesa looks set to benefit from the strong macroeconomic backdrop in the region as well as the favourable regulatory environment, which will help boost operations in the region. Macroeconomic forecasts point to average annual GDP growth for the countries where Endesa is present of 4.5%, and a 4.4% increase in demand for the 2013-2017 period.

With this in mind, the 2013-2017 Strategic Plan for the business in Latin America will focus on reinforcing the company's dominant position by exploiting growth opportunities.

These priorities will be achieved through the following actions:

- Generation and supply:
  - Increasing installed capacity through a project pipeline of over 11 GW.
  - Boosting the efficiency of existing plants by improving their load factors over the term of the Plan.
  - Launching new businesses such as gas supply.

- Distribution:
  - Growth through new customer connections. Forecast of 400 thousand new customers per annum.
  - Launch of new technology projects such as the digital meter roll-out.
  - Reduction in energy losses; an area in which there is room for improvement, above all in Brazil.
  - Management of the regulatory framework to protect margins in Argentina.

3. Main economic/financial data

The main economic/financial data relating to the introduction of the 2013-2017 Strategic Plan are as follows:

3.1. Synergy and Efficiency Plan

The original synergy and efficiency programmes were completed successfully with respect to the targets established since 2007. As a result, savings of Euro 1,307 million were made in 2012, 17% higher than the target for the year.

Endesa's commitment to achieving excellence in its processes and operations will contribute to achieving the cost savings announced for the period 2013-2017.

3.2. Investment Plan

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

That said, the company intends to make a considerable investment effort, in keeping with its position as market leader. Euro 2,000 million has been earmarked for investments in 2013, rising to Euro 2,400 million in 2015.

3.3. Financial results

The financial results envisaged in the Strategic Plan include EBITDA of Euro 6,700 million in 2013, which will be maintained until 2015.

The regulated and deregulated businesses will contribute equally to total EBITDA.

Litoral thermal plant (Almeria)

Businesses

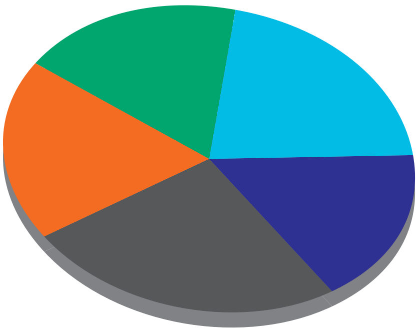
1. Businesses

1.1. Business in Spain

1.1.1. Electricity generation

At 31 December 2012, Endesa's installed capacity at ordinary regime facilities was 22,027 MW. Of this amount, 16,940 MW corresponded to the mainland electricity system and the remaining 5,087 MW to the island and non-mainland systems of the Balearic and Canary Islands and the Spanish enclaves of Ceuta and Melilla.

Endesa's installed capacity under the ordinary regime in Spain at 31/12/12



Endesa had a total net output of 74,484 GWh between mainland ordinary regime and non-mainland generation, an increase of 2.5% compared to 2011.

Endesa's mainland output was up 4.0% on the previous year. Output using domestic coal fell year on year (-10.2%), which was offset by the uptick in output from power stations using imported coal (+34.6%) and nuclear fuel (+7.1%). The output of combined cycle and hydroelectric facilities dropped by 36.7% and 13.4%, respectively.

Non-mainland output registered 13,395 GWh, 4.1% down on 2011.

Endesa's electricity output at busbar (GWh)

	2012	2011	% chg.	% of total
Hydroelectric	5,350	6,179	–13.4%	7.2%
Nuclear	26,967	25,177	7.1%	36.2%
Domestic coal	10,040	11,178	–10.2%	13.5%
Imported coal	16,024	11,902	34.6%	21.5%
Combined cycle	2,709	4,281	–36.7%	3.6%
Total mainland	61,089	58,716	4.0%	82.0%
Non-mainland	13,395	13,962	–4.1%	18.0%
TOTAL	74,484	72,678	2.5%	100.0%

1.1.2. New facilities and operational upgrades

Main electricity infrastructure projects started, developed, or completed by Endesa during 2012 in Spain are as follows:

Mainland system

- Commencement of preparative work prior to construction of the Moralets II reversible pumped-storage hydroelectric power station (400 MW).
- Installation and commissioning of a new system for coal sampling on conveyor belts at the Compostilla thermal power plant.
- Engineering and preparative work of Phase 2 of the new ash deposit at the Compostilla thermal power plant.
- Testing as part of the project to adapt the Teruel thermal power plant for the use of sub-bituminous coal.
- Commissioning of new burners emitting low levels of NOx in unit 3 of the Teruel thermal power plant.
- Installation and commissioning of a new holding tank at the flue gas desulphurisation facilities of the Teruel thermal power plant.
- Implementation of the project to adapt and improve effluent outflows at the Teruel thermal power plant.
- Commissioning of the new ash deposit conveyor belts at the Litoral thermal power plant (Almeria).
- Start of construction of a coal loading facility at the Ribera 2 quay (Almeria).
- Start of project to adapt Saa coal-fired operations at the Puentes thermal power plant.
- Operational improvements to the cooling towers of unit 4 of the Puentes thermal power plant and unit 3 of the Teruel thermal power station.
- Commencement of dismantling of the Sant Adriá thermal power plant.

Balearic Islands

- Commissioning of a new open-cycle gas turbine (25 MW) and completion of work to install an open-cycle gas turbine (50 MW) at the Ibiza diesel-fired plant.
- Commissioning of a new demineralisation facility at the Ibiza diesel-fired plant.
- Completion of improvements to the reliability of the electrical systems at the Ca's Tresorer and Ibiza plants.

Canary Islands

- Start-up of the systems for reducing NOx emissions from the gas turbines at the Punta Grande (Lanzarote) and Las Salinas (Fuerteventura) plants, and continuation of systems installation work at the Arona plant (Tenerife).
- Commencement of work to expand the fuel units at the Los Guinchos diesel-fired plant (La Palma).

- Measures to improve the reliability of the electrical systems of the Punta Grande (Lanzarote), Las Salinas (Fuerteventura) and Los Guinchos (La Palma) power stations.

Ceuta and Melilla

- Commissioning of the new effluent treatment plant at the diesel-fired power station in Ceuta.
- Installation and commissioning of the new effluent treatment plant at the diesel-fired power station in Melilla.
- Continuation of the project to roll out auxiliary services at the Ceuta diesel-fired plant.
- Continuation of work to relocate common facilities at the Melilla diesel-fired plant.
- Commissioning of improvements to boost the reliability of the electrical systems of the Ceuta and Melilla diesel-fired power stations.

1.1.3. Mining

Endesa has four coal mining operations in Spain at As Pontes (A Coruña), Andorra (Teruel), Puertollano (Ciudad Real) and Peñarroya (Córdoba). Only two of these are opencast mines, namely Andorra (the Gargallo Oeste pit) and Puertollano (the Emma pit). No extraction activity takes place at the other locations.

In 2012, Endesa extracted a total of 810,000 tonnes of coal, equivalent to 2,787 million therms, which represents a slight decrease (1.7%) of 40,000 tonnes compared to 2011. This reduction was due to the winding up of extraction operations at the Andorra mine, which was partially offset by an uptick in output from the Puertollano mine. Endesa's output accounts for approximately 11% of Spain's total output of domestic coal.

Endesa mining output by type of coal

Producer	Type of coal	Millions of therms LHV		% change
		2012	2011	
Endesa Generación	Black lignite	754	1,173	–35.7
Encasur	Bituminous	2,033	1,663	22.2
Total		**2,787**	**2,836**	**–1.7**

LHV = Lower Heating Value

880,000 tonnes of coal were sold in 2012, equivalent to 3,026 million therms, 8.6% higher than the output for the year and 15% down year on year following the Secretary of State for Energy's resolution introducing restrictions on coal procurements to guarantee supply under Royal Decree 134/2010.

35% of the total supplied was for own use at the Teruel thermal power plant, while 19% was supplied to Elcogas and 46% to E.ON Generación.

As for land reclamation and the execution of end-of-activity plans, it is worth drawing attention to the environmental restoration carried out at the Andorra and Puertollano plants, in tandem with the exploitation phase. In 2012, 292 hectares of mining land were restored.

In April 2012, the hole left behind at the As Pontes mine was fully restored after it was filled with very clean water to form a lake of high ecological and landscape value and a 30,000 m^2 beach was opened. From an environmental perspective, the Environmental Monitoring Plan was shortened by six years to 2016 as laid down in the agreement entered into with the regional government of Galicia. This modification was spurred by the satisfactory trends in the technical parameters monitored by the administration regarding: water quality in the lake, geotechnical and hydro-geological control of the banks, surface and aquifer water quality, progress made in restoring land and dismantling of unused buildings and facilities.

1.1.4. Regulated market

In Spain, Endesa distributes electricity in 20 provinces across nine self-governing regions (Catalonia, Andalusia, the Balearic Islands, the Canary Islands, Aragon, Extremadura, Castile-Leon, Navarre and Valencia), covering an area of 192,790 km^2 and with a total population of approximately 22 million.

The number of distribution customers grew 0.2% in 2012 to 11.85 million. Total contracted capacity stood at 81.4 GW, up 0.4% year on year.

Endesa distributed 115,390 GWh in 2012, 0.3% less than in the previous year. This amount represents 43% of total demand in Spain.

1.1.4.1. Development of distribution infrastructure

The length of Endesa's distribution grid lines in Spain grew 1.2% in 2012 to 325,295 kilometres. 40% of this total are underground.

During the year, 15 new MV and HV substations were commissioned, bringing the total to 1,255 substations.

As well as infrastructure development work, efforts also focused on improving supply quality: maintenance work, replacement of equipment, and increased automation of the MV and HV grid. As part of this latter work, in 2012 the company continued to roll out its Medium Voltage Grid Automation Plan, with a total of 27,836 remote-controlled elements.

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

The remote management project continued as planned, with three million meters and over 15,000 concentrators installed at December 2012.

1.1.4.2. Continuity of supply

Supply continuity in Spain is gauged through two main indicators – the System Average Interruption Duration Index (SAIDI) and the Number of Equivalent Interruptions of the Power Supply (NIEPI) – measuring, respectively, the duration and number of equivalent interruptions of installed capacity. The calculation procedure for these indicators is regulated by Royal Decree 1955/2000 and the results are audited annually by an independent company.

During 2012, the average duration of supply interruptions in the markets supplied by Endesa in Spain stood at 52 minutes, down 8 minutes on the 2011 figure and a new record for supply availability offered to customers and service reliability 99.99% of the time per annum.

The number of equivalent interruptions of the power supply in 2012 stood at 1.3, down 0.1 compared with 2011.

Improvements in the continuity of supply indicators were achieved in half of the self-governing regions served by Endesa. The lowest power supply interruption times were achieved in Extremadura, Catalonia and Andalusia (42, 47 and 60 minutes, respectively), while the Canary Islands, the Balearic Islands and Aragon enjoyed excellent annual interruption times of 43, 44 and 55 minutes, respectively, despite not improving on the previous year's figures.

Equally, the cities served by Endesa enjoyed excellent supply quality; some registering average supply interruption times of below 30 minutes (Teruel, 13 minutes; Las Palmas de Gran Canaria, 15 minutes; Saragossa, 16 minutes; and Almeria, 17 minutes).

1.1.5. Deregulated market

In 2012, Endesa supplied 94.3 TWh to customers in the deregulated electricity market through 11.3 million supply points, achieving a market share of 39.1% in terms of energy supplied, and retaining its position as the clear leader in the sector. Its average market share in areas not covered by its distribution grid was over 19%. These sales include 25.6 TWh sold by the Supplier of Last Resort through 8.6 million supply points.

In 2012, 8.4 TWh were also sold to international customers (Portugal, Germany, Holland and Andorra).

1.1.5.1. Operational excellence and customer service

In 2012, Endesa's Customer Excellence Plan focused on the quality of its customer service (telephone, online and face-to-face service and complaints handling) as well as operational excellence (automation and optimisation of its billing and collections processes).

Among the results obtained, it is worth highlighting the following: a reduction in the percentage of callers in the domestic segment hanging up to below 3.5%, a 9% reduction in waiting times at sales offices, an 11% improvement in sales, contracting and activations in the mass market, and an 8% improvement in perceived satisfaction with the customer care line among corporate customers.

1.1.6. Endesa Customer Ombudsman

Endesa's Customer Ombudsman (which is unique in the Spanish electricity sector) works independently from the company's management teams and was appointed to provide customers with an additional means of dialogue in connection with the services that Endesa provides in the Spanish market. It is charged with listening to external and in-house representatives and proposing to the company recommendations for finding out about customers' needs and expectations and improving the quality of customer care.

2012 was the tenth year of operations of the Ombudsman. Over this period, it received approximately 12,000 complaints, 6,582 were handled within its jurisdiction.

1.1.6.1. Spain and Portugal

José Luis Oller Ariño was appointed Endesa Customer Ombudsman in 2005. 1,920 complaints were received by the Customer Ombudsman in 2012, 8% less than in the previous year. The Customer Satisfaction Index stood at 7.6.

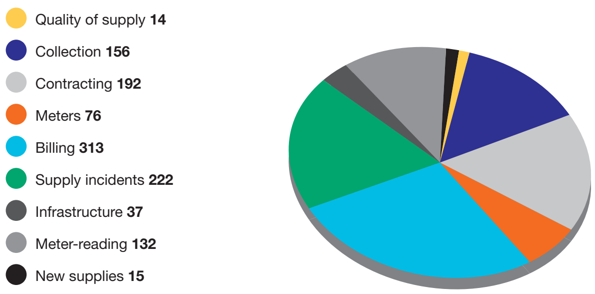
Of the complaints received, 1,157 were within the Ombudsman's jurisdiction: and related to the sales cycle (55%), the quality of supply (23%), access and meter readings (16%) and other items (6%).

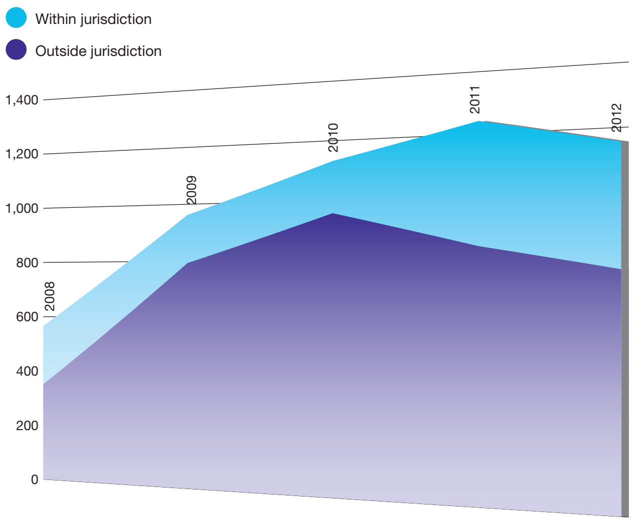
76% of the complaints were resolved to the partial or total satisfaction of the customer. 59% were resolved by way of agreement between the company and the customer, and 41% with the help of the Ombudsman.

During the course of 2012, the Ombudsman recommended a series of improvements regarding the following:

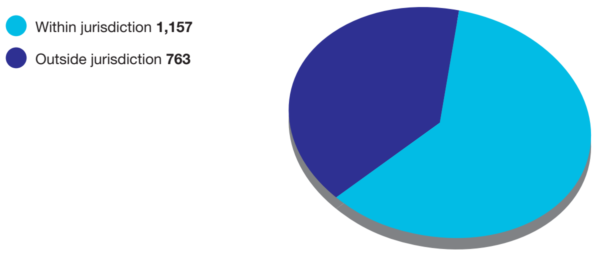
- Commercial documentation relating to gas maintenance service agreements and the effects of cancelling such contracts before they expire.

Type of complaints

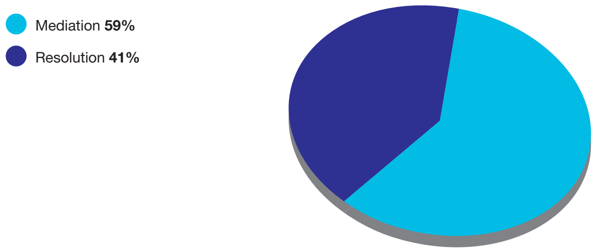




Complaints received



Complaints resolved



- Information for customers in the deregulated market on general contractual terms and conditions, specifically regarding supply cut-offs due to payment defaults.
- Information provided to customers on how incidents involving their meters and having an effect on billing are handled.
- General aspects relating to the knock-on effects of eliminating the Last Resort Tariff for domestic customers.

1.1.7 Endesa in the wholesale market

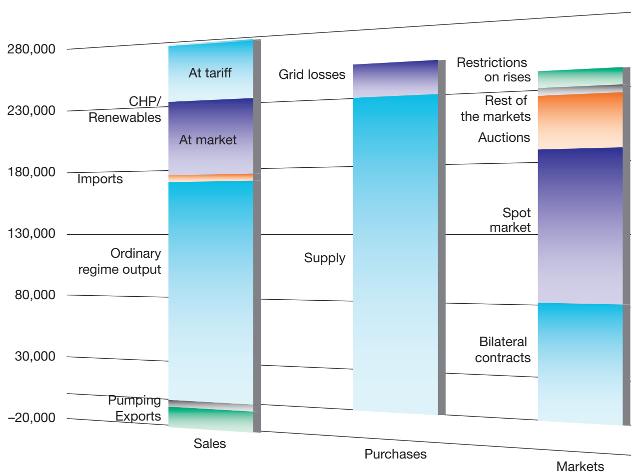
1.1.7.1. The Spanish electricity wholesale market

In 2012, 251,986 GWh of power were allocated on the mainland for sale to end customers through distributors and suppliers, for export and to cover the consumption of the system itself (i.e. grid losses, auxiliary consumption by power stations and pumping consumption). Pumping consumption and exports totalled 16,793 GWh.

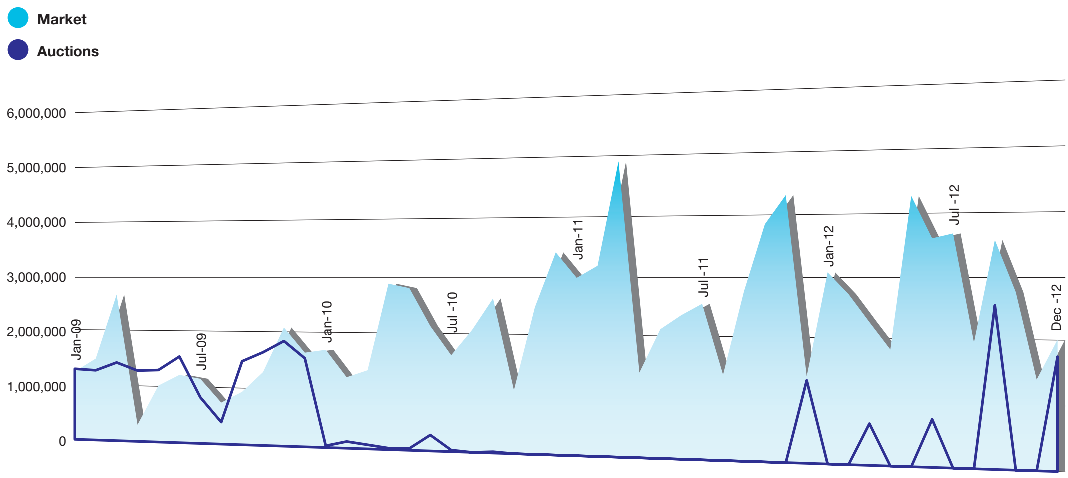
37.4% of the total output was traded on the day ahead market managed by the Electricity Market Operator (OMEL), 28.6% through bilateral contracts, 12.8% through energy auctions, 5.9% on the operations markets run by Red Eléctrica de España (REE), while the rest, some 15.3% of output, was acquired directly by distributors at the renewables/CHP tariff rate.

In 2012, the Iberian Energy Market Operator (OMIP) traded 66,751 GWh, 9% more than in 2011.

Power purchases and sales in the mainland system (GWh)



OMIP volume traded (MWh)



OTC forward contracting through financial contracts also accounted for 28,270 GWh over the year.

1.1.7.2. Electricity auctions in the wholesale market

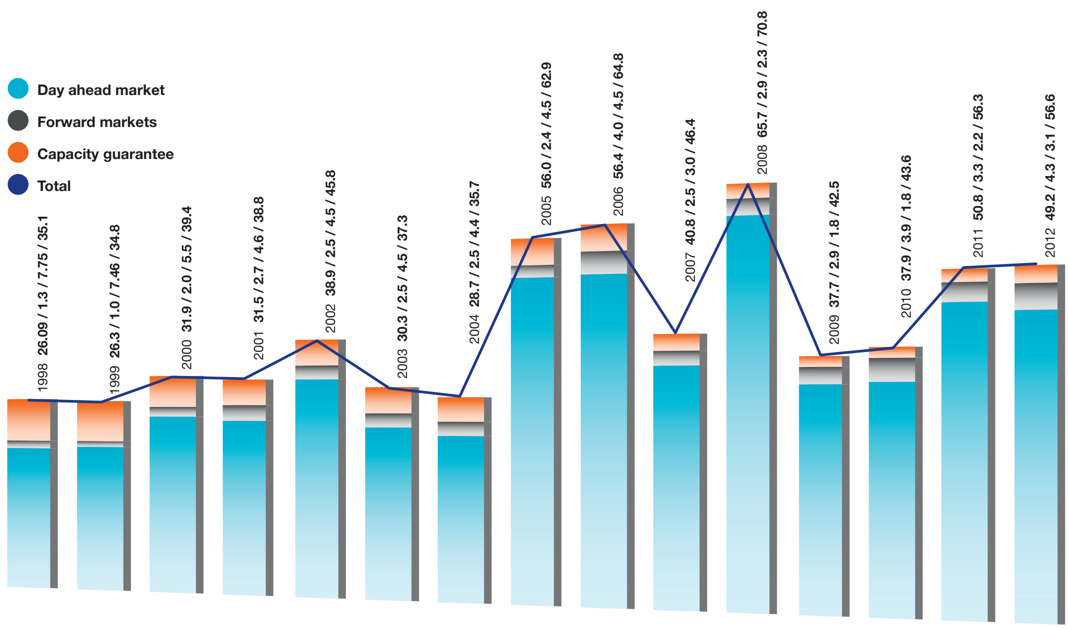
At the same time, Last Resort Suppliers (LRS) operating in the Spanish market took part in the CESUR auctions in line with their share of purchases made during 2011 (roughly 45% of the energy auctioned was acquired by Endesa).

In 2012, the energy auctioned, i.e. the volume to be auctioned, was 57% of the total last resort energy. Pursuant to Royal Decree 302/2011, the rest of the last resort energy will be covered by the LRS using financial products acquired from the CHP/renewables facilities under the regulated tariff.

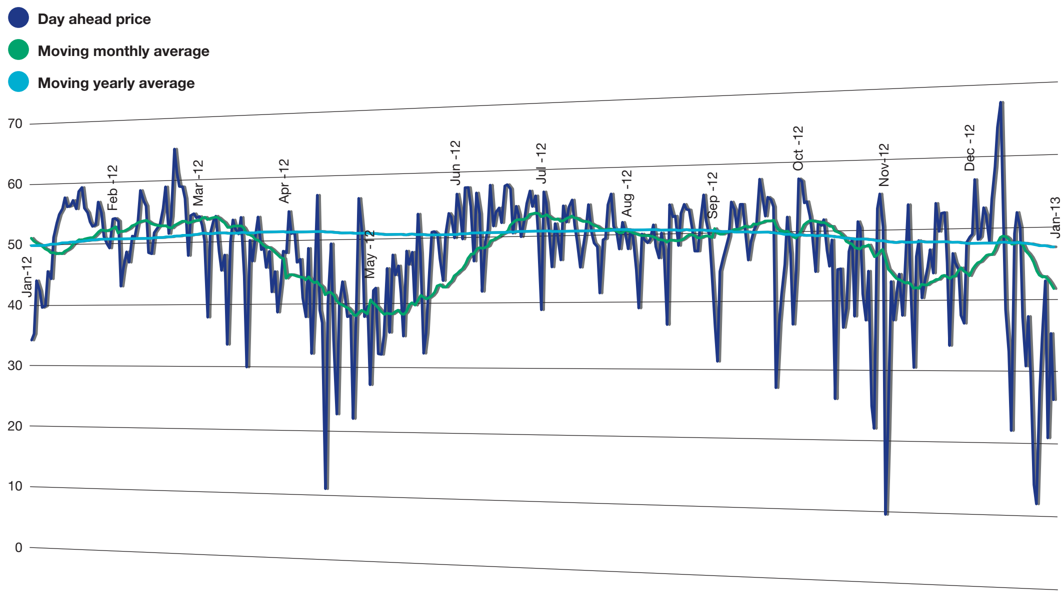
1.1.7.3. Electricity price trends in the wholesale market

The mean day ahead price was Euro 47.24/MWh in 2012, compared with Euro 49.92/MWh in 2011 (-5.4%). Average weighted prices over the same periods were Euro 49.23/MWh and Euro 50.79/MWh, respectively.

Price breakdown (€/MWh)



Note: In order to calculate the units, revenues from all the other markets and capacity guarantees have been assigned based on the amounts of energy purchased in the OMEL day ahead market.
Net unit revenues of the generation units calculated based on contracted energy, stripping out pumped capacity purchases.



In 2012, with stranded costs of day-ahead markets adding Euro 4.27/MWh to the average price and Euro 3.06/MWh to the capacity guarantees, the final year-end price was Euro 56.6/MWh.

1.1.7.4. Average daily price

The average daily price for 2012 was lower than the previous year, largely due to lower energy prices, particularly coal and CO_2 prices.

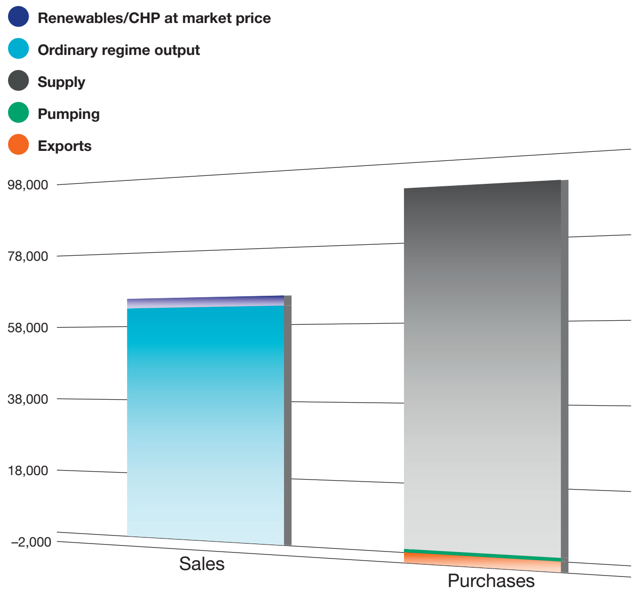
The thermal gap for the year (i.e. energy that must be supplied through conventional thermal power plants) was practically unchanged from 2011, with the downturn in demand and rising CHP/renewable energy output offset by the drop in hydroelectric output, especially in the first quarter, and higher exports.

Market prices in the first half of the year were above average due to the aforementioned drop in hydro output that led to an uptick in prices in January and February. During the latter half of the year, prices rose in the summer months and then tailed off in the last quarter as wind energy output rose and hydro output recovered to average levels.

1.1.7.5. Endesa sales and purchases in the wholesale market

In 2012, Endesa sold 65,017 GWh on the wholesale market, 27.6% of total mainland energy supply (the sum of ordinary regime output, renewables/CHP output and imports).

Almost 60% of the company's sales were the result of bilateral contracts; and the remaining 40% were made on the OMEL and REE markets.

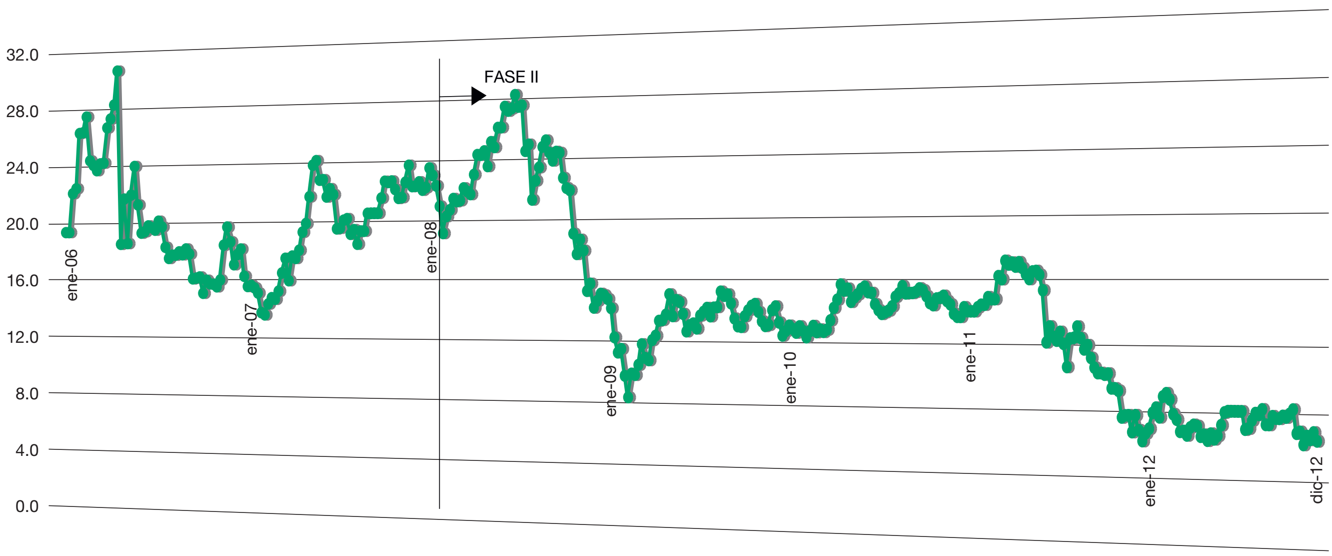


Endesa acquired 98,253 GWh on the wholesale market, of which 91.7% was used to cover supply, and the rest for pumping consumption and exports.

1.1.7.6. CO_2 market: meeting ETS commitments

In 2012, CO_2 prices fluctuated between Euro 9.27/t and Euro 5.72/t, closing the year at Euro 6.43/t. The lower prices were explained by the current crisis which hit industrial activity and therefore emissions, although the number of emission rights supplied to companies that will not use them has risen. At the end of November, the European Commission delayed revoking the rights of the market to raise carbon prices to 2013, driving down the price to Euro 5.72/t at the start of December.

Emission rights trading prices for Phase II of the ETS.



In 2012, Endesa maintained its environmental policy within the framework of the European Emissions Trading Scheme (ETS), to comply with the objectives of the Kyoto Protocol.

Endesa's allocation for emissions under the Spanish National Allocation Plan (NAP) was 24.3 million tonnes in 2012 (including non-mainland systems) Emissions rose to 37.1 million tonnes, prompting the use of emission rights in its portfolio.

In order to meet the requirements of ETS phase II (2008 to 2012), the company has a portfolio of CO_2 emissions rights acquired on the market and obtained through various international projects to reduce emissions through Clean Development Mechanisms (CDMs), in compliance with its commitment to reducing emissions in third countries.

1.1.8. Fuel supplies

2012 saw a drop in domestic coal production compared to the prior year, while power plants used more imported coal. Output from combined cycle plants dropped in 2012. As a result of all of the above, Endesa was forced to make active purchases on all the physical wholesale and financial markets.

The company supplied 13.2 million tonnes of coal in 2012, a year-on-year drop of 1.6%. In terms of liquid fuel, the company managed 1.4 million tonnes of fuel-oil and 0.9 million tonnes of gasoil, 4.3% and 4.1% less than in 2011, respectively, due to lower growth in electricity demand in the non-mainland systems, and, to a lesser extent, the commissioning of the electricity interconnection between the mainland and the Balearic Islands. Over the same period, it supplied 2 million tonnes of coal to third parties, 10% less than in 2011.

Lastly, the company handled 5,018 million m^3 of gas.

1.1.9. Risk management in the electricity business

Endesa's results in Spain and Portugal are subject to various risk factors: fluctuating electricity, gas, coal and CO_2 emission rights prices, and in the Euro/US Dollar exchange rate (market risk); possible breaches of contract by counterparties (credit risk); or regulatory and other changes associated with business operations (operating risk).

The Enel Group's risk management policy establishes, among other concepts, limitations on added risk (risk margin), trading portfolio risk (value at risk in the business portfolio) and exposure to counterparty credit. Risk management

Endesa fuel sales, including own production

	2012		2011		Dif.
	Total		Total		
Carbón Nacional (kt.)		3.487		4.724	–26,2%
Carbón Importado (kt.)	9.390		8.504		10,4%
Coque de Petróleo (kt.)	353		213		65,5%
Combustible Líquido (kt.)	2.293		2.395		–4,3%
Gas Natural (Mill m^3)	5.018		5.232		–4,1%

NOTA: Incluye Extrapeninsulares. No incluye suministro a terceros.

procedures are also in place to mitigate other types of operating risk.

In 2012, an appropriate balance was obtained between margin and risk in business activities. The management of counterparty risk regarding wholesale counterparties and customers remained significant, given the global credit crunch.

The hedging strategy applied in 2012 took into account commercial sales activity, according to which Endesa sells a greater volume of electricity than it actually generates, and the reduction of the *spreads* of the coal-fired plants.

This strategy combines dynamic strategies for thermal generation assets that minimise risk and capture the option value of these assets, together with power purchase programmes in wholesale markets to cover short positions resulting from the sale of electricity. These strategies mitigate risk through trades on the various forward *commodity* markets.

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

In the CO_2 rights markets, the sharp decline in prices during 2012 and the restriction on the use of CERs prompted Endesa to reduce its exposure to these credits.

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

1.2. Activities in the Portuguese electricity sector

Endesa's presence in the Portuguese electricity market focuses on the generation and supply of electricity in the deregulated market.

12.1. Generation

At the end of 2012, Endesa had installed capacity of 1,095 MW under the ordinary regime (244 MW at Tejo Energía and 851 MW at Elecgas).

It also holds a 38.9% stake in Tejo Energía, the company which owns the Pego coal-fired thermal plant (628 MW gross output).

The Pego plant produced 3,497 GWh (1,360 GWh corresponding to Endesa's 38.9% stake) which represents 7.1% of Portugal's total electricity consumption.

Endesa's Portuguese operations also earned the company Euro 8.5 million in dividends.

It also holds a 50% stake in Elecgas, the company which is currently building an 851 MW combined cycle plant (two 425 MW groups),and 100% of the tolling contract at Elecgas; 1,542 GWh in 2012 (3.1% of the Portuguese electricity market).

PEGOP is responsible for maintaining the Pego combined cycle and coal-fired plant. Endesa holds a 50% stake in this company. It also has a 50% stake in Carbopego, a company that buys coal for the power plant.

The main electricity infrastructure project completed in Portugal in 2012 was the project to construct the Girabolhos-Bogueira dam and reverse pumped-storage hydro power plant (335 MW+29 MW).

1.2.2. Sales to the deregulated market

In 2012, deregulation of the Portuguese market for the Large Customers (medium voltage) and Companies (special low voltage) segments continued. Power supplied to the deregulated market now accounts for 53% of total consumption in the country.

Endesa remains the second largest operator in the Portuguese deregulated electricity market, with a market share of over 25% At year-end 2012, Endesa had supplied 6,163 GWh of power through 3,687 MV supply points, 3,545 special LV supply points and 115,490 LV supply points.

In the Portuguese gas market, Endesa supplied 4,358 GWh.

Endesa continues to focus on offering added value products and services, i.e. products and services that complement or add to the supply of electricity and/or gas to customers. Thanks to this strategy, the company was able to boost the value of its customer base, strengthen relations with customers, and gain experience in energy and non-energy solutions and projects.

1.3. Natural gas business in Spain

1.3.1. The Spanish natural gas market

Natural gas consumption in Spain totalled 363 TWh, down 2.8% on 2011.

1.3.2. ENDESA in the Spanish natural gas market

Endesa operates in the three areas of the gas business: supply, distribution and transmission. The company also receives, stores, regasifies and transports LNG.

1.3.2.1. Gas supply

Total gas sales in Spain stood at 53.5 TWh in 2012, down 3.8% compared with 2011.

On 29 February 2012, Endesa completed the purchase of a portfolio of approximately 224,000 gas customers and other related contracts in Madrid from Gas Natural SDG, S.A.

The operation involved the 100% purchase and subsequent takeover by Endesa Energía, S.A.U. and Endesa Energía XXI, S.L.U. of GEM Suministro de Gas 3, S.L.U. and GEM Suministro de Gas Sur 3, S.L.U.; suppliers of natural gas and electricity to a number of districts and municipalities in the Madrid region.

1.3.2.2. Conventional market

At 31 December 2012, Endesa's customer portfolio in the conventional natural gas market was made up of 1.3 million supply points. Consumption was up 5.3% year on year.

Endesa continued to supply increasing amounts of natural gas, consolidating its position as the second largest gas supplier in Spain.

1.3.2.3. International market

The volume supplied in France, Portugal and Holland climbed by 50% compared to 2011.

1.3.3. ENDESA in the regulated gas market

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

In 2012, Endesa Gas sold its stake in DICOGEXSA and Gas Extremadura Transportista, maintaining the rest of its shareholdings.

1.3.3.1. LNG reception, storage and regasification

Endesa owns a 47.18% stake in Compañía Transportista de Gas Canarias, S.A. (Gascan), which is developing two LNG reception, storage, and regasification plants on the Canary Islands. Each of these plants has a planned storage capacity of 150,000 m^3 of LNG and natural gas regasification capacity of 150,000 m^3/(n)/h (1.31 bcm/year). In March 2012, Enagás acquired a stake in Gascan through its purchase of a stake in Regional Canaria de Energía S.L. (41.94%). In May 2012, Gascan was awarded the administrative concession to construct a regasification plant on the island of Tenerife.

Lastly, Endesa Generación, S.A. reached an agreement with the Belgian company Fluxys SA/NV to sell its 12% stake in Medgaz, S.A. to this company. Medgaz operates the underwater gas pipeline between Algeria and Spain, which connects Beni Saf with the coast of Almeria, with an initial capacity of 8 bcm of natural gas a year. CEPSA and Sonatrach exercised their pre-emptive right to acquire Endesa's entire stake in Medgaz, S.A. This sale involved Endesa transferring the balance payable to Medgaz for a loan of approximately Euro 9.5 million. The transaction (sale and loan transfer) totalled approximately Euro 87.5 million. The transaction is expected to close during the first half of 2013, once all the authorisations required to substitute the seller under the guarantees granted in respect of the Medgaz project financing have been obtained.

2. Business in Latin America

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

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

2.1. Key data

At the close of 2012, Endesa investee companies in Latin America had total installed capacity of 16,158 MW. During the year, they generated 63,118 GWh, 0.6% more than the previous year, and sold 59,724 GWh, up 6% on 2011, to a total of over 14 million customers, i.e. 359,000 more than in 2011.

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

In July, Endesa proposed increasing Enersis' share capital to raise funds to acquire additional stakes in existing investees in order to boost its economic interests and exploit opportunities in Latin American markets which offer growth potential. Endesa subscribed the capital increase by contributing direct shareholdings in the region, grouped in the company Cono Sur Participaciones (solely owned by

Endesa), while the remaining shareholders subscribed new shares through monetary contributions.

Endesa remains firmly committed to protecting the environment in the Latin American countries in which it operates. As evidence of this, 98% of its electricity generation facilities in South America passed the audits to verify compliance with the ISO 14001 Standard or renew their ISO 14001 certification. Pursuant to the company's policy, 97.8% of the installed capacity is ISO 14001 certified (with the exception of the Bocamina II thermal power plant in Chile, which was added to Endesa's generation assets in October 2012). The six distributors in Latin America also passed their audits with flying colours and have therefore retained their ISO 14001 certificates.

Endesa's Latin American investees are firmly committed to the principles of Corporate Social Responsibility. On an internal level, they give priority to personal health and safety, working proactively in this area. In this spirit, they have obtained certification for occupational health and safety management systems at their workplaces, under the OHSAS 18001 Standard. At the end of 2012, all the companies in the region had obtained this certification or were undergoing audits to verify compliance with the standard or renew their certification. Thanks to the hard work and commitment of all concerned, the Global Accident Frequency Index was reduced by around 31% compared with 2011 in the Latin American business.

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

2.2.1. Chile

Chile contributes 22.6% to Endesa's total EBITDA in Latin America. 2,461 people are employed by the group's companies in the country.

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

Through this holding in Enersis, Endesa controls Endesa Chile, the main generator in Chile, which owns 5,961 MW of capacity either directly or through its investees. Enersis holds a 59.98% stake in Endesa Chile.

In turn, Endesa Chile holds stakes in other Chilean generation companies such as San Isidro, Pehuenche and the Canela wind farm, and owns 50% of GasAtacama, with 781 MW of thermal energy capacity. Endesa Chile exercises control over this company alongside another shareholder.

Also through Enersis, Endesa holds a 99.09% controlling interest in the distribution company Chilectra which has 1.7 million customers. Enersis also has significant holdings in companies conducting other activities in Chile and elsewhere in Latin America.

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

2.2.2. Brazil

The Endesa Group's investments in Brazil are grouped together in the Endesa Brasil holding company, which accounts for 31.3% of the company's EBITDA in Latin America. Endesa has a total workforce in Brazil of 2,658 employees.

Endesa holds a 99.61% stake in the Cachoeira Dourada hydroelectric power plant (665 MW installed capacity) and a 100% stake in the Fortaleza thermal power plant (322 MW installed capacity).

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

In the distribution segment, Endesa manages Ampla and Coelce, in which it has controlling interests of 99.64% and 58.87%, respectively. Ampla distributes energy to 2.7 million customers in Rio de Janeiro state, while Coelce, which is listed on the Sao Paulo Stock Exchange, sells electricity to over 3.3 million customers in the state of Ceará.

2.2.3. Colombia

Colombia contributes 34.5% to Endesa's total EBITDA in Latin America. 1,644 people are employed by the group's companies in the country.

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

Endesa also holds a 48.48% controlling stake in the distribution company Codensa, which supplies power to 2.6 million customers in Bogotá and neighbouring municipalities. Furthermore, Codensa holds a minority stake in Empresa de Energía de Cundinamarca (EEC), which supplies more than 258,000 customers in the Cundinamarca region.

2.2.4. Peru

Peru contributes 12.5% to total EBITDA in Latin America. Investees in this country have a headcount of 938 employees.

Endesa manages a total capacity of 1,774 MW in this country. It holds an 83.6% controlling stake in the electricity generation company Edegel, with 1,658 MW of installed capacity, and a 96.5% controlling stake in Empresa Eléctrica de Piura (Eepsa), with 116 MW of capacity.

Endesa also holds a controlling stake of 75.68% in Edelnor, which distributes electricity to 1.2 million customers in the northern part of Lima.

2.2.5. Argentina

Argentina did not contribute to Endesa's total EBITDA in Latin America in 2012, as it posted losses during the year. The group companies in this country employ a total of 3,569 people.

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

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

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

2.2.6. Central America

Endesa is taking part in the infrastructure development for the SIEPAC Project, which involves the construction of a 1,800-kilometre grid interconnection between six Central American countries (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama). This 230-kV dual circuit trunk line will increase the power transmission capacity between these countries from 50 MW to 600 MW, and will enable 5,000 GWh/year to be traded on the Regional Electricity Market.

Work on the infrastructure is being carried out by Empresa Propietaria de la Red (EPR), which started trading in 2012. Endesa holds an 11.1% stake in this company and is responsible for its executive management. This company's remaining shareholders are state power utilities in the countries which the line will pass through, i.e. ISA in Colombia and CFE in Mexico.

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

2.3. Generation

2.3.1. Key data

At year-end 2012, Endesa's generation investees in Latin America had total installed capacity of 16,157 MW, 2% higher than the figure posted at year-end 2011.

Endesa – installed capacity in Latin America

	MW		Change (%)
	2012	2011	
Chile	5,961	5,611	6.2%
Argentina	4,522	4,522	0.0%
Colombia	2,914	2,914	0.0%
Peru	1,774	1,798	–1.4%
Brazil	987	987	0.0%
TOTAL	**16,158**	**15,832**	**2.0%**

Endesa's total electricity output in Latin America was 63,188 GWh in 2012, a year-on-year increase of 0.6%.

Endesa – electricity generation in Latin America

	GWh		Change (%)
	2012	2011	
Chile	20,194	20,722	–2.5%
Argentina	15,222	15,960	–4.6%
Colombia	13,294	12,090	10.0%
Peru	9,231	9,840	–6.2%
Brazil	5,177	4,155	24.6%
TOTAL	**63,118**	**62,767**	**0.6%**

2.3.2. Plants under construction and project pipeline

Endesa has an active project portfolio to meet the region's increasing energy demands and maintain its leadership position.

Once the extensions to the Malacas thermal power plant in Peru and El Quimbo in Colombia come on stream, and the project to optimise the Bocamina II plant in Chile is completed, Endesa's installed capacity will increase to 16,790 MW in 2014. Endesa also boasts an extensive portfolio of other projects at different stages of completion.

The main projects carried out in the generation business in 2012 are detailed below:

2.3.2.1. Brazil

- Endesa Brasil signed cooperation agreements with Eletronorte and Furnas (both subsidiaries of Eletrobras), and Queiroz Galvao to perform technical studies of the feasibility and environmental impact of the 350 MW Tabajara hydro project, and joined the consortium to perform environmental and feasibility studies of the five plants comprising the 12.4 GW Tapajós complex. It will also participate in the study of the three regional interconnection projects between various Latin American countries.

2.3.2.2. Chile

- The Environmental Assessment Commission of Maule approved the Environmental Impact Assessment (EIA) for the transmission component of the 169 MW Los Cóndores hydroelectric power plant. Consequently, the project now has its generation and transmission licence and is progressing as scheduled toward obtaining the permits required to construct the hydro facilities and access roads.

- The 350 MW Bocamina II coal-fired power plant came on stream in October. In 2013, the EIA for the project to optimise the plan will be filed, which is expected to lead to the commissioning of a further 20 MW.

- The Environmental Assessment Commission of the La Araucanía region approved the generation and transmission projects of the Renaico wind farm, which will boast an installed capacity of 88 MW.

- The Committee of Ministers signed off the EIA for the 740 MW Punta Alcalde thermal power plant.

- In 2011, an environmental permit for the generation facilities was granted for the HidroAysén hydroelectric project, in which Endesa Chile holds a 51% stake, while work to obtain the environmental permits for the transmission line continued in 2012. If successful, this project will see 2,750 MW coming on line.

2.3.2.3. Colombia

- As part of the project to construct the 400 MW El Quimbo hydro plant, in 2012 the Magdalena River was diverted, the dam wall filled in, and the socio-environmental plan submitted for approval.

- Work continued on completing the EIAs for the 156 MW Sumapaz and 467 MW Guaicaramo hydro plants, which are expected to be filed in 2013.

2.3.2.4. Peru

- In October 2012, the Ministry of Energy and Mines of Peru approved the EIA for the 188 MW Curibamba hydroelectric power plant.

- Construction of unit 5 of the 188 MW Malacas thermal power plant continued, with the delivery and assembly of the generators on site. This new dual (diesel/natural gas) open cycle unit is planned to come on stream in the first half of 2013.

2.4. Transmission

In 2012, 13 of the 14 stretches of the SIEPAC line were completed, bringing total line length in service to 1,664 kilometres, i.e. 93% of the project. Work is also continuing on the final 130-kilometre stretch, 50% of which has been installed.

2.5. Distribution

2.5.1. Key data

Endesa's Latin American distribution investees distributed a total of 73,104 GWh of power in 2012, up 5.1% compared with 2011.

Endesa – electricity distribution in Latin America

	GWh		Change (%)
	2012	2011	
Chile	14,445	13,697	5.5%
Argentina	17,738	17,233	2.9%
Colombia	13,364	12,857	3.9%
Peru	6,863	6,572	4.4%
Brazil	20,694	19,194	7.8%
TOTAL	**73,104**	**69,553**	**5.1%**

At the end of the year, Endesa had over 14 million customers in the five Latin American countries where it operates, an increase of 2.6% on 2011.

Endesa's customers in Latin America

	Thousands of customers		Change (%)
	2012	2011	
Chile	1,659	1,638	1.7%
Argentina	2,389	2,389	1.5%
Colombia	2,713	2,617	2.7%
Peru	1,203	1,144	4.2%
Brazil	6,051	5,868	3.6%
Total	**14,015**	**13,656**	**2.9%**

2.5.2. Distribution networks and service quality

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

In 2012, the infrastructure of the distribution companies in the region was bolstered off the back of major investments to meet rising demand driven by population growth and new customers. The criteria for consolidating the grids in Colombia and the electricity substations of the Endesa Group's distribution companies in Latin America also changed during the year.

As a result of the change in criteria, HV lines totalled 11,652 kilometres at year-end 2012, while the MV and LV lines totalled 155,030 kilometres and 146,024 kilometres, respectively. Installed capacity at the substations reached 63,598 MVA.

Energy losses reported by Endesa's Latin American distribution companies stood at 10.6%, in line with the losses reported a year earlier.

Turning to quality of service, the annual average interruption time per customer for all the distribution companies rose 6% to 15.2 hours. Meanwhile, the average number of interruptions per customer declined by 4% to 7.2x. In contrast, and stripping out Edesur, annual average interruption time per customer fell 10% to 11.2 hours, while the average number of interruptions per customer declined by 6% to 7.1x.

These achievements were affected by various external one-off factors during the year, such as the severe storm that hit the metropolitan area of Buenos Aires in April, and the adverse weather conditions affecting the central and southern areas of Rio de Janeiro in December.

2.5.3. Innovation and smart grids

Endesa is introducing smart meters and smart grids in Latin America to integrate these new technologies with its IT and communication systems.

The most noteworthy projects carried out in Brazil, Chile and Colombia, which are pioneering at both a Latin American and global level, include the Búzios Smartcity smart grid project and the launch of the Santiago Smartcity.

2.6. Financial strategy

A key feature of Endesa's Latin American business strategy has been the ongoing effort to strengthen its subsidiaries' finances (with the exception of Argentina) and to implement efficient liquidity, debt and hedging policies in order to bring their financial positions into line with those of an *investment grade* company.

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

The challenging operating climate in Argentina led to unstable cash flows in Argentine investees, although various operational and financial measures have been taken to achieve financial equilibrium.

In 2012, Endesa proposed Enersis' share capital be increased. At Enersis' Extraordinary Shareholders' Meeting on 20 December, shareholders voted in favour of increasing capital to Chilean Peso 2,844,397,889,381, represented by 16,441,606,297 newly issued shares. Endesa will subscribe 9,967,630,058 shares by contributing its Latin American assets to Cono Sur, which will group Endesa's direct shareholdings in Latin America, transforming Enersis into the only investment vehicle in the region. The subscription price of the new shares was set at Chilean Peso 173/share.

2.6.1. Solvency

Despite the delicate economic situation in Europe, Endesa's Latin American investees successfully tapped the capital markets in 2012, enabling them to settle their obligations and renegotiate loan repayment schedules. This was achieved through the implementation of prudent financing and hedging policies, which helped to maintain their financial strength.

The most outstanding operations were as follows:

- A domestic bond issue of approximately US dollar 283 million to finance the El Quimbo project and refinance the US dollar 173 million syndicated loan at Emgesa.
- A domestic bond issue at Ampla of approximately US dollar 218 million to refinance repayments due in the near term.
- A domestic bond issue at Edelnor of US dollar 68 million to refinance repayments due in the near term.
- Refinancing of an offshore loan in the amount of US dollar 10 million at Costanera.

- Prepayment of K and F bonds by Endesa Chile for US dollar 187 million and US dollar 63 million, respectively.

Enersis' domestic bond programme, launched in 2008 for US dollar 595 million, remained available in 2012. Meanwhile, the two trade credit lines taken out by Enersis and Endesa Chile in 2009 and equivalent to US dollar 200 million each, remain undrawn.

The credit rating agencies *Fitch Ratings and Standard & Poor´s* currently give Enersis and Endesa Chile a BBB+ rating, while Moody's continues to give them a Baa2 rating, in relation to both debt denominated in foreign and local currencies, and *Yankee bonds* issued. At a local level, the agencies *Feller Rate and Fitch* kept their ratings of Enersis' and Endesa Chile's solvency, bonds and credit lines unchanged at AA.

Endesa's investees in Latin America refinanced loans, issued new bonds and took out hedges equivalent to US dollar 1,645 million (US dollar 244 million in Chile, US dollar 117 million in Argentina, US dollar 533 million in Brazil, US dollar 623 million in Colombia, and US dollar 128 million in Peru).

2.6.2. Foreign currency hedging policy

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

Enersis' and Endesa Chile's financial operations in 2012 enabled them to maintain dollar-denominated liabilities, with the exception of Argentina, adjusted for expected cash flows in that currency. Operations to hedge dividends in foreign currency from investees totalled US dollar 244 million.

Endesa's investees in Chile, Brazil, Colombia and Peru, and its distribution company in Argentina, balanced the currency of their cash flow with their debt. The Argentinean generation companies try to replace financing in US dollars with local currency debt where local market conditions allow.

2.6.3. Liquidity

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

At year-end 2012, the Enersis Group held cash and cash equivalents of US dollar 2,196 million and US dollar 573 million in undrawn sums on unconditional credit lines.

2.7. Corporate strategy

In 2012, Endesa continued to pursue the policy of corporate streamlining and restructuring in Latin America first introduced in 1999 in order to optimise the management of its assets, take advantage of synergies and facilitate cash returns. It kept its commitment to driving ordered growth, combining the sale of non-core assets with new acquisitions. In 2012, the following operations were carried out as part of this corporate strategy.

2.7.1. Chile

As part of the strategy to focus Enersis' operations on its main business, several takeovers of Chilean generation companies were completed. In May 2012, Empresa Eléctrica Pangue S.A. was taken over by Compañía Eléctrica San Isidro S.A., with the winding up of the former and the continuation of the latter; while Endesa Inversiones Generales S.A. and Empresa de Ingeniería Ingendesa S.A. were taken over by Endesa Norte S.A. In July, Inversiones Endesa Norte S.A. was taken over by Endesa Eco S.A.

As part of Enersis' share capital increase approved by its shareholders in an Extraordinary Meeting, on 26 December Endesa Latinoamérica S.A. was partially spun-off to Cono Sur Participaciones S.L. As a result, this company's portfolio stood as follows: a 27.71% shareholding in Endesa Brasil S.A., a 4.39% stake in Empresa Eléctrica de San Isidro S.A., a 21.60% shareholding in Emgesa S.A. E.S.P., a 22.22% interest in Yacylec S.A., a 57.14% stake in Inversora Dock Sud S.A., a 7.70% stake in Ampla Energía e Serviços S.A., and a 7.71% shareholding in Ampla Investimentos e Serviços S.A.

Furthermore, on 28 December, Endesa Latinoamérica S.A. sold a 6.23% stake in Empresa Distribuidora Sur S.A. (Edesur), a 55% stake in Endesa Cemsa S.A. (Cemsa) and 26.66% interest in Codensa S.A. ESP to Cono Sur Participaciones S.L.

2.7.2. Brazil

In April 2012, Endesa Latinoamérica S.A. acquired a stake of less than 0.01% in Ampla Energía e Serviços S.A. and Ampla Investimentos e Serviços S.A. through a mandatory takeover bid, pursuant to Brazilian legislation and as a result of acquiring a 7.7% stake in each company from EDP in the previous year.

2.7.3. Central America

As part of the Colombia-Panama Interconnection Project, in August 2012, Emgesa S.A. ESP incorporated Emgesa Panamá S.A. in Panama, which it solely owns. The corporate purpose of this company is to buy and sell, import and export electricity for industry and businesses in general. The company was established as an International Interconnection Agent to comply with regulatory requirements to be able to take part in the auction to be held by Interconexión Eléctrica Colombia-Panamá-ICP S.A.

3. Business in other countries

The main activities carried out by Endesa outside Spain and Portugal and Latin America in 2012 were as follows:

3.1. Morocco

Endesa operates in Morocco through the 32% stake it holds in Energie Electrique de Tahaddart, a company that owns a 384 MW combined cycle plant in Tahaddart. In 2012, the plant generated 2,830 GWh (906 GWh of which corresponded to Endesa's 32% stake).

In 2012, Energie Electrique de Tahaddart paid a dividend against 2011 earnings of which Euro 4.3 million was payable to Endesa.

Tahaddart CCGT plant (Morocco)

3.2. Ireland

At the end of 2010, Endesa started proceedings for the sale of its 100% stake in Endesa Ireland Limited. The company was sold to SSE Generation Ltd. in October 2012 for Euro 286 million.

Endesa Ireland Limited was a company owning four sites with a total operating capacity of 1,068 MW: Tarbert, a fuel-oil plant with total installed capacity of 620 MW; Great Island, a fuel-oil plant with total installed capacity of 240 MW; and Tawnaghmore and Rhode, each with two gas-oil units and 104 MW capacity. Up to the date of the sale, it had generated 24.1 GWh.

3.3. Energy management and participation in European wholesale markets

Endesa operates in several European wholesale markets to optimise its activities outside Spain and Portugal. Among other targets, this gives the Group the necessary power supply to service its contracts with European customers, to optimise management of its generation portfolio by exporting power via the Spain-France interconnection, and to balance out risk positions in those areas where it operates. In addition, it has exports green certificates and other renewable energy products to various European countries, improving management of renewable assets.

In 2012, operations continued in the United Kingdom, where it is active in the local market itself and through the interconnections with Ireland and Holland. This year the United Kingdom-Holland interconnection went live, offering capacity via annual and quarterly auctions.

In Portugal and through EDP Servicio Universal, ERSE issued several calls to *ascending clock* auctions on the OMIP platform, through which buyers were given the opportunity to purchase capacity with quarter and year maturities deliverable in Portugal. Endesa took part in all these auctions and was allocated capacity in three of the auctioned products.

Endesa has taken positions in Contracts for Difference (CFD) that are auctioned off every six months with a Portugal-Spain *underlying spread* on the OMEL platform, where a price spread between the two systems in the Iberian market is guaranteed due to the saturation of the interconnection on the spot market.

In 2012, electricity spot prices plummeted in France and Germany due to lower demand (-1%, taking into account meteorological conditions), and an increase in wind and solar photovoltaic power output in Germany (installed solar photovoltaic capacity of 30 GW, up 21% on 2011 and installed wind capacity of 29 GW, up 8% on 2011). In France, the average price was Euro 46.93/MWh (Euro 48.96/MWh in 2011) and in Germany it was Euro 43.02/MWh (Euro 51.1/MWh in 2011).

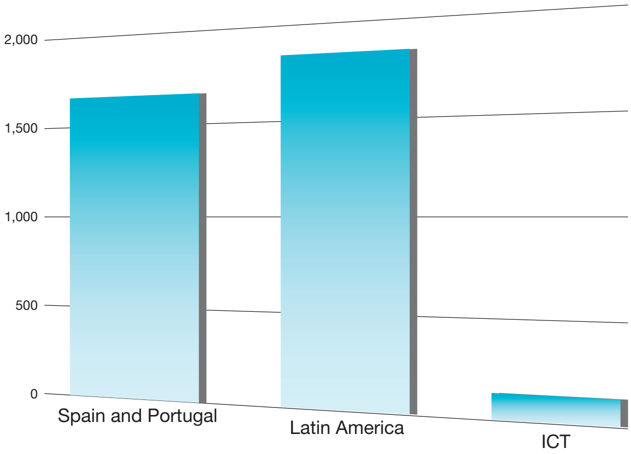
In the European markets Endesa managed a total energy volume of 36.4 TWh in 2012. This business focuses on interconnections, cross commodity products and options in France and Germany.

Other activities

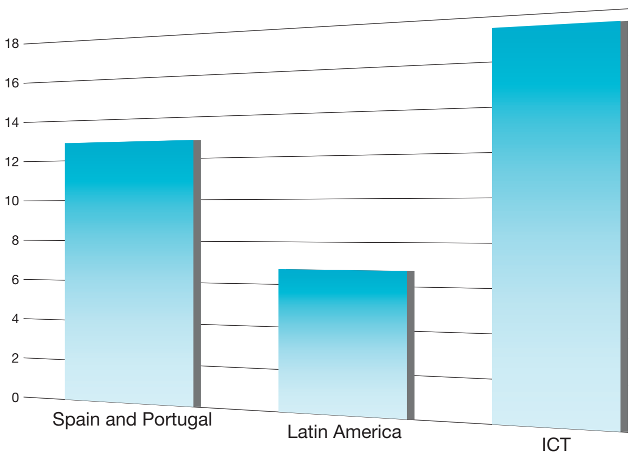
1. Procurements

In 2012, Endesa's Purchasing Department awarded contracts for materials, equipment, work and services worth Euro 3,676 million. The savings achieved in supply management were approximately 10.2%.

Volume awarded (Euro million)



% savings



1.1. Corporate activities

These are activities related to the company's core businesses, designed to achieve economies of scale and optimise procedures. Efforts focused on the following areas in 2012:

- Approval and dissemination of the second version of the General Terms and Conditions for Contracts. Stipulations relating to corporate social responsibility, the general principles for criminal risk prevention, and sanctions due to breaches of workplace health and safety were expanded upon and the appendices of the general terms and conditions will include details of the specifics of each country. It is envisaged that the new version will take effect as from 1 July 2013.
- Streamlining of the procurements process, reducing time spent on process, standardisation of how bidders are handled in Spain and Latin America, improvement in *workflow* of tender awards, simplification of documentation supporting tenders, and speeding up of contract signing.
- Procurement planning in Spain and Latin America using the Appia tool used by Enel and integrated with Endesa's systems.
- Action to train and develop existing human resources to better manage procurements.
- Search for quality contractors to carry out critical activities in the distribution business in Peru and Brazil.
- Introduction of a new Standard Product Approval Procedure in Spain and Portugal and Latin America.
- A workplace health and safety scorecard on technical safety requirements was drawn up to assess the occupational risk prevention systems of contractors.
- The system for rating suppliers continued to be rolled out in Spain and Latin America.
- The *Vendor Rating* process continued with the evaluation of safety, quality and punctuality.

1.2. Initiatives in Spain and Portugal

Total contracts awarded by Endesa in Spain and Portugal in 2012 amounted to Euro 1,670 million. Major contracts awarded included the following:

- Long-term Maintenance Service Agreement for the *Great Island* combined cycle plant.
- Joint tender to supply transformer centre cells for a term of 24 months with a total budget of approximately Euro 35 million.
- *Back office* service contract for customer care channels for a term of five years with a budget of Euro 52 million.
- Technical support service tender for LV and MV grid for a term of three years with a budget of approximately Euro 57 million.

1.3. Initiatives in Latin America

Endesa awarded contracts for Euro 1,852 million in Latin America in 2012. These included:

- Commercial and technical operations contracts in Peru totalling Euro 158 million.
- Commercial service contracts in Brazil totalling Euro 86 million.
- Tenders for supply and installation on concentrators in Brazil totalling Euro 42 million.
- Construction of key works at the El Quimbo plant for an estimated Euro 34 million.
- Tender for supply of conduction coils for Latin American plants totalling Euro 30 million.
- Joint tender for supply of secondary sulphur hexafluoride-insulated cells for approximately Euro 12 million.

1.4. Systems and telecommunications purchasing

In 2012, contracts worth Euro 153 million were awarded for the purchase of systems and telecommunications, the most noteworthy of which were as follows:

- Awarding of a contract to Oracle to supply and maintain basic software to cover the needs of *Enel servizi and Enel Energy Europe* for a term of 30 months with an estimated budget of Euro 7 million.
- Awarding of a service contract to commission the new CAU software model at Endesa for a period of six years with a maximum budget of Euro 10 million.
- Awarding of a service contract for the group's telecommunications network in Latin America for a term of four years plus an optional one-year extension with an estimated budget of Euro 25 million.
- Awarding of a contract to operate and maintain the control systems in Latin America and manage data remotely for a period of four years with an estimated budget of Euro 11.8 million.

2. Systems and telecommunications

The activities performed in the area of systems and telecommunications in 2012 were shaped by the *One Company Project*, which aims to bring the Enel Group companies together under a standardised service model with guaranteed quality levels and lower costs.

Activities carried out are classified in function of the departments and business units defined in the new organisational chart of the global ICT Division:

2.1. ICT governance

ICT Governance activities in 2012 focused primarily on the following:

- *Architecture and technologies:*A document called *Trends* was produced assessing the technological architecture of the Enel Group. As part of the *One Company* project, the basic infrastructure technology and development frameworks were also standardised allowing the new systems to be operated from any of the Group's data processing centres.
- *Strategy, Portfolio and Planning:* ICT *Strategic Guidelines* concerning systems and telecommunications were updated for the period 2013-2022. Meetings were held by the ICT-Business Governance Committee during which the 2012-2013 General ICT Plan for the business/corporate area was presented along with the annual budgets, details of the economic monitoring of the ICT system and the status of current projects. A Plan for Improving and Stabilising Daily Operations was devised for Latin America *covering both the internal management, infrastructures, outsourcing and Service Level Agreements*. Monthly controls were also put in place to monitor the various action plans.
- *Processes, Procedures, Standards & Compliance:* The Systems and Telecommunications Map was defined and implemented, focusing on reducing deliverables and adapting operations to standard working methodologies.
- *Performance Management:* Campaigns were conducted regarding front end services for employees and how these should be used (responsible use of printing or mobility services such as videoconferencing, instant messaging and remote working). Specific change management measures were implemented in relation to the SAGA and eContact applications (which are high-impact systems).

2.2. Iberia and Latam market

Noteworthy initiatives comprised improvements that were made to adapt to an increasingly dynamic and open market. Major initiatives included:

- Cervantes Project (remote management): Continuation of the campaign involving the large-scale replacement of meters which will ben completed in 2018.

- Everest Project: Internal testing was performed prior to carrying out the project to modify the structures of the Sales/Customer Service and Contracting business processes.
- COATD Project: Roll-out and expansion of the functionalities of the Customer Helpline distributed management platform.
- *Datamining* Project (SAS): Obtaining a strategic overview of the companies which will facilitate predictive analysis in the loss management and payment default processes.
- Genesis Project (SAP IS-U): Standardisation of the sales process in Colombia.
- Project to map sales processes for distribution companies in Latin America, awarded to IBM; project plan to be submitted in April 2013.
- Project to boost productivity of on-site work teams by enabling them to submit work orders direct from their mobile devices.
- Sales Portal Project: Aimed at providing the Online Sales Channel with new capabilities through a single web *platform*.
- In-situ Billing Project: The *Invoice and Cockpit* systems were launched in Brazil and Chile to optimise the billing process.
- Titan Project: 95% complete, this project aims to improve the *back office* systems in the management cycle.
- Coral Project: This project to acquire 250,000 contracts from Gas Natural was completed, and data on these contracts were successfully migrated to Endesa's sales management tools.
- *Unbundling Project:*A systems map was drawn up to separate deregulated market distribution activities from supply activities.

2.3. Holding and global service function

In 2012, work in this area focused on attaining the common management of corporate services through a shared-service architecture. The main projects undertaken were:

- Colabora Project: Roll-out in Chile and Colombia of the global platform for managing partners which was already in place in Spain, and launch of project in Argentina, Peru and Brazil.
- *Governance, Risk and Compliance* Project: Commissioning of second phase of the model for managing human resources, logistics and economic-financial processes.
- Global Human Resources SAP Project: During the first phase, basic data on employees, organisational data and global organisational structures were inputted into the new consolidated *reporting* system and performance appraisal system.
- Pago Project: Completion of the *roll-out* of the the Corporate Personnel Administration Model in Peru, and improvements thereto in Chile and Brazil.
- Sifre Project: Completion of the functional design of a tool for managing derivatives, investments and debts, which is now at a technical development stage.
- SAGA7 Project: Launch of and migration of data to the new Procurements Portal using a new system (SAP/SRM7).
- Visioning (*Four Seasons* SAP) Project: Work started on analysing the potential for consolidating the SAP system for the Enel Group's Administration, Finance and Controlling departments.
- eContact: Launch of a new tool replacing the Single Service Window system for managing employee global services.
- New corporate employee information portal launched in Chile, Colombia and Peru.

2.4. Infrastructures and networks

A substantial part of the technical systems team's work in 2012 focused on developing synergies with the Enel Group through global corporate projects, and on consolidating the ICT model for the Latin American businesses.

Major projects include the following:

- Cervantes Project (remote management): Measurement of the boundary points with a view to improving remote metering at the energy supply points and boosting the availability of these systems.
- GCore Project (Endesa Distribution System - SDE Global): Unification of the systems of the Latin American distribution companies. MANSUB (substation maintenance) module brought on line in Spain.
- Smartcity Project: Connection of a new grid to ensure high-quality services at the 26 substations of the distribution business and generation plants using shared communications infrastructure.
- Smartcity Project (Buzios): Launch of free Internet service with the installation of seven hotspots which can simultaneously connect 400 users.

- SCADA Project in Latin America: Progress was made on updating the corporate project based on *Siemens Spectrum* technology. This technology is already in use in Colombia and the roll-out is 60% complete in Brazil, while the project has been kicked off in Chile and tendering has commenced in Argentina.
- B281 Project: Implementation of the scope required to devise LV/MV/HV plans, and execution of one-off HV plans.
- CGUM Project (Common Maintenance Management Centre). The MANSUB module has brought on line in the Endesa Distribution System for all Endesa's distribution divisions.
- ICONO Project (*Intelligent Control Network Operation*): Work to develop the SAC operating module continued to provide functions for efficient monitoring of smart grids.
- Briefing *Report:* Regional business lines were presented with a report on the stage of completion of the projects, software downtime indicators and critical incidents, budgets and other operational matters.

2.5. Generation and trading

In 2012, work in the generation business centred around making multiple systems improvements and inputting new data to monitor equipment at the thermal and hydro power plants.

- ACSPEC Project (Spectrum update): The Hydroelectric Generation Unit Control System was brought on line at the Ebro Pirineos plant, along with the Generation Control System in the Balearic and Canary Islands.
- SIVI/SAVO Project: Project to roll out an operations monitoring system at power plans and integrate this with the GEMA plants' maintenance management system. The *roll-out* of this system continued in Chile and Colombia, and it was installed in the first plant in Peru.
- SCADA Project in Latin America: Project encompassing both distribution and generation.

The 2011 Operations Review included details of the presentation across the entire region of the Energy Management Systems Plan:

- Allegro Project: Fuel Contracts Management System brought on line in Argentina, Colombia and Peru.
- Documentation Management Project: Launched in Peru, Colombia, Chile and Argentina on the same platform of the corporate system existing in the Energy Management Division in Spain.
- Roll-out of the first phase of the DEIGAR model: Model for analysing energy planning policies that could be presented to the market.

2.6. Infrastructures and operations

One of the most important activities in 2012 was the completion of the work to migrate the systems and telecommunications infrastructures and services in Barcelona.

In the telecommunications and remote management area, the following initiatives were carried out in 2012:

- Laser Project: Contract for in-house telecommunications services in Latin America to create a standard service catalogue, establish a contracting model with specific indicators, and establish service levels.
- General Telecommunications Plan: Implementation of the recommendations for the General Plan for Brazil and Endesa Generación in Chile through to 2016. Launch of measures to promote the plan in Colombia.
- The General Telecommunications Contingency Plan was approved in Spain and Portugal.
- International communications: The videoconferencing suite in Santiago de Chile was brought on line, which is similar to those in Rome and Madrid.
- Metrolan Project: Replacement of the real-time grid transmission and switching equipment for remote management at Codensa and Emgesa (Colombia). Migration of the HV substation remote management service to the new IP network.
- Integris (*Intelligent Electrical Grid Sensor Communications*): Completion of the project to design and develop a telecommunications infrastructure capable of collating and channelling data on the new electricity distribution smart grids in real time.
- *Voice interconnection*: Use of international circuits to transfer data between Italy, Spain and Latin America, and interconnect the internal telephone networks of all the head offices. On line since June 2012.
- *Callback* Project: Roll-out of a new system allowing customers to receive a call back on their mobile phone from the call centres in Brazil.

The following work was conducted in the area of *Distributed Services*:

- SAC Project: The second phase of migrating to the remote services platform for centralised monitoring from the Telecommunications Control Centre, came on line.

- Improvement Plan in conjunction with IBM: Work was conducted on the systems and best practices introduced to optimise the performance of applications in Spain and Latin America.
- Global EGlobal7 Microcomputing Platform: This platform is 90% complete in Spain and 56% complete in Latin America.
- *Managed Printing Service*: A global tender was awarded to cut the costs and environmental impact of document printing.
- *Microsoft Enterprise Agreement:* The software licence procurement and maintenance agreement was renegotiated.

The following activities were conducted in the area of *Data Centre Operations*

- Transformation and consolidation of IT systems in Latin America: Work was completed at the *data centres* in Spain to transform the Chilean IT systems and consolidate them with Endesa Chile's technical systems and Chilectra's data communications equipment. Ampla's sales system in Brazil was transformed.
- Continuous Improvement Plan for Operations: Plan to review and improve the infrastructures, processes and tools supporting *data centre* services.
- *Business continuity and disaster recovery testing*: Strengthening of intrastructures, processes and testing of business systems in Latin America in relation to *business continuity and disaster recovery*.
- *Infrastructure Cloud Services pilot project*: Project implemented given the importance of cloud services and technologies.
- New control systems operations contracts in Latin America: New control systems operations and maintenance contracts were awarded to Synapsis.

The following activities were conducted in the area of *Security and Continuity Management*:

- Identity Management Project in Brazil: Work commenced on designing and rolling out a system for managing identities and access controls for users of Enel Group companies in Rio and Fortaleza.
- Control systems security: Action taken to comply with the security measures imposed by the regulator to protect critical infrastructure.
- Roll-out of a system to protect against distributed denial of service attacks by detecting and blocking such attacks through the Internet before they reach Endesa's network.
- Segmentation of the control networks in Peru; achieved using peripheral security devices that are monitored in real time to ensure the integrity and continuity of the control systems (Edelnor, Edegel and Eepsa).

3. Property asset management

Through its management company, Endesa promotes the regeneration of industrial areas housing idle electrical installations and unlocks the value of its real-estate assets through transformation of land into buildable areas, management of own or leased buildings, and the implementation of sustainable development models in land with high environmental worth.

The main projects performed during 2012 to regenerate industrial areas were as follows: Completion of the filling of the pit at the As Pontes mine (A Coruña) and creation of a large lake. Restoration of the natural habitat at the former coal mine, and an appraisal of the plan to transform the old mining railway lines in Aragon into green cycleways.

The portfolio of assets under management includes sites which are being transformed into buildable areas or which are being improved with a view to putting them on the market.

Despite the slump in the European real-estate market in 2012, property assets across the entire Endesa Group worth Euro 23.7 million were sold during the year, primarily through transactions carried out in Latin America.

Efforts to renegotiate lease agreements led to recurrent savings in excess of Euro 15 million over the coming years. The 33% decrease in the cost of Endesa's head offices in Madrid and the cancellation of the lease agreement for one of the offices in Barcelona were also notable actions.

On the construction side, work continued on renovating the modernist La Catalana building in Manresa, while work was finished on the extension to the Vilanova building in Barcelona paving the way for all personnel to be located in one office.

Most activities are channelled through Bolonia Real Estate, S.L., a company fully owned by Endesa responsible for the company's real-estate activity in Spain, and which delegates Latin American activities in this field to Inmobiliaria Manso de Velasco Ltda., a company fully owned by Enersis.

As Pontes thermal power plant and lake

Cárdena Dam

Sustainable development and the environment

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

1. 2008-2012 Endesa Sustainability Plan

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

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

The main activities carried out under the Strategic Sustainability Plan in 2012 are set out below. A more detailed description of these activities is offered in the company's 2012 Sustainability Report and on its website, www.endesa.com.

1.1. Commitment to our customers

Guaranteeing access to electricity to a larger number of people with higher standards of quality, security and efficiency is one of Endesa's main concerns.

In 2012, the company worked on guaranteeing the continuity of supply and on grid enhancement projects in order to move forward in the aforementioned areas and further enhance the already positive perception of the service offered.

In Spain, distribution infrastructures and the number of substations were increased, along with the length of the power lines by 1.2%, and a total of 115,390 GWh was distributed, covering 43% of the country's total demand.

Under the Customer Services Excellence Plan launched in 2003, Endesa also spent 2012 working on the quality of customer care and operational excellence, reducing average waiting times at sales offices and raising the level of satisfaction with the help line, especially regarding advice received.

The "Endesa Online" office also saw significant growth in 2012, with over 220,000 new subscribers. This is now a powerful channel for boosting not only the sale and contracting of products and services, but also for achieving excellence in customer care.

E-billing was also ramped up during the year, with close to 50,000 existing contracts configured for e-billing at year end, 68% higher than in the previous year.

Endesa continued to implement its policy to open up and guarantee access to electricity and customer care services by low-income or disadvantaged socio-economic groups through the social rate (bono social) in Spain and specific tariff schedules and payment plans in Latin America, such as the Framework Agreement in Argentina.

1.2. Commitment to our employees

Throughout 2012, the company continued its efforts to improve health and safety in the workplace, consolidating its Safety Plan and ensuring all its employees' working conditions to protect their well-being. Endesa pays permanent attention to equality, work-life balance and respect for human rights.

The 2011-2015 Safety Plan incorporates all the efforts and action lines developed to date to encourage the exchange of best practices and synergies. The primary goal of this plan is to achieve "Zero Accidents".

In 2012, occupational health and safety indicators continued to improve, in line with recent years. The combined accident frequency index (for Endesa employees and its contractors) fell by 23.9% (from 3.80 to 2.89) and the combined index of seriousness remained at the level recorded the previous year of 0.12. The total number of combined accidents also dropped by 31%.

The training team conducted a wide range of activities across the Endesa Group's departments which were designed and provided to contribute to implementing and fulfilling Endesa's 2011-2015 Strategic Plan. With this goal in mind, a Global Training Plan was prepared giving priority to risk prevention and health and safety in the workplace training, group-wide international training, English classes, and training for technical personnel, as well as boosting online training provision.

In 2012, a total of 985,792 hours of training courses were given at Endesa Group companies, which equates to an average of 43.38 training hours per employee. Of this total, 103,119 hours (11 hours per employee on average) were dedicated to occupational risk prevention training.

In line with the objectives set forth in its Strategic Sustainability Plan and human resources policies, Endesa brings together all corporate social responsibility measures relating to people under its human resources corporate social responsibility plan, the Senda Plan, the aim of which is to responsibly manage people, paying special attention to integrating the different groups, and ensuring job satisfaction, personal development and respect.

The Senda Plan, implemented at a local level through country-specific plans, is founded on an overarching plan and includes country-specific elements. Overarching and country-specific targets are set each year and performance indicators are used to measure the results obtained and ensure the plan is successfully implemented.

No discriminatory acts were registered in the company during 2012, and as in prior years, progress was made towards the target of increasing the percentage of female employees on the workforce. The number of women in executive and middle-management posts increased to 26.3%, while 21% of the total workforce was female. Endesa embarked on the groundwork to perform a group-wide quantitative diagnosis of gender diversity, which will be used to prepare a specific action plan covering vertical and horizontal diversity issues.

Once again, the company was certified as a Family-friendly Company, having implemented steps to extend the concept of work-life balance across all the countries in which it operates. Group investees in Chile and Colombia were certified as Family-friendly Companies in 2012. Group-scale steps are taken under this model to foster efficient time management and efficient use of meeting time, which will be addressed in a communications campaign in 2013.

Work also continued on identifying a talent pool, which will make a decisive contribution to the company's growth and can be tapped to fill the various positions specified in the Management Model rolled out in 2011.

1.3. Commitment to good governance: ethical behaviour and transparency

Endesa boasts an Employees' Code of Conduct, a charter governing senior management and a charter governing executives, which outline employees' and partners' ethical responsibilities and commitments when managing the company's operations and businesses. It also has a Code of Ethics and a Zero Tolerance Plan Against Corruption.

1.4. Commitment to our investors

Endesa maintains ongoing relationships with its shareholders, both private and institutional investors alike, as well as with leading stock market analysts, providing them with a steady flow of detailed information.

To this end, it has an Investor Relations Department, one of the tasks of which is to present the company's quarterly results to analysts and shareholders. The Shareholders' Office also responds to shareholders' queries 24/7 through a drop-in service, helpline and electronic channels. 2,881 requests from shareholders were handled in 2012.

1.5. Commitment to the environment

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

In the area of excellence in environmental management, which includes the integrated management of water, environmental management systems and the pertinent accreditation, controlling environmental risks and damage as well as supervising emissions regulations, Endesa carried out the following initiatives in 2012:

- Integrated water management. The company signed up to the Carbon Disclosure Project's water disclosure programme which shapes investments in sustainable water usage.
- In the area of environmental accreditation, Endesa's environmental management systems at its main centres retained certification under the ISO 14001 and EMAS standards. In Spain, 97.97% of the energy generated and 93.95% of the hydro and nuclear plants, port facilities, mines and distribution infrastructure are certified.

Endesa Ireland and the Tahaddart plant maintained their environmental certification in 2012. In Latin America, environmental audits were performed at 45 installations, representing 76% of the total, while 97.8% of the company's installed capacity is ISO 14001 certified for environmental management systems (EMS).

An exhaustive review of the plants' various EMS was also completed with a view to establishing and obtaining certification for a single EMS. 57 environmental self-assessments were also conducted at the company's facilities in Latin America, draft action plans were prepared and updated for all categories classified as "Improvable", and a tool was developed to control and graphically analyse the results of the self-assessments using data updated to 2012.

In the area of biodiversity and preservation of natural ecosystems, work continued on the research and monitoring projects as part of its Biodiversity Conservation Plan, with a view to incorporating this culture of preservation in all corporate activities and unlock the value of natural heritage. Progress was made in Latin America to foster a biodiversity conservation culture among plant employees, and the environmental contingencies log was reclassified based on the potential impact of the industrial activities on the environment, risks to people, and the size and surface area exposed.

1.6. Commitment to innovation and technology

Underscoring its firm commitment to energy savings and efficiency, Endesa continued to develop its Global Energy Efficiency Plan (PGE3), which is included in its 2008-2012 Strategic Sustainability Plan. The PGE3 is one of the company's endeavours to meet the 20-20-20 targets established by the European Union in order to boost energy efficiency by 20%, ensure that 20% of total energy demand is met using renewable sources, and cut $C0_2$ emissions by 20% by 2020.

1.6.1. R&D and innovation and technological leadership

Endesa's R&D and innovation activity forms part of its commitment to sustainability, as reflected in its 2008-2012 Sustainability Plan. One of the objectives set forth in the plan is for Endesa to be recognised as a leader in industrial innovation by the markets, customers, the scientific community and society as a whole.

Endesa is developing R&D and innovation projects in all of its business lines and corporate technology activities, which are included in the 2012-2016 Technology Plan. The latter is, in turn, integrated into the 2008-2012 Strategic Sustainability Plan.

Endesa's direct expenditure on R&D and innovation totalled Euro 84 million in 2012 invested through 90 projects, up 100% on spending in 2011. Further investments from technological partners were also mobilised through innovation projects and consortia led by the company, while five new patents for proprietary technological solutions were filed.

1.6.2. Technological response to energy challenges

During 2012, Endesa continued to invest in innovation, developing sustainable, low CO_2 emission energy models, remaining committed to developing e-mobility and new eco-energy services that will transform customers into active agents in the distribution network, and thus contribute distributed generation, storage and energy efficiency management capacities, etc.

The initiatives performed by Endesa in 2012 are presented in the 2012 Sustainability Report.

1.6.3. Knowledge management and alliances

In 2012 the end-to-end application to administer employees' ideas (EIDOS MARKET) was launched, a pioneer initiative which produced over 1,400 ideas across the group in the course of the year. The platform deploys the latest technology such as the crowdsourcing philosophy, or predictive market techniques to maximise innovative potential through the collective intelligence of the employees' social network.

Endesa continued to participate in various technology platforms, including: the Technological Platform for Energy Efficiency, which avoided the emission of 686,000 tonnes of CO_2 in its first year of activity; the Platform for Electricity Grids of the Future (FUTURED) – where it is a member of the reactor working group; and the Nuclear Fission Platform (CEIDEN) – where it acts as Technical Secretary. The company also collaborates in other platforms such as the Spanish CO_2 Technology Platform, the Spanish Technology Platform for Hydrogen and Fuel Batteries, the Spanish Technology Platform for Industrial Security (PLATI) and the Spanish Biomass Platform (BIOPLAT).

In 2012, the Regional Innovation Committee in Latin America was strengthened to share the main technological and commercial innovation projects applicable in other countries in which the group operates.

1.7. Commitment to society: our partners

Endesa continued to apply the Supplier Rating System, increasing the number of purchasing families from 39 to 83 (47 in Spain and 36 in Latin America), up 53% compared to 2011.

It also included safety scores in the scoring system introduced in 2010 through the Emergency Safety Plan, the purpose of which is to verify that contractors engaged in risk-related activities at Endesa facilities comply with all applicable legal, labour, safety and environmental protection regulations. Furthermore, the company identified 540 strategic suppliers and contractors, 122 more than in 2011.

1.8. The climate change challenge

Combating climate change is one of the key pillars of Endesa's 2008-2012 Sustainability Plan, and, in particular, its Climate Change Programme, which includes five strategic areas: renewable energies, technological development, energy efficiency, sustainable transport, and CDMs.

Endesa redoubled its great efforts to include an inventory of its GHG emissions from the widest possible perspective, extending this to the whole lifecycle of each of the company's assets, businesses and locations, and including both direct and indirect emissions which, though not generated by sources controlled by the company, do result from its activities. Off the back of calculating its carbon footprint in 2011, Endesa therefore decided to obtain UNE ISO 14064 certification for the results of this work.

In the area of energy efficiency, Endesa continued to roll out its 2010-2014 Global Energy Efficiency Plan, focusing on three main areas: the efficiency of the company's infrastructure and active management of energy consumption, unlocking the value of activities in this area, and raising employee awareness of responsible consumer practices.

Endesa is also firmly committed to the development of e-mobility in its Spanish and Latin American markets, heading up work groups on standardisation and certification, R&D and innovation projects, the Zem2All Project (Zero Emissions Mobility to All), and CENIT VERDE.

Clean Development Mechanisms (CDMs) now form part of Enel's international *Carbon Strategy Unit*. The Enel-Endesa Group's portfolio of *Certified Emission Reduction certificates* (CERs) and *Emission Reduction Units* (ERUs) is the largest in the world carbon market rankings. At the end of 2012, the two companies had a combined portfolio of 118 CDM projects, representing over 175 millions tonnes of CO_2 emissions reductions and accounting for 8% of the credits granted by the United Nations.

Endesa obtained a score of 92 out of a 100 in the CDP Global 500 report, which assesses the carbon reduction efforts of 405 of the largest corporations in the world. This achievement underscores Endesa's leadership in terms of the quality and clarity of the disclosures on its targets and action to combat climate change, and the transparency of the data it publishes on carbon emissions.

1.9. Strengthening ties with local communities

The company's response to the challenge of forging ties with local communities, which forms part of the Strategic Sustainability Plan, entails developing local plans to tailor corporate strategies and targets to local circumstances and needs. 2012 saw the full roll-out of the five Regional Sustainability Plans in Spain and Portugal, and five Country Sustainability Plans in Latin America. The company continued performing actions that contribute to social development, divided into four areas: cooperation, culture, education and socio-environmental.

In 2012, Endesa allocated Euro 35.2 million for the implementation and promotion of 560 community initiatives Of this amount, 62% was earmarked for Latin America and 38% for Spain and Portugal.

Endesa's work with local communities in the areas in which it operates focuses mainly on social, educational and cultural projects and programmes to raise environmental awareness. 46% of the investment in social activities was allocated to projects for cooperation in social and economic community development, which included the following:

- Ecoelce and Ecoampla in Brazil, and Ecochilectra in Chile. The programmes for social development and raising environmental awareness continued, with discounts on low-income customers' electricity bills in exchange for the selective collection and recycling of urban waste.
- "La Escuela EFHECTO" training scheme was implemented during the inspections of San Carlos and San Pablo in the municipality of Caparrapí and Yacopí town centre (Cundinamarca district), through which 100 community leaders received training. A training programme for councillors was also devised in partnership with the School of Public Administration and the Zipaquirá diocese, while the Huila community leadership groups were strengthened.
- The Community Bank project was established in Brazil to drive the development of poor regions by strengthening and creating local supply and demand networks. This scheme benefitted 1,754 individuals directly and 6,139 indirectly.
- A public library was opened in Argentina close to Central Dock Sud offering community support to those living in the neighbouring area. The library boasts a large number of freely-available books and educational materials.
- Twenergy, an online community established in Spain to provide users with solutions and tools to help them become more efficient in their energy usage.

The Nuevo Pachacútec Higher Technological Institute, Endesa's main educational programme in Peru, which has been up and running for six years and has helped 9 out of 10 students to find work. In 2012, efforts focused on making the institute the best electrical engineering institute in the country and a benchmark for power utilities.

Endesa also conducts a range of projects and programmes across all the countries in which it operates to raise awareness of using electricity and other natural resources responsibly in order to encourage balanced and sustainable development.

Research, technological development and innovation

1. Endesa and research, technological development and innovation

Throughout 2012, Endesa continued to work on projects aimed at creating value by promoting an innovation culture in the company and generating sustainable competitive advantages leading to tangible results.

Endesa's R&D and innovation activity forms part of its commitment to sustainability, as reflected in its 2008-2012 Sustainability Plan. One of the objectives set forth in the Plan is for Endesa to be recognised as a leader in industrial innovation by the markets, customers, the scientific community and society as a whole.

Endesa filed for five new proprietary technology patents in 2012:

- Electric vehicle charging procedure and system - an intuitive, efficiency and fast charging solution for users and infrastructure operators.
- Electric vehicle discharging and charging device based on V2G technology allowing electric vehicle users to sell or send the electricity stored in their electric vehicles' batteries back to the grid when it is plugged in.
- System and procedure for diagnosing the state of slow-speed diesel engines for use with diesel generators.
- Procedure for capturing CO_2 in a gas treatment cycle in fixed-bed reactors using aminoalcohol-impregnated aluminium, offering higher levels of efficiency than conventional methods.
- A new reactive power compensation system that is especially applicable for use in housing.

Endesa's direct expenditure on R&D and innovation totalled Euro 84 million in 2012 invested through 90 projects, up 100% on the previous year. Further investments were also mobilised through technological partners in R&D and innovation projects and consortia led by the company.

All of Endesa's innovation initiatives are developed and coordinated through the corporate R&D and innovation unit, under a structured innovation model that unifies project selection criteria, management and technological knowledge capture models, and unlocks their value while bearing in mind the differences in each country's regulations and businesses.

It also centrally manages obtaining and optimising grants, tax credits and financial aid for R&D and innovation activities.

As far as managing innovation in-house, 2012 saw the launch of the EIDOS MARKET end-to-end application to administer ideas and initiatives from company employees; a pioneer initiative which produced over 1,400 ideas across the group in the course of the year. The platform deploys the latest technology such as the crowdsourcing philosophy, or predictive markets techniques to garner ideas with a view to maximising innovative potential through the collective intelligence of the employees' social network.

Progress made in the field of e-mobility and Smartcities stands out among the projects conducted during 2012.

2. E-mobility

Endesa is firmly committed to the development of e-mobility technologies and plays an active role in this field to position itself as a leader in e-mobility on the international stage.

The hard work in this area resulted in the roll-out of new technologies and forging of new agreements. During 2012, Endesa installed 300 electric vehicle charging points across Spain and over 40 in Latin America, the most noteworthy being the first three fast charging stations in Latin America.

The main electric vehicle fast charging projects launched to date are as follows:

- Crave Project: Design and construction of a control device for fast chargers capable of connecting with the group's control systems to manage peak demand. This device incorporates a manageable storage system that improves the functionalities of fast charging equipment.
- Fasto Project: Definition, development, production and certification at a pre-commercial stage of a portfolio of fast chargers shared by the entire Enel Group. The projects creates new commercial opportunities as it the chargers can be integrated into the Electric Mobility Management System (EMMS).
- Surtidor Project: Design and roll-out of a conductive fast charging point incorporating a storage system offering new functionalities.
- Unplugged Project: Project conducted through an international consortium to develop an inductive fast charging point and investigate how it can be deployed in urban settings. Endesa presented this technology having participated in the development of a recharging point.

- Development of *vehicle to grid* (V2G) systems and roll-out of this technology in the Malaga Smartcity wherea V2G-enabled electric vehicle charging network was put in place.

- Vehicle to Microgrid (V2M *) Project:* Study of the impact of electric vehicles on the grid and the possibilities of using V2G in Spain. This technology can be used to enable electric vehicles to send energy to the grid and offer services to users or the electricity grid.

Another area of activity focused on promoting e-mobility in real-life situations by carrying out demo projects:

- MOVELE Plan: Conducted in cities such as Madrid, Barcelona and Seville, this project has involved launching various categories of electric vehicles with different characteristics and technologies in urban areas, along with normal charging points at these locations.

- Agreements with car manufactures: Agreements were reached to jointly develop sustainable mobility by fostering growth and progress in the area of e-mobility. Along these lines, during the year Endesa was involved in Madrid and Barcelona in the testing of electric vehicles developed by SEAT.

- Zero Emissions Mobility to All (*Zem2All*) Project: Demo e-mobility project involving the roll-out of a fleet of 200 electric vehicles in Malaga, and installation of the necessary charging infrastructure including V2G charging systems and a data management platform to enable users to interact and optimise their needs.

- Green eMotion Project*:* Conducted in Barcelona, where Endesa is involved in designing a general model for electric vehicle charging infrastructure for use in areas with high parking densities. This model was applied and implemented in the car park of Endesa's head offices.

- In Colombia, Codensa received 50 electric taxis, which it will operate as part of a pilot project in the city of Bogota.

- In Chile, Chilectra conducted a project to launch an electric bus service in the future along a public transport corridor connecting the installations of the Santiago Smartcity and the Metro network. This experience shows that this technology can be used in public transport systems in major Latin American cities.

Another of the main areas of technology investigated during 2012 was the Smartcity concept, with projects in Spain (Malaga and Barcelona) and Latin America (Santiago de Chile and Buzios):

- Malaga Smartcity: The planned activities were carried out to finish this project, which was financed by the Industrial Technological Development Centre (CDTI) through a consortium consisting of eleven companies led by Endesa. The activities performed focused on integrating smart grids and sustainable urban development under the umbrella of a new concept: the Smartcity. The most notable activities were the development and roll-out of latest-generation distributed energy generation and storage technologies, electric vehicle charging infrastructure, and cutting-edge solutions for boosting the energy efficiency of buildings, businesses and homes through the active involvement of end consumers.

- Smartcity Barcelona: Work continued on demonstrating a new energy model to drive economic and social progress in the city. The most advanced smart meter, grid automation, efficient lighting, renewable energy integration and e-mobility technologies were rolled out and tested. Information management and automation systems were also devised, along with efficient lighting control systems, remote management systems, systems for charging electric vehicles, and the telecommunications systems needed for these systems to function correctly.

- Smartcity Buzios The first Smartcity project in Latin America, implemented in the city of Buzios in the state of Rio de Janeiro. The main objectives of the project were to integrate smart metering, grid automation, e-mobility, smart public lighting and distributed generation technologies, among others, to evaluate their economic, technical and social feasibility.

- Smartcity Santiago: A project rolled out in the business district of Santiago de Chile to test the integration of technologies such as smart metering, grid automation, electric vehicles, smart public lighting and distributed generation technologies to evaluate them from an economic, technical and social perspective. A work plan has been devised for implementation in Chilectra's area of operations based on the results of full-scale pilot projects using these technologies.

Endesa also continued to participate in various technological platforms, including: the Technological Platform for Energy Efficiency, the Platform for Electricity Grids of the Future (Futured) - where it is a member of the reactor working group - and the Nuclear Fission Platform (Ceiden) - where it acts as Technical Secretary. The company also collaborates in other platforms such as the Spanish CO_2 Technology Platform, the Spanish Technology Platform for Hydrogen and Fuel Cells, the Spanish Technology Platform for Industrial Security (PLATI) and the Spanish Biomass Platform (BIOPLAT).

Endesa also actively participated in many other organisations and is a founding patron of the Catalonian Institute for Energy Research (IREC), the Andalusia Technology Corporation (CTA) and the Pro Rebus Foundation of the Spanish Royal Academy of Engineering. In Latin America, the company's participation in Colciencias (Colombia) is of note.

In 2012, the Regional Innovation Committee in Latin America was strengthened to share the main technological and commercial innovation projects applicable in other countries in which the group operates.

3. Innovation projects

Endesa's portfolio of innovation projects is structured around the key technology areas encompassed in its medium- and long-term strategic targets, which aim to optimise the use of resources and generate added value. The following projects are particularly noteworthy:

3.1. Generation technologies

- The Ciuden Project and OXY-300 CCS demonstration plant: A global programme geared to strengthen technologies for carbon capture and storagethat brings together public and private research initiatives to combat climate change, with a view to developing technologies that significantly reduce emissions in electricity production. The project is the only Spanish initiative of this kind chosen by the EU to develop oxy-combustion-CFB technology for carbon capture and storage in deep saline aquifers.

- La Pereda carbon capture and storage plant: Project to construct and test a pilot post-combustion carbon capture plant using carbonisation-calcination cycles at La Pereda in Asturias.

- Less CO_2 Project: Design, development and construction of an experimental chemical absorption carbon capture plant, applying and evaluating new amine-based chemical absorbents. This is the first experimental plant of its kind to be installed in Spain.

- Pilot plant to capture CO_2 using microalgae: A pilot plant located in the Litoral de Almería thermal power plant set up for the recovery of CO_2 from combustion gases using microalgae in order to obtain commercially viable products such as biofuels.

- O2GEN: Project to study second-generation OxyCFB technology with high O_2/CO_2 ratios in small boilers at a lower cost.

- Recal: Validation of the feasibility of the patented recarbonisation process to increase the efficiency of sorbents used.

- Undimotriz: Project conducted in Chile to study the use of wave power to generate electricity. In conjunction with Enel, the company has examined available technologies, analysed the regulations for awarding maritime concessions and performing environmental impact assessments in relation to this type of project.

- Capim Elefante Project: Being conducted in Brazil is to create optimal conditions for the life cycle of this species of grass on an experimental farm to improve the availability of biomass in Brazil and other south American countries.

- Laguna de Enfriamiento: Conducted on land adjacent to the San Isidro power station in Chile, the project aims to assess the viability of crystalline lagoons as an alternative cooling system for thermal power plants. It involves constructing a 5,000 m^2 (10,000 m^3) pool that is thermically connected to the plant's cooling system.

- Telesivi: Project to develop artificial vision technology to monitor and improve maintenance systems at hydroelectric power plants.

- Intogener: System for predicting ice and snowmelt runoff using satellite data in order to improve forecasting in electricity generation. Endesa Chile is involved as a user of the system during the pre-operational phase.

3.2. Energy efficiency and storage

- European Energytic Project: Seeking to find innovative solutions for social housing customers to save water and energy. The project will be carried out for 1,000 homes in France and 700 in Spain. Endesa is involved as a technology partner, leading Spain's participation, for the development of remote customer management.

- Novare Energrid Project: Project to examine the viability of a distributed smart infrastructure system to manage supply and demand in the electricity grid. The results will make it possible to manage the production and consumption of energy in a decentralised system based on small nodes (homes, businesses). The project will also improve energy management in buildings via dialogue between consumers, producers and users. The functional specifications were completed in this first year.

- Store Project Project for energy storage technologies applied to power systems for realistic use scenarios as a means of managing temporary imbalances between generation and demand.
- Caes: Studies for developing energy storage systems using underground compressed air technologies.
- Eccoflow: Installation of a prototype superconducting fault current limiter at an HV/MV substation on the Balearic islands, based on superconducting technology.

3.3. Innovation and smart grids

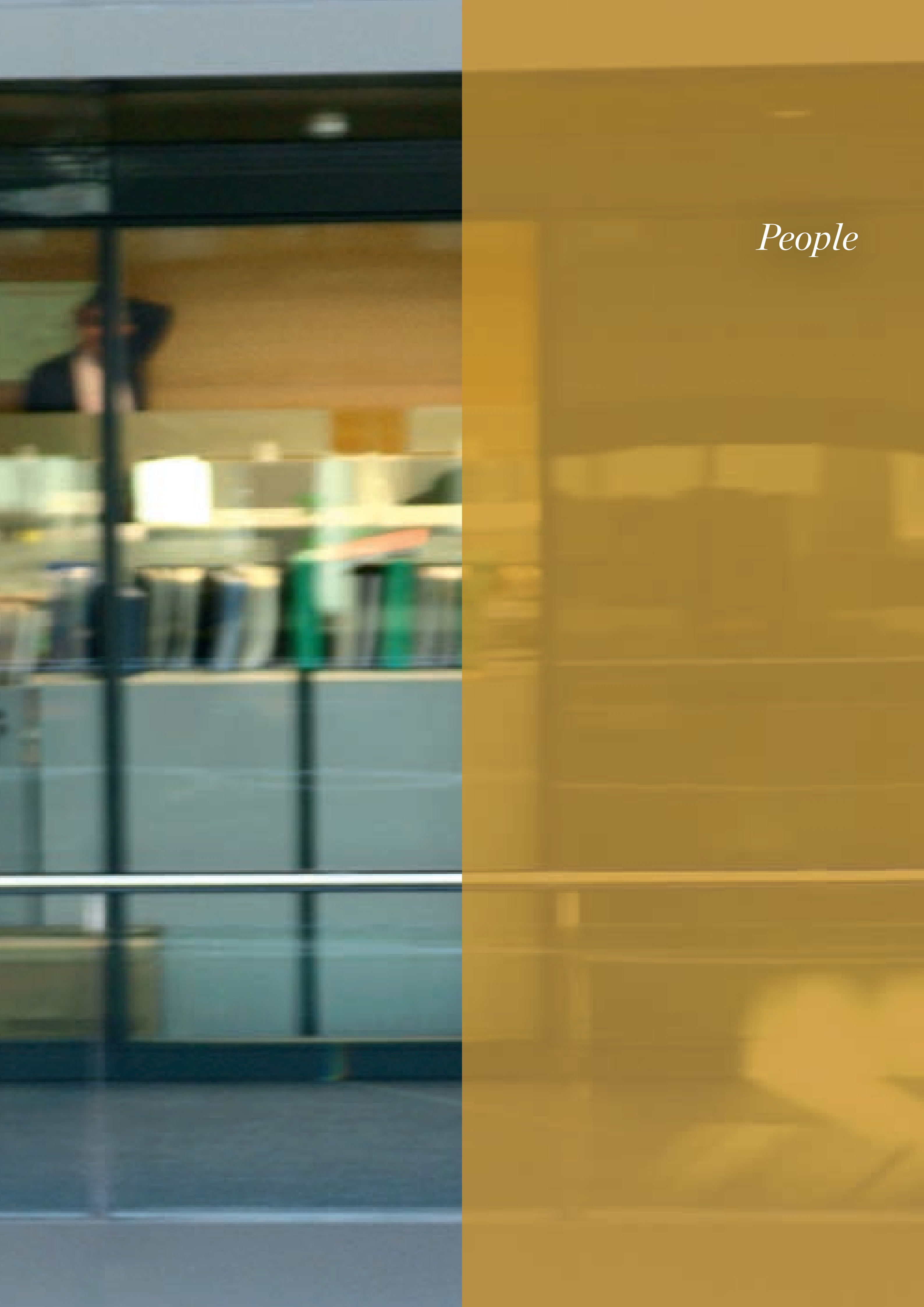
- Remote management: Project to roll out an automatic and remote electricity supply control and management system for residential customers. A first in Spain, this system will be rolled out in the homes of more than 13 million of the company's customers, replacing conventional electricity meters. Three million smart meters were installed throughout Spain in 2012.
- Icono: 2012 saw the completion of this project to automate and improve the performance of the electricity distribution grid using systems to forecast the grid's status and control measures to guarantee the stability and safety of the electricity grid.
- Smartie Plus: Development of a new electronic power device to improve the use of current network assets. The device allows for maximum load distribution, thereby improving the quality of supply and enabling renewable energy to be more successfully and extensively integrated into the distribution grid.
- Future Grid for Electric Energy Distribution. Installation in Barcelona of a cutting-edge system combining remote fault bypass detection and control systems. The system improves the location of faults and further automates grid management. This project contributed to improving the quality of the supply to customers across the city while incurring lower O & M costs (response teams).
- Detection and recognition of faults along the high-voltage line using unmanned aerial vehicles (UAVs): Research project aimed at studying computer vision technique to detect and classify faults on high-voltage lines, and develop a navigation and positioning system using unmanned helicopters.
- Sub-soil radiography: An underground detection service system using a combination of georadar and electromagnetic field analysis techniques which improves mapping and reduces cost thereby driving up the quality of data capture.
- Non-conventional instrument transformers (NCIT): Testing of non-conventional fibre optic instrument transformers compared to those containing electrical conductors. In addition to their reduced size and weight, these transformers do not use oils and therefore practically do not heat up, which facilitates maintenance.
- IEC61850 cooperative protection system: Pilot scheme to reduce copper wiring, increase substation flexibility, and improve the configuration and commissioning thereof.

3.4. Nuclear energy

The company conducts R&D in the nuclear field as a partner on various programmes. Endesa also holds the position of secretary in the Spanish Nuclear Fission Technology platform, CEIDEN, which coordinates sector R&D and innovation. Through the Nuclear Energy Committee of the Spanish Energy Industry Association (UNESA for its initials in Spanish), the company also undertakes research projects of interest to its nuclear power plants. The following programmes are of particular interest:

- The EPRI Nuclear Programme, which pursues operational excellence at nuclear power plants.
- Coordinated PCI Research Programme, carried out with the participation of sector companies and the Nuclear Safety Council (CSN), to analyse plant security for both operators and the regulator.
- Joint PIC Programme, between electric utilities and ENUSA, which coordinates R&D and innovation related to nuclear fuel and defines projects of common interest.

People



1. Endesa's workforce

At 31 December 2012, Endesa employed 22,807 people directly, 0.3% fewer than the previous year. 50.4% of the workforce were employed in the business in Spain and Portugal, and 49.6% in Latin America. In 2012, 1,353 new employees joined the group.

	2012	2011	% chg 2011-2012
Closing workforce			
Spain and Portugal*	11,537	11,785	–2.1%
Latin America	11,270	11,092	1.6%
TOTAL	22,807	22,877	–0.3%
Average workforce			
Spain and Portugal*	11,754	12,125	–3.1%
Latin America	11,241	11,240	0.0%
TOTAL	22,995	23,365	–1.6%

* The workforce in Spain and Portugal includes headcounts for other countries outside the Iberian market (Ireland and Morocco)

Endesa's diverse human capital combines youth and experience. Most of the workforce is in the 35 to 54 years age bracket, and have over 10 years of service. 79% of the workforce is male and 21% female.

Age		Years of service	
Age	% workforce	Years	% workforce
Under 28	5	Under 10	36
28 to 34	16	10 to 19	21
35 to 44	29	20 to 29	29
45 to 54	34	30 to 34	9
55 to 59	12	Over 35	5
Over 60	4		

Endesa offers its employees competitive working conditions, which are above the market average in all the countries where it operates. 98.5% of contracts are permanent, 0.1% more than in 2011, while most of the workforce are full-time. Also, and in order to provide young people with jobs and access to the labour market, Endesa offered 1,556 people internships or scholarships in 2012.

Endesa also provided services through contractors employing 55,865 workers at 31 December 2012, 69.3% in the business in Latin America and 30.7% in the business in Spain and Portugal.

2. Occupational health and safety

In 2012, occupational health and safety rates continued along the positive path of recent years:

- The combined accident frequency index (for Endesa employees and its sub-contractors) fell by 23.9% from the previous year (from 3.80 to 2.89) and the combined index of seriousness remained at the lowest levels recorded in 2011.
- Absenteeism fell 16% to 4,072 days lost to absence during the year.
- The total combined number of accidents fell by 30% to 508.8. The number of serious accidents also declined by 45% to 17, and the number of minor accidents was 34% down at 485.8. There were six fatal accidents, two more than in 2011.

	Number of accidents[1]		Index of frequency[2]		Index of seriousness[3]	
	2012	2011	2012	2011	2012	2011
Spain	164.6	266.1	3.01	4.52	0.17	0.18
Endesa employees	22.9	38.4	1.15	1.93	0.07	0.13
Contractor workers	141.8	227.7	4.07	5.85	0.22	0.21
Argentina	71	66	3.96	3.58	0.20	0.12
Endesa employees	47	36	6.68	5.35	0.28	0.21
Contractor workers	24	30	2.20	2.56	0.41	0.06
Brazil	55.0	73	1.49	1.80	0.10	0.10
Endesa employees	2.0	9	0.36	1.29	0.01	0.07
Contractor workers	53.0	64	1.60	1.91	0.11	0.11
Chile	64	101	3.14	3.68	0.08	0.09
Endesa employees	4	1	0.72	0.18	0.01	0
Contractor workers	100.0	60	4.03	4.58	0.10	0.12
Colombia	137.2	201.1	4.19	5.98	0.07	0.06
Endesa employees	6.0	3	1.73	0.88	0.04	0.07
Contractor workers	131.2	198.1	4.48	6.56	0.08	0.08
Peru	17.0	21.0	1.26	1.64	0.05	0.07
Endesa employees	1	0	0.53	0	0.01	0
Contractor workers	16.0	21.0	1.38	1.93	0.05	0.08
Total	508.8	729.1	2.89	3.80	0.12	0.12
Endesa employees	82.8	88.4	1.99	1.97	0.08	0.11
Contractor workers	426	640.7	3.21	4.35	0.13	0.12

(1) Includes fatal accidents.
(2) Total number of accidents excluding journeys to and from work vs. total number of hours worked multiplied by 1,000,000.
(3) Total number of days lost, excluding journeys to and from work, vs. total number of hours worked multiplied by 1,000.

The main initiatives carried out in 2012 in this area were as follows:

- Roll-out of the One Safety programme, the Enel Group's safety plan to foster leadership in safety among managers and promote safe behaviour and responsibility for safety across the entire workforce.

- Continuation of the 2011-2015 Safety Plan bringing together all the risk prevention plans and designed to drive down accident rates and position the company as a benchmark in terms of occupational risk prevention.
- Development of the 5+1 Plan, a series of long-term strategic measures aimed at radically improving workplace health and safety with the help of all senior executives.
- Further progress extracting data on accident rates through the automated Delfos reporting system and rolling out the Delfos Mobile application to perform real-time, on-site safety inspections.
- OHSAS18001 certification of business processes in companies in Spain and Latin America. 83% of the workforce are based on work centres that have this certification.
- A total of 161,778 hours training on occupational risk prevention provided to company staff in Spain and Portugal and Latin America.
- 42,821 on-site safety inspections performed in relation to own workforce and contractors. Over 32,361 medicals have also been performed to check the health of personnel and prevent disease.
- Fifth International *Safety Week* at Enel, an initiative in Spain and Latin America encompassing close to 300 activities (workshops, conferences, information-giving sessions, etc.) and involving 17,000 participants.

In 2012, the following companies obtained recognition for their occupational health and safety performance:

- Brazil: Ampla (1st prize) and Coelce (3rd prize) were awarded the Eloy Chaves medal in 2012, conferred by the Brazilian Electricity Concessionaires Association (ABCE) for the excellent results in occupational health and safety in 2011.
- Chile: Endesa Chile received three awards from the Chilean National Security Council for its low accident rates, excellence in risk prevention, and for completing more than 2 million work hours without any accidents.
- Spain: At the 10th International Occupational Risk Prevention Conference held in Bilbao, Endesa was awarded the AENOR prize for "excellence in the implementation of the OHSAS 18001:2007 management system in the Spanish industrial sector".
- During Enel's fifth International *Safety Week*, Endesa was given three awards: two in the *One Safety* category were awarded to Endesa Generación (Spain) and the Colombian distribution company, Codensa; and the third, in the Health category, was awarded for Endesa's stress prevention and management plan (Spain).

3. Talent and leadership management

Endesa strives untiringly to detect and nurture of employees' potential to ensure their performance contributes to positioning the company as a benchmark in the sector.

In this regard, the company avails of a range of tools for personnel development based on merit and leadership excellence.

3.1. Leadership model

The Leadership Model lays down a number of performance targets that the company hopes all employees can meet. These performance targets are based on the following seven factors that are geared to continuous improvement and promoting change and innovation, whilst giving priority to occupational health and safety:

Seven values of the leadership model
Prioritise health and safety.
Feel and act like a citizen of the Group.
Direct change.
Assume responsibilities and risk.
Dominate your work.
Make your colleagues grow.
Focus on results.

In 2012, a range of actions were implemented to involve Endesa's employees in this Leadership Model. Seven videos were filmed and broadcast featuring employees and showing practical examples of how these leadership factors are applied in their daily work.

The Management Model management system that was launched in 2011 was also fully rolled out and consolidated to establish an overarching management structure across all Enel Group companies.

In 2012, the Management and Leadership Models were applied to identify, develop and train employees included in the *Talent Pool* (a source of talent to occupy management positions), which is split into three levels: Pool 1 (individuals covered by the Management Model who show the potential to make it to senior management), Pool 2 (those candidates capable of occupying positions included in the Management Model) and Pool 3 (young qualified individuals who joined the company on the last five years and are candidates for supervisor roles).

Work also started on defining the *Global Professional System*, or catalogue of professional profiles in the Enel Group designed to identify the skills and competencies needed in each area of the business.

Key Professional Roles were also defined, which have a notable impact on the value chain given the technical know-how garnered from experience.

The main talent appraisal activities performed were as follows:

- Behaviorally Anchored Rating Scales: 10,617 employees were evaluated using this system.
- Performance management 9,013 individuals were appraised, 493 more than in 2011.
- Potential management 2,437 employees were evaluated.
- 360º appraisal: 1,500 appraisers and 86 subjects took part in this process.
- Individual development interviews: 71 interviews were conducted.
- *Coaching:*91 people benefitted from this programme.

3.2. Training

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

A wide range of training activities were conducted in compliance with the Strategic Plan. A Global Training Plan was devised to meet the target set, giving priority to occupational risk prevention and workplace health and safety training, international training, and English classes. Technical training in the business areas and among *staff* was bolstered as was online training, primarily on occupational health and *safety*.

A total of 985,792 training hours were completed in 2012. An average of 43.38 hours of training were given to each employee.

Type of training	Hours
Business techniques	300,640
Staff techniques	153,835
Cross-discipline techniques	344,761
Management and leadership skills	24,799
Occupational health and safety and risk prevention	161,757
TOTAL	985,792

3.2.1 International training programmes

The main international training programmes offered to Endesa personnel in 2012 were as follows:

- *Leadership for Energy Management Programme*: aimed at non-executives showing talent and potential. Conducted by the business and management schools, IESE and SDA Bocconi. Completed by 34 individuals.

- *Leadership for Energy Executive Programme.* targetting managers with talent and potential and held at the *Harvard Business School*. Completed by 20 individuals.

- *Junior Enel International Program*: intended for employees who have recently joined the Programme, holding degrees and having a maximum of two years' previous professional experience. Completed by 112 individuals.

3.2.2. Energy School

Endesa's Energy School continued to train key personnel throughout 2012, building a network of knowledge and talent that contributes to the development of its technological leadership. Programmes run at the school included:

- Endesa-ICAI Electrical Technology Master's Degree.
- Master's Degree in Nuclear Energy, in conjunction with the Polytechnic University of Catalonia.
- Higher Energy Course at Madrid's Civil Engineering College.
- Master's Degree in Legal, Market, Regulatory and Project Management in collaboration with San Pablo CEU University.
- Master's Degree in ITC and Remote management in collaboration with the University of Seville.
- Master's Degree in Electric Vehicles at the EOI in Madrid.
- Master's Degree in Energy Efficiency at La Salle in Barcelona.
- Master's Degree in Electric and Hybrid Vehicle Engineering at the University Polytechnic of Madrid.
- Postgraduate courses aimed at training Endesa employees: Energy regulation, economics and markets and project management in Spain and Latin America.
- 27 Technology Conferences.

3.2.3. Workplace health and safety and risk prevention training

Numerous courses were run on occupational health and safety and risk prevention in 2012, covering basic knowledge on: basic risk prevention, risk prevention management, specific risks, first aid, professional risks, psychosocial risks and workstation ergonomics.

The *One Safety Enel* training programme was also rolled out across the business to strengthen leadership and foster responsible and safe practices. This course was run 25 times in Spain and attended by over 200 individuals responsible for overseeing and monitoring these practices.

3.2.4. Other training

A large number of other training programmes took place in 2012:

- Spain and Portugal: 3,231 training events were run on the business and cross-discipline areas attended by 9,347 people.
- Latin America: 3,026 training events were run on the business and cross-discipline areas attended by 8,345 people.

4. Attracting and retaining talent

In order to attract the best talent, in 2012 the company worked to promote itself as an attractive place to work, especially among those profiles that are most in demand. It attended job fairs in person and online, worked with a number of institutions to boost the Internship and Scholarship Plan, and attended trade fairs.

In 2012, 826 in-house selection processes were completed (632 in Spain, 7 in Argentina, 89 in Brazil, 74 in Chile, 22 in Colombia and 2 in Peru), involving 4,707 employees.

The number of countries and business areas running professional exchange programmes through the Twin Programme also increased, while the international development programme was kicked off involving 30 individuals.

International selection processes were also initiated, with 107 processes open to Enel Group employees.

Endesa's system of remuneration complies with local labour legislation and relevant collective bargaining processes. It is linked to the company's strategy, culture and values and is intended to generate value.

In 2012, a specific framework of job functions was devised management (mangers, Endesa directors and senior executives) in order to standardise remuneration systems across Enel and Endesa as a key personnel development tool in the Enel Group.

In 2012, the third Endesa Loyalty Plan was launched, providing long-term incentives for 2012-2014, dependent on achieving the company's objectives. This programme targets managers, directors and senior executives (approximately 1,300 individuals in total).

5. Personnel relations

5.1. Employee satisfaction

Endesa strives to achieve the highest possible satisfaction of its employees, providing them with opportunities under conditions of equality, respecting the balance between their personal and work lives, and encouraging dialogue as a means for resolving disputes and continuous improvement.

During 2012, the Client Project was carried out to encourage the Human Resources Department to take a client-focused approach (i.e. towards all Endesa employees) by changing their behaviour, internalising the function and improving working practices.

Two initiatives were launched as part of this effort, which will be rolled out in 2013: A project to restructure, update and increase the amount of information on human resources available via the Intranet, and the preparation of a service brochure for clients.

Various activities were conducted throughout 2012 under Endesa's plan focusing on social responsibility towards people, the Senda Plan, in the following areas: management of gender equality and non-discrimination, work-life balance and flexibility, the integration of disabled people and people at risk of social exclusion, and the promotion of volunteer work and socially responsible investment.

5.1.1. Equality

Endesa's commitment to gender equality and non-discrimination was redoubled in 2012 through the following action:

- Establishment of performance targets on the percentage of women hired. This led to an increase in the number of females hired as a percentage of the total from 26.5% in 2010 to 28% in 2012.
- Signing up to the programme rolled out by the Ministry of Health, Social Services and Equality in Spain to foster a society free of domestic violence to contribute to eradicating such crimes in addition to the related measures laid down in the Collective Bargaining Agreement.
- Development and reinforcement of the measures set forth in the Gender Equality Plan of the Endesa's Third Master Collective Bargaining Agreement in Spain.
- Retention of the Equality in the Workplace" award to Endesa in 2010 by the Ministry of Health, Social Policy and Equality in Spain.
- Awarding of the Iguala Seal to Enersis, Endesa Chile and Chilectra by the National Womens' Service in Chile (Serman).
- Involvement in the fourth annual event organised by the United Nations and UN Women on Women's Empowerment Principles, adhered to by Endesa since 2010.

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

Endesa continues to take steps to reinforce a flexible working environment and seeks to enable its employees to strike a balance between personal, family and professional life. The following progress was made in this regard during 2012:

- Expansion of the family-friendly business model previously rolled out in Spain to the Latin American companies in Chile and Colombia.
- Strengthening of the Entrénate Programme through which Endesa personnel can become far more healthy both physically, socially and psychologically through sport, thereby driving up their efficiency in the workplace.

- Overhaul of the Offers Channel, which provides value added products and services related with well-being, leisure and retail to Endesa employees and their families.
- Continuation of the "Day off school" programmes and camps offering alternative and healthy leisure activities for our employees' children.
- Work-life balance survey in Spain, which was returned by 51.2% of the workforce, up 24.5 points on 2010.
- Provision of a breast-feeding room in Spain, in addition to those already in place in Colombia, Peru and Chile.
- Introduction of home working in Argentina, Brazil, Colombia and Peru, plus a pilot scheme in Chile.

5.1.3. Differently-abled persons

In 2012, Endesa introduced measures to integrate disabled people, specifically: 99 disabled members of Spain's workforce, 68 in Brazil, 29 in Argentina and 16 in Chile. The following steps were taken in Spain:

- Signing of an collaboration agreement with the Prodis Foundation to offer internships to disabled people in Spain.
- Involvement in the Sixth Scholarship Programme of the Universia Foundation offering 146 scholarships to disabled students in Spanish universities.
- Fun workshops for the disabled children of employees in collaboration with the Randstad Foundation.
- Procurement of goods and services from work centres employing differently-abled persons totalling Euro 3 million, 30% more than in 2009.
- Continuation of the Family Plan developed by the Adecco Foundation.

During 2012, significant steps were taken in Latin America to integrate disabled people, especially: measures to promote art and culture and integrated differently-abled individuals in Argentina, the Entrada Programme for disabled students in Chile, the signing by Endesa Brasil of an agreement with the Brazilian Institute for the Rights of the Disabled, workshops about involving the disabled with the support of the CONADIS Institute in Peru, and support for the National Learning Service to train the visually-impaired in Colombia.

600 young people were also trained across Latin America under the programme to get young people into work (Programa de Promoción por el Empleo Juvenil) arranged by the Adecco Foundation and Endesa in 2011 and designed to find jobs for people under the age of 24 who are at risk of social exclusion.

5.1.4. Support for volunteers

Endesa works hard to be a company that firmly encourages corporate volunteering among its employees. It is committed to the development of the communities in which it operates and contributes to the cultural, educational, environmental and social development of these communities. The main initiatives carried out in 2012 were as follows:

- Campaign to provide company to the elderly in collaboration with the Amigos de los Mayores Foundation, in which 49 employees participated.
- Food collection campaign entitled "Together we can achieve more" at all Endesa's offices in Spain to help the disadvantaged. Employees donated over 10,200 kilos of food which were sent to the charities Cáritas, Bancos de Alimentos and ONG Cooperación Internacional.
- Involvement in the Corporate Charity Day during which over 20 employees in Seville and Saragossa volunteered their time.
- Launch of the *Rede do Bem* (Welfare Network) volunteer programme in Brazil. Over 1,500 people had participated in this programme by November.
- Chosica victims support programme in Peru, with 32% of the workforce involved.
- "Handful of Energy" (Manos con Energía) Programme in Colombia through which employees donated 4,636 kilos of recyclable waste to raise funds for 400 children with cancer.
- "Become aware and make a change" (Sensibilízate y Capacítate) programme with 34 workers volunteering to help 185 adults with cancer and on low incomes.
- "Adopt an Angel this Christmas" (Adopta un Angelito en esta Navidad) programme through which 411 presents were donated to boys, girls and grandparents from low-income families.

5.1.5. Workplace climate

The action plan devised off the back of the results of the Enel Group's 2010 Workplace Climate Survey was completed in 2012 through a two-pronged approach, the degree of completion of which is as follows:

- Workplace Climate Action Plan: 87% of the global measures planned in relation to knowledge in Enel, feedback and individual *recognition* have been implemented. 98% of the 218 department-specific measures have been rolled out.
- Management unit activities: 71% of the 1,368 measures devised by management to respond to the critical areas revealed through the Workplace Climate Survey have been completed.

A new Workplace Climate Survey was conducted in the Enel Group in November 2012, with 76% of Endesa's workforce responding.

5.1.6. Social dialogue

There were five collective bargaining agreements in effect in Spain and Portugal at the end of 2012, covering 10,965 people, 92.4% of the workforce. 47.41% of Endesa's workforce in Spain are trade union members.

The main activities during 2012 relating to collective bargaining were as follows: Launch of the *One Company Project* and the Río Tajo Project (outsourcing of accounting activities).

In 2012, the company also rejected the Third Endesa Master Collective Bargaining Agreement, kicking off new negotiations to draw up the Fourth Endesa Master Collective Bargaining Agreement in Spain.

43 collective bargaining agreements are in place in Latin America: 8 of these are in Argentina, 10 in Brazil, 15 in Chile, 3 in Colombia, 6 are in Peru and 1, although it was agreed in Spain, covers employees who work for the parent company in Latin America. In total, these agreements regulate the working conditions of 8,680 employees.

Throughout the year, 13 collective bargaining agreements were signed in Latin America: 4 in Argentina, 1 in Brazil, 7 in Chile and 1 en Peru, covering 1,021 workers in Latin America, i.e. 9.05% of the company's total workforce.

6. Information and asset security

The role of Security is to protect staff and the company's tangible and intangible assets, the latter consisting of intellectual property, image rights, business processes and know-how. The main action taken in 2012 in relation to security focused on:

- Training and raising awareness among personnel of data protection best practices.
- A programme to raise awareness of the risks to which information on industrial processes is exposed, and a project to ensure compliance with Spanish regulations on critical infrastructure protection.
- Participation in the roll-out of CYBEX 2012 cyber security best practices in conjunction with the Spanish government and other companies.
- Audits on compliance with personal data protection laws.
- Reinforcement of assurance and compliance processes regarding data protection in Spain and Latin America.
- Continuation of the action plan to stop copper theft. The total cost of copper theft in 2012 was down Euro 1.1. million on 2011.
- Redoubling of efforts to roll out measures set forth in the Quality Plan to boost surveillance services.
- Operational improvements to access control systems and security self-assessments to tighten controls for people and vehicles to gain access to the company's facilities.
- Numerous engineering projects to improve safety at industrial facilities, significantly bolstering protection at generation plants and across distribution grids.
- Technological improvements to safety communications management using a range of telecoms devices.
- All security processes in Latin America were fully reviewed and redesigned, from physical and asset security through to information security, security governance, critical infrastructure protection, measures to avoid copper theft and energy fraud, and crisis management.

7. Organisational efficiency

In 2012, Endesa continued taking actions to improve its operations based on a philosophy of continuous improvement. As part of the Enel Group's *One Company* Project, various improvements were made to streamline and optimise operating processes in the support areas.

In the business in Spain, other significant measures were taken to achieve operating excellence and efficiency, such as the project to better coordinate the use of resources, drive up efficiency and improve organisation (the CREO Project) aimed at streamlining and optimising operations.

In the distribution business in Latin America, efforts continued in Edesur, Coelce and Codensa to make improvements using the LEAN and SIX SIGMA methodologies focusing on LV/MV grid emergencies and maintenance processes. Many of these initiatives were carried out under the umbrella of the Enel Group's Zenith Project, generating savings of Euro 54.85 million in 2012, in addition to other stand-alone projects.

Ongoing improvements continued in the generation business in Latin America at the San Isidro (Chile), Ventanilla (Peru), Termozipa (Colombia) and Fortaleza (Brazil) plants to optimise reactions times and costs.

Social policy

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

These measures also make a significant contribution to developing regional ties, one of the main objectives of the Company's 2008-2012 Sustainability Plan.

1. Endesa's social policy

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

The company is aware that the supply of energy is fundamental to the advancement and well-being of the community, and is therefore committed to the obligations associated with this service, striving to provide the best possible conditions of safety, quality and respect for the environment. Its social activities are an extension of this commitment, giving priority to disadvantaged communities or areas.

Endesa defines social activities as those which:

- Complement its function as a basic service provider:
- Find a link between nature and the development characteristics of the businesses.
- Provide access to goods and services that are related to electricity.
- Respond to the needs of the communities with which Endesa interacts.
- Contribute to wealth and job creation, as well as social integration.
- Help the most disadvantaged groups.
- Are sustainable over time. Ideally, the most successful ones can be replicated.
- Foster cooperation with community representatives in the development of projects.

Report systematically and transparently in accordance with internationally accepted standards.

2. Investment in social projects

Endesa's social projects respond to initiatives put forwards by corporate centres, local organisations and partner companies. These projects can be divided into four categories:

Cooperation	Culture
Focused on covering basic individual or group needs in the markets where the Company is present, as well as fostering the community development. These activities split into two sub-categories: • Basic needs • Cooperation in local growth	Activities focusing on the preservation of local cultural identity, support for study of and research into community history, conservation of cultural heritage, support for cultural awards, etc.
Educational initiatives	**Socio-environmental -initiatives**
Focused on basic literacy, training and general education in local communities and groups, for both children and adults.	Focused on promoting and developing values relating to environmental protection within communities. Do not include those directly associated with environmental protection while carrying out the Company's business.

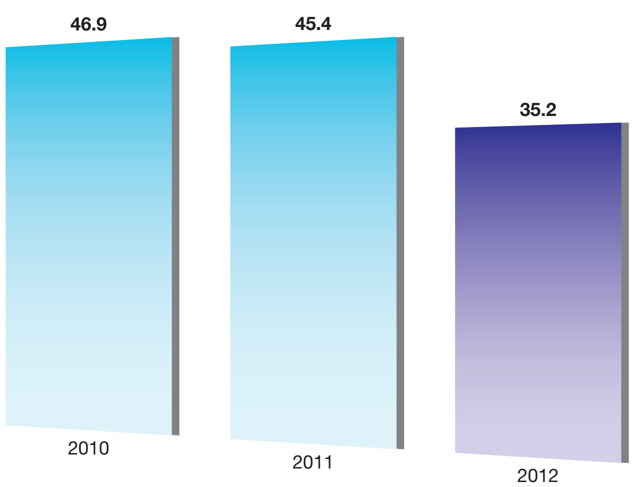
In 2012, Endesa allocated Euro 35.2 million for the implementation and promotion of 560 community initiatives equivalent to 2.1% of of net profit from continued operations attributable to the company's shareholders.

Of this amount, 62% was earmarked for Latin America and 38% for Spain and Portugal.

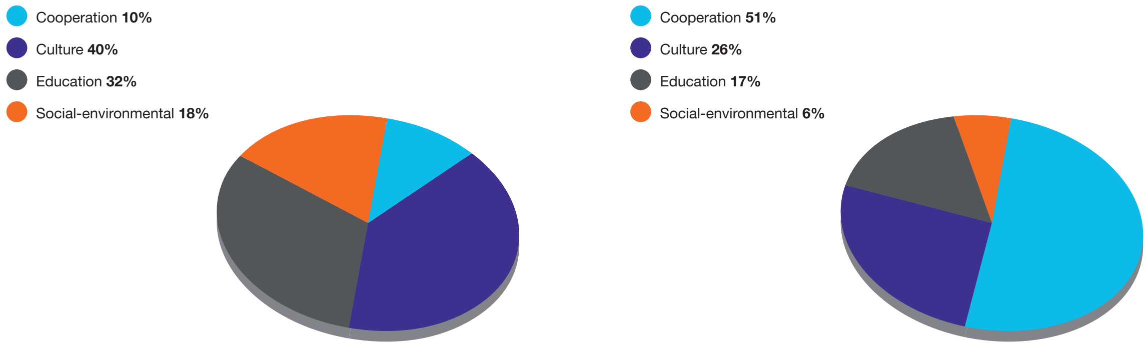
Endesa's investments in general interest social development activities in 2012

	Euro thousand
Spain and Portugal	13,365
Corporate Centre	8,670
Endesa Foundations	3,788
Regional organisations in Spain and Portugal	907
Latin America	21,862
TOTAL	35,227

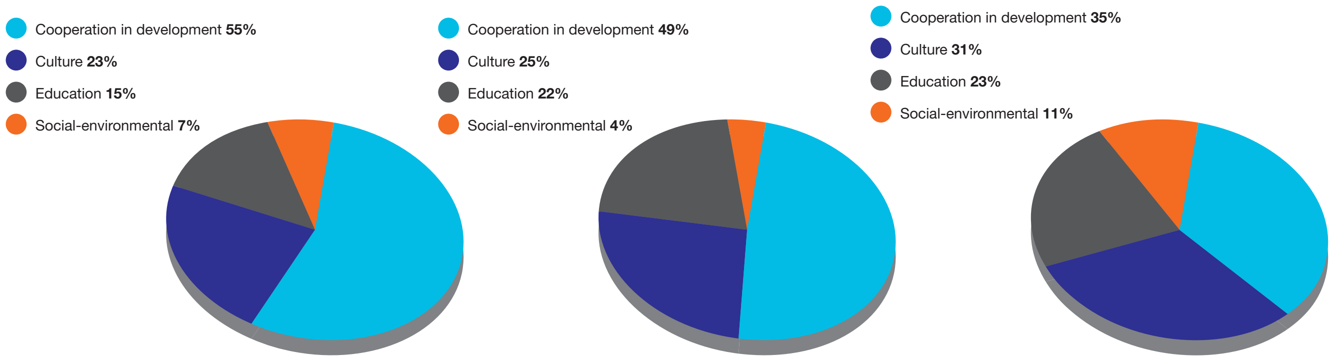
Endesa's investment in social development (Euro million)



Distribution of Endesa's social activities across Spain and Portugal and Latin America in 2012



Comprehensive history of social initiative efforts by category (% of total social projects for each year)



3. Main lines of action

3.1. Cooperation initiatives

Social cooperation is the key element of Endesa's social development work, instrumented through initiatives geared towards covering basic needs and/or promoting the development of local communities, built on knowledge and awareness of the local reality of the communities in which the company operates.

Endesa collaborates with the main local social organisations through its regional units and investees, which appoint individuals to identify, select and promote social development initiatives.

Endesa's Corporate Centre invests in cooperation initiatives based on the economic contribution required or an initiative simultaneously involves several regions in which the company operates.

These measures include rural electrification projects, volunteer programmes, donations, building and funding schools, etc. Some examples of the measures taken in 2012 are as follows:

- Socially-responsible products and services:
  - Ecoelce (Colombia), Ecoampla (Brazil) and Ecochilectra (Chile), programmes for social development and raising environmental awareness, with discounts on customers' electricity bills in exchange for the selective collection and recycling of urban waste.
  - Programme to replace refrigerators with more efficient models and replace inefficient electricity circuits for low-income families in Brazil
  - Siembra Energía programme in Colombia aimed at encouraging responsible consumption habits in the use of electricity and household appliances to foster a culture of sustainable energy use.
- Volunteer programmes:
  - Corporate volunteer programmes involving Endesa employees in Chile, Brazil, Argentina, Colombia and Peru.
  - A corporate volunteer programme in Spain including employee participation in Corporate Charity Day, collaboration with the Amigos de los Mayores Foundation, a food collection scheme and involvement in the Voluntare programme (the first initiative of its kind anywhere in the world which encourages corporate volunteering).

- Cooperation and social development:
  - The Chilectra Football Cup, a joint initiative of the distributor Chilectra and UNICEF, Senda (formerly Conace), the Iván Zamorano Foundation and Carabineros de Chile to encourage participation in sport and combat sedentary lifestyles, alcoholism and drug addiction among young people. More than 6,000 boys and girls under 14 years old took part.
  - Pehuén Foundation (Chile) running programmes to improve the quality of life in the six indigenous Pehuén communities.
  - Edelnor has installed lighting at sports facilities in Peru, helping to create recreational and social areas which can be used at night, and contributing to building healthy, drug-free communities.
  - A campaign to locate missing children in Chile, Brazil and Peru by printing their photographs on electricity bills and posting them in sales offices.
  - Alianza Comité Cafeteros, a re-run of the programme in Cundinmarca in Colombia to boost the coffee production of more than 600 peasant families.
  - The Twenergy on-line community set up to encourage responsible energy consumption.
  - The ADO programme in Spain providing additional funding for elite programmes to train candidates for the Spanish Olympic squad.

3.2. Educational initiatives

Endesa also works closely with the academic community. It has entered into agreements and directly participates in or promotes programmes at each level of education, from early years through to university and professional training. Many of these programmes involve promoting the safe and efficient use of electricity, especially among children and young people, both in Spain and Latin America.

Some of the most important projects are:

- Endesa Educa: a programme aimed at Spanish students to teach them about efficient and rational energy use. This initiative has been implemented by providing schools with educational material related to energy resources,

Huinay Foundation

raising awareness among students about the importance of energy to general quality of life issues. The programme offers a range of activities which encompasses everything from introductory educational material on this topic to visits to Endesa installations. In 2012,30,773 children and young people from 518 educational centres took part.

- Pachacútec Technology Institute (Peru): a joint project by Edelnor and the El Callao diocese through the Fundación Desarrollo Integral Nuevo Pachacútec (Nuevo Pachacútec Integrated Development Foundation) to train professionals in the electricity sector in a particularly disadvantaged neighbourhood of Lima. The company has been involved in this project for six years and various specialised technicians have already graduated and are working in the sector.
- Technical training programme in distribution and supply, through with the Endesa Colombia Foundation trained 62 young people in these areas.

3.3. Cultural initiatives

Endesa is involved in conserving and promoting the local heritage and cultures in the areas in which it operates.

A significant number of these activities are related to illuminating monuments or organising artistic and cultural events. In 2012, the Endesa Foundation and the Sevillana Endesa Foundation together illuminated 26 religious and civil monuments and collaborated in various cultural activities, including sponsoring exhibitions as well as film and book shows.

In Latin America, the company supported various projects related to the cultural identity of the societies in which we operate with exhibitions, concerts, theatre, dance, photography, arts and craft, film and preserving historical monuments.

3.4. Socio-Environmental Initiatives

As part of its social work, Endesa promotes awareness and values linked to environmental protection, protecting endangered flora and fauna, and repopulating and conserving areas of special ecological value. It also sponsors forums and conferences on the environment.

The work of the Huinay Foundation in Chile is of particular interest in this area. It is a biodiversity research centre whose aim is to preserve the natural heritage of Huinay and the Chilean fjord region. In 2012, 26 new projects were carried out, 11 new articles in international scientific journals were published, and four expeditions to the Patagonian fjords were made during which 500 marine species were collected for identification.

4. London Benchmarking Group

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

In addition to the usual reporting on its social initiatives, Endesa has followed LBG calculation methodology for the fourth year running. LBG is a world leader in the field of social initiatives and its methodology helps companies develop strategies for community work that bring added value to both communities and companies themselves.

Endesa's contribution to social initiatives in 2012, as per LBG*

	Euro thousand
Contributions, Spain and Portugal	14,266
Contributions, Latin America	29,637
TOTAL	**43,903**

(*) Note: The difference in the total result of both reporting systems is due to the inclusion of the time employees spend on social initiatives for each action, and converted into Euro, and the value of the benefits in kind.

Quintero power plant (Chile)

Appendix Endesa's generation facilities

Endesa's generation facilities in Spain at 31/12/12 (Ordinary Regime) MW b.a.

	Company	Location	Type of fuel	No. of units	Total capacity (MW)	% Endesa	Capacity corresponding to Endesa (MW)
Mainland System							
Conventional Thermal Plants							
Coal							
COMPOSTILLA	Endesa	Cubillos del Sil-León	H-A	4	1,199.60	100.0	1,199.60
ANLLARES	33.33% Endesa	Anllares-León	H-A	1	365.20	33.33	121.72
AS PONTES	Endesa	As Pontes-La Coruña	BL	4	1,468.50	100.0	1,468.50
TERUEL	Endesa	Andorra-Teruel	BL	3	1,101.40	100.0	1,101.40
LITORAL	66.66% END-33.33% SEV	Carboneras-Almería	IC	2	1,158.90	100.0	1,158.90
Total Coal				**14**	**5,293.60**		**5,050.12**
Conventional fuel-gas							
FOIX	TERBESA (G. ENHER)	Cubelles-Barcelona	F-NG	1	519.65	100.0	519.65
CCGT							
SAN ROQUE 2		San Roque-Cádiz	CCGT	1	408.26	100.0	408.26
BESÓS 3		Besós-Barcelona	CCGT	1	419.32	100.0	419.32
BESÓS 5		Besós-Barcelona	CCGT	3	873.23	100.0	873.23
COLÓN 4		Huelva	CCGT	1	397.77	100.0	397.77
AS PONTES		As Pontes-La Coruña	IC	3	870.43	100.0	870.43
Total fuel-gas				**10**	**3,488.66**		**3,488.66**
Total Conventional Thermal				**24**	**8,782.26**		**8,538.78**
Nuclear							
ASCÓ I	40% END - 60% FEC	Ascó-Tarragona	N	1	1,032.50	100.0	1,032.50
ASCÓ II	40% END - 45% FEC	Ascó-Tarragona	N	1	1,027.20	85.0	873.12
VANDELLÓS II	72% Endesa	Vandellós-Tarragona	N	1	1,087.10	72.0	782.71
GAROÑA	NUCLENOR	Stª Mª Garoña-Burgos	N	1	466.00	50.0	233.00
ALMARAZ I	36% SEVILLANA	Almaraz-Cáceres	N	1	1,049.43	36.0	378.02
ALMARAZ II	36% SEVILLANA	Almaraz-Cáceres	N	1	1,044.45	36.0	376.22
TRILLO	2% NUCLENOR	Trillo-Guadalajara	N	1	1,066.00	1.0	10.66
Total Thermal Nuclear				**7**	**6,772.68**		**3,686.23**
Hydroelectric							
Conventional hydroelectric							
U. de Prod. Hidr. Noroeste			H		749.35	100.0	749.35
U. de Prod. Hidr. Ebro-Pirineos			H		1,956.60	100.0	1,956.60
U. de Prod. Hidr. Sur			H		683.90	100.0	683.90
Pumping plants							
U. de Prod. Hidr. Ebro-Pirineos			H		755.40	100.0	755.40
U. de Prod. Hidr. Sur			H		570.00	100.0	570.00
Total hydroelectric					**4,715.25**		**4,715.25**
Total Mainland					**20,270.19**		**16,940.26**

Endesa's generation facilities in Spain at 31/12/12 (Ordinary Regime) MW b.a.

	Company	Location	Type of fuel	No. of units	Total capacity (MW)	% Endesa	Capacity corresponding to Endesa (MW)
Non-mainland Systems							
BALEARICS							
Coal							
ALCUDIA	GESA	Mallorca	IC	4	510.00	100.0	510.00
Fuel-gas							
ALCUDIA	GESA	Mallorca	G	2	75.00	100.0	75.00
SON REUS		Mallorca	G	14	611.55	100.0	611.55
CA'S TRESORER		Mallorca	G	6	477.40	100.0	477.40
MAHÓN	GESA	Menorca	F-G	6	270.00	100.0	270.00
IBIZA	GESA	Ibiza	F-G	15	316.90	100.0	316.90
FORMENTERA	GESA	Formentera	G	1	14.00	100.0	14.00
Total Balearic Islands					2,274.85		2,274.85
Canary Islands							
Fuel-gas							
JINAMAR	UNELCO	Gran Canaria	F-G	11	335.60	100.0	335.60
BARRANCO DE TIRAJANA	UNELCO	Gran Canaria	F-G	10	697.00	100.0	697.00
CANDELARIA (1)	UNELCO	Tenerife	F-G	9	256.80	100.0	256.80
GRANADILLA (2)	UNELCO	Tenerife	F-G	14	797.40	100.0	797.40
PUNTA GRANDE	UNELCO	Lanzarote	D-G	12	212.51	100.0	212.51
LAS SALINAS	UNELCO	Fuerteventura	D-G	12	186.58	100.0	186.58
EL PALMAR		La Gomera	D	10	22.90	100.0	22.90
LLANOS BLANCOS		El Hierro	D	9	12.74	100.0	12.74
LOS GUINCHOS		La Palma	D-G	11	107.74	100.0	107.74
Hydroelectric	UNELCO	La Palma	H	1	0.80	100.0	0.80
Total Canary Islands					2,630.07		2,630.07
CEUTA & MELILLA							
CEUTA	Endesa	Ceuta	F-D	10	97.66	100.0	97.66
MELILLA	Endesa	Melilla	F-G	8	84.40	100.0	84.40
Total Ceuta & Melilla					182.06		182.06
Total Mainland and Non-mainland					5,086.98		5,086.98
Total Endesa plants in Spain					25,357.17		22,027.24

(1) Candelaria includes the Guía de Isora facility (GT1: 48.6 MW)
(2) Granadilla includes the Arona facility (GT2: 2*24.3 MW)
Fuel:
H-A (hard coal-anthracite), Brl (brown lignite), BL (black lignite), IC (imported coal),
F (fuel oil), G (gasoil), NG (natural gas), CCGT (combined cycle-gas turbine), D (diesel), N (nuclear), H (hydroelectric).

Endesa's generation facilities in Portugal at 31/12/11 (Ordinary Regime) MW b.a.

	Company	Location	Type of fuel	No. of units	Total capacity (MW)	% Endesa	Capacity corresponding to Endesa (MW)
Portugal							
Coal							
TEJO	Endesa	Pego, Abrantes	IC	2	628.00	38.9	244.2
Total Coal				2	628.00		244.2
CCGT							
ELECGAS (3)	Endesa	Pego, Abrantes	CCGT	2	851.00	100.0	851.0
Total CCGT				2	851.00		851.0
Total Portugal				4	1,479.00		1,095.2

(3) Endesa holds a 50% stake in Elecgas, but 100% of the tolling contract.

Total Spain and Portugal, Endesa Group					26,836.17		23,122.5

Endesa's generation facilities in Latin America

		Installed capacity 31/12/12 (MW)	Hydro	Fuel-gas	Coal	CCGT	Wind	Stake held by Endesa Latam	Capacity equivalent to stake held (MW)
Los Molles	Chile	18.00	18.00					36.36%	6.5
Rapel	Chile	377.00	377.00					36.36%	137.1
Sauzal	Chile	76.80	76.80					36.36%	27.9
Sauzalito	Chile	12.00	12.00					36.36%	4.4
Cipreses	Chile	106.00	106.00					36.36%	38.5
Isla	Chile	70.00	70.00					36.36%	25.5
Pehuenche	Chile	570.00	570.00					33.69%	192.0
Curillinque	Chile	89.00	89.00					33.69%	30.0
Loma Alta	Chile	40.00	40.00					33.69%	13.5
Abanico	Chile	136.00	136.00					36.36%	49.5
El Toro	Chile	450.00	450.00					36.36%	163.6
Antuco	Chile	320.00	320.00					36.36%	116.4
Pangue	Chile	467.00	467.00					36.36%	169.8
Ralco	Chile	690.00	690.00					36.36%	250.9
Tarapacá GT	Chile	24.00		24.00				36.36%	8.7
Tarapacá (steam)	Chile	158.00			158.00			36.36%	57.5
Atacama (Total capacity: 780.6 MW)	Chile	390.29				390.29		18.18%	141.9
Tal Tal	Chile	244.90		244.90				36.36%	89.1
Diego de Almagro	Chile	23.80		23.80				36.36%	8.7
Huasco GT	Chile	64.23		64.23				36.36%	23.4
San Isidro	Chile	379.00				379.00		36.36%	137.8
San Isidro II	Chile	399.00				399.00		36.36%	145.1
Quintero GT	Chile	257.00		257.00				36.36%	93.5
Bocamina	Chile	478.00			478.00			36.36%	173.8
Palmucho	Chile	34.00	34.00					36.36%	12.4
Canela	Chile	18.15					18.15	27.27%	4.9
Canela II	Chile	60.00					60.00	27.27%	16.4
Ojos de Agua	Chile	9.00	9.00					36.36%	3.3
Total Chile		**5,961.17**	**3,464.80**	**613.93**	**636.00**	**1,168.29**	**78.15**	**-**	**2,141.9**
Costanera (Steam)	Argentina	1,138.14		1,138.14				25.37%	288.7
Costanera (CCGT)	Argentina	858.95				858.95		25.37%	217.9
Central Buenos Aires	Argentina	327.00				327.00		25.37%	83.0
Dock Sud (CCGT)	Argentina	797.50				797.50		39.99%	319.0
Dock Sud (open cycle)	Argentina	72.00		72.00				39.99%	28.8
El Chocón	Argentina	1,200.00	1,200.00					23.77%	285.2
Arroyito	Argentina	128.00	128.00					23.77%	30.4
Total Argentina		**4,521.59**	**1,328.00**	**1,210.14**	**0.00**	**1,983.45**	**0.00**	**-**	**1,253.00**

Endesa's generation facilities in Latin America

		Installed capacity 31/12/12 (MW)	Hydro	Fuel-gas	Coal	CCGT	Wind	Stake held by Endesa Latam	Capacity equivalent to stake held (MW)
Cachoeira Dourada	Brazil	665.20	665.20					61.16%	406.9
Fortaleza	Brazil	321.57				321.57		61.40%	197.5
Total Brazil		**986.77**	**665.20**	**0.00**	**0.00**	**321.57**	**0.00**	**-**	**604.3**
El Guavio	Colombia	1,213.00	1,213.00					31.38%	380.6
Charquito-Limonar-Tinta-Tequendama	Colombia	76.60	76.60					31.38%	24.0
La Junca	Colombia	19.50	19.50					31.38%	6.1
San Antonio	Colombia	19.50	19.50					31.38%	6.1
Cadena Pagua (Guaca and Paraíso)	Colombia	601.20	601.20					31.38%	188.7
Termozipa	Colombia	235.50			235.50			31.38%	73.9
Betania	Colombia	540.90	540.90					31.38%	169.7
Cartagena	Colombia	208.00		208.00				31.38%	65.3
Total Colombia		**2,914.20**	**2,470.70**	**208.00**	**235.50**	**0.00**	**0.00**	**-**	**914.5**
Ventanilla	Peru	485.00				485.00		22.71%	110.2
Piura (Malacas)	Peru	115.88		115.88				96.50%	111.8
Huinco	Peru	247.34	247.34					22.71%	56.2
Matucana	Peru	128.58	128.58					22.71%	29.2
Callahuanca	Peru	80.43	80.43					22.71%	18.3
Moyopampa	Peru	66.12	66.12					22.71%	15.0
Huampaní	Peru	30.17	30.17					22.71%	6.9
Santa Rosa	Peru	425.91		425.91				22.71%	96.7
Yanango	Peru	42.61	42.61					18.17%	7.7
Chimay	Peru	150.90	150.90					18.17%	27.4
Total Peru		**1,772.94**	**746.15**	**541.79**	**0.00**	**485.00**	**0.00**	**-**	**479.4**
		16,156.67	**8,674.85**	**2,573.86**	**871.50**	**3,958.31**	**78.15**	**-**	**5,393.02**

Endesa's generation facilities in other countries

Power station	Country	Type of plant	Installed capacity (MW) at 31/12/12 (*)
Tahaddart (32%)	Morocco	Combined cycle	379.7

(*) 100% of the plant

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