



**ENDESA, S.A.**  
**and Subsidiaries**

**Consolidated management report  
for the period ended 31  
December 2011**

Madrid, 29 February 2012



# ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED MANAGEMENT REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

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## Analysis for the period

## Consolidated results

### ENDESA reports 2011 net income of Euro 2,212 million.

ENDESA reported net income of Euro 2,212 million in 2011, Euro 1,917 million less than in 2010.

The decline is explained by the fact that 2010 net income included Euro 1,975 million net of taxes and minorities generated by the disposals carried out in 2010.

However, the only significant capital gain in 2011 came from the sale of ENDESA's telecommunications and systems business to Enel Energy Europe, S.L.U. (hereinafter "EEE"). This generated a net gain of Euro 123 million.

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

The table below shows the breakdown of net income by region and the year-on-year change:

<b>ENDESA net income, FY11</b>			
	<b>Euro million</b>	<b>% change 2010</b>	<b>% of total net income</b>
Spain, Portugal and Other	1,593	(54.5)	72.0
Latin America	619	(1.9)	28.0
<b>TOTAL</b>	<b>2,212</b>	<b>(46.4)</b>	<b>100.0</b>

### Electricity generation and sales

ENDESA's generation in 2011 totalled 138,714 GWh, up 6.3% on 2010.

Electricity sales climbed 0.3% to 175,701 GWh.

<b>Power output and sales, FY11</b>				
	<b>Output</b>		<b>Sales <sup>(1)</sup></b>	
	<b>GWh</b>	<b>% change 2010</b>	<b>GWh</b>	<b>% change 2010</b>
Spain, Portugal and Other	75,947	11.6	106,148	(1.7)
Latin America	62,767	0.6	69,553	3.4
<b>TOTAL</b>	<b>138,714</b>	<b>6.3</b>	<b>175,701</b>	<b>0.3</b>

(1) Spain, Portugal and Other includes sales totalling 907 GWh. Latin America includes tolls and unbilled consumption totalling 12,458 GWh in 2011. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh (+2.7%).

## EBITDA: Euro 7,265 million

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

The Euro 209 million reduction in EBITDA and Euro 378 million drop in EBIT are the result of several factors, including the following:

- Recognition of a Euro 109 million expense in 2011 for the Colombian subsidiaries relating to the accrual of net worth tax at 1 January, which will be paid during the period 2011-2014.
- The Euro 154 million decline in EBITDA in the generation business in Chile is primarily due to the extreme drought in 2011 which led to a 5.6% decrease in hydro power output at ENDESA's subsidiaries in the country.
- The sale of assets in 2010 which generated EBITDA of Euro 248 million.
- The write-down of the group's assets in Ireland and Argentina (due to the economic situation in both countries) also caused EBIT to fall by Euro 261 million, although EBITDA was not affected.

In 2011, revenues grew 4.8% to Euro 32,686 million, primarily due to higher sales prices. Variable costs rose by 9.7% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro and nuclear output, thereby hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs however fell by 6.1% (Euro 257 million), thanks to the implementation of the Synergy and Efficiency Plan.

The table below shows the breakdown of EBITDA and EBIT by region and the year-on-year change:

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

## Net financial results improved by 29.6% to Euro 622 million

ENDESA reported a net financial loss of Euro 622 million in 2010, an improvement of Euro 261 million year-on-year.

Net finance expense totalled Euro 640 million, down 28.5%, while net exchange gains were Euro 18 million, compared to Euro 12 million in 2010.

In addition to the effect of the reduction in net financial debt which was partially offset by the higher average cost of debt, the following factors should be taken into account in the comparison between both years:

- The net financial result for 2010 included the Euro 77 million negative impact of adjusting interest relating to financing the revenue deficit for regulated activities in Spain pursuant to Royal Decree Law 6/2010 of 9 April.
- The net financial result for 2011 includes a positive impact of Euro 63 million relating to interest recognised as a result of the two rulings handed down by the National Court partially recognising the appeals filed by ENDESA in relation to Corporate Income tax for the ENDESA Group in 1998 and 1999. Of this amount, Euro 27 million corresponded to the business in Spain and Portugal and Other, while Euro 36 million related to the business in Latin America.

### Cash flow from operating activities: Euro 5,838 million

Cash flow from operating activities amounted to Euro 5,838 million, compared to Euro 5,905 million in 2010, representing a decline of 1.1%.

### Investment: Euro 2,826 million

Investment stood at Euro 2,831 million in 2011. Of this amount, Euro 2,563 million was capex and investment in intangible assets. The remaining Euro 268 million related to financial investments.

Investment	Euro million			% change
	Capex and intangible assets	Financial investments	TOTAL	
Spain, Portugal and Other	1,399	96	1,495	(32.4)
Latin America	1,159	172	1,331	11.2
<b>TOTAL (*)</b>	<b>2,558</b>	<b>268</b>	<b>2,826</b>	<b>(17.1)</b>

(\*) Excludes investments in non-current assets held for sale and in discontinued activities totalling Euro 101 million.

## Financial position

ENDESA had net financial debt of Euro 11,002 million at 31 December 2011, a reduction of Euro 4,334 million compared to 31 December 2010.

<b>Breakdown of ENDESA'S net debt by business line (*)</b>				
	<b>Euro million</b>			<b>% change</b>
	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>Difference</b>	
Business in Spain, Portugal and Other	6,841	10,684	(3,843)	(36.0)
Business in Latin America	4,161	4,652	(491)	(10.6)
Energis Group	3,883	4,188	(305)	(7.3)
Other	278	464	(186)	(40.1)
<b>TOTAL</b>	<b>11,002</b>	<b>15,336</b>	<b>(4,334)</b>	<b>(28.3)</b>

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

The average cost of ENDESA'S total debt was 6.0% in 2011, while the cost of debt corresponding to the Energis Group was an average of 9.5%. Excluding Energis Group debt, the average cost of ENDESA'S debt was 4.0% in the period.

When assessing Endesa's debt level, it must be remembered that at 31 December 2011, ENDESA had the recognised right to collect Euro 5,380 million in connection with several regulatory matters affecting the Spanish electricity business: Euro 3,281 million for financing the revenue shortfall from regulated activities and Euro 2,099 million in compensation for stranded costs in non-mainland generation. Stripping out these regulatory items, ENDESA'S net debt was Euro 5,622 million, Euro 528 million less than in 2010.

At the beginning of July 2010, ENDESA informed the Deficit Securitisation Fund for the Electricity System (FADE) of its irrevocable commitment to transfer all deficit collection rights up to the end of 2010 derived from the financing of the revenue shortfall from regulated activities and the compensation for stranded costs in non-mainland generation accumulated in the period 2001-2008. According to Royal Decree 437/2010 of 9 April, these rights must be securitised within a year from the notification date, as long as no exceptional circumstances arise in the markets. As the committed rights had not been transferred to FADE before 7 July 2011 the Interministerial Commission issued a resolution stating that exceptional conditions had occurred in the markets that prevented FADE acquiring said rights in the stipulated timeframe. ENDESA decided not to meet its commitment in this respect, postponing it by a further year, to 7 July 2012.

During 2011 Endesa has collected Euro 5,115 Euro million from FADE issuances. From the beginning of 2012 new FADE issuances took place of which Euro 1,705 million corresponded to Endesa. Of this amount, Endesa collected Euro 1,266 in the first two months of the year and the balance will be collected in March.

Additionally, in 2011 ENDESA received Euro 513 million of the compensation for stranded costs in non-mainland generation directly from the Spanish government's budgets via the official recovery mechanism pursuant to Royal Decree Law 6/2009 of 30 April.

Moreover, the General Shareholders' Meeting on 9 May 2011 agreed to pay out a gross dividend against 2010 results of Euro 1.017 per share, equivalent to a payment of Euro 1,076 million. Of this amount, Euro 529 million was paid via an interim dividend on 3<sup>rd</sup> January 2011, while a final dividend was paid out on 1<sup>st</sup> July 2011 for a total sum of Euro 547 million.

The table below shows the structure of the Group's net financial debt at 31 December 2011:

**Structure of ENDESA'S net financial debt at 31 December 2011**

	ENDESA direct subsidiaries		and Enersis Group		Total Group		ENDESA	
	Euro million	% of total	Euro million	% of total	Euro million	% of total	Euro million	% of total
Euro	7,040	99	-	-	7,040	64		
Dollar	76	1	1,670	43	1,746	16		
Chilean Peso /UF	-	-	228	6	228	2		
Brazilian real	-	-	709	18	709	6		
Other currency	3	-	1,276	33	1,279	12		
<b>TOTAL</b>	<b>7,119</b>	<b>100</b>	<b>3,883</b>	<b>100</b>	<b>11,002</b>	<b>100</b>		
Fixed rate	4,942	69	2,312	60	7,254	66		
Hedged	180	3	-	-	180	2		
Variable	1,997	28	1,571	40	3,568	32		
<b>TOTAL</b>	<b>7,119</b>	<b>100</b>	<b>3,883</b>	<b>100</b>	<b>11,002</b>	<b>100</b>		
Avg. life (years)	3.4		5.5		4.3			

ENDESA had liquidity of Euro 9,246 million in Spain at 31 December 2011, sufficient to meet the group's total debt repayments over the next 50 months. Euro 8,273 million of this amount was in undrawn, unconditional credit lines, of which Euro 3,500 million correspond to a credit line signed in November 2011 with ENEL Finance International, S.A. (hereinafter "EFI"), which had not been drawn down at 31 December 2011.

Meanwhile, the Enersis Group held cash and cash equivalents totalling Euro 1,815 million and Euro 632 million in undrawn, unconditional credit lines, covering debt maturities for the next 29 months.

As of the date of release of these FY11 earnings, ENDESA's long-term debt ratings are: Standard & Poor's: A-, under review for a possible downgrade; Moody's: A3 with a negative outlook, and Fitch: A-, with a stable outlook.

### Financial leverage

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

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





### **Assets held for sale**

At the end of 2010, ENDESA started proceedings for the sale of its 100% stake in ENDESA Ireland Ltd. (hereafter, "ENDESA Ireland").

During 2011 the group actively sought potential purchasers. Despite the uncertain economic backdrop which is delaying this process, this disposal is expected to be finalised in the first few months of 2012.

### **Net gains from asset disposals**

Net gains from asset disposals in 2011 totalled Euro 113 million. Of this amount, Euro 93 million corresponded to the business in Spain and Portugal and Euro 20 million to the business in Latin America.

The main divestments during 2011 were as follows:

#### **Systems and telecommunications business**

On 30 March 2011, ENDESA entered into an agreement with its controlling shareholder EEE to transfer ENDESA's telecommunications and systems line of activity to EEE for Euro 250 million. This transaction is intended to ensure all telecommunications and systems services are jointly managed for both the ENDESA Group and the Enel Group, as part of the global business strategy aimed at generating synergies.

The sale was completed in July, generating a gross capital gain of Euro 176 million.

#### **Compañía Americana de Multiservicios Ltda.**

On 24 February 2011, Enersis sold to Graña y Montero S.A.A. the assets of the group headed by the Chilean company, Compañía Americana de Multiservicios Ltda. (hereafter, "CAM"). The sale price was Euro 10 million, generating a gross capital gain of Euro 8 million.

#### **Synapsis Soluciones y Servicios IT Ltda.**

On 1 March 2011, Enersis sold to Riverwood Capital L.P. the assets of the group headed by the Chilean company, Synapsis Soluciones y Servicios IT Ltda. (hereafter, "Synapsis"). This sale was completed for Euro 37 million, generating a gross capital gain of Euro 5 million.



## Results by business line

## Business in Spain, Portugal and Other

### Net income – Spain, Portugal and Other: Euro 1,593 million

Net income from ENDESA's business in Spain, Portugal and Other was Euro 1,593 million, Euro 1,905 million lower year-on-year, contributing 72% to ENDESA's total net income. Excluding the gain from asset disposals, net income in this business segment would have risen by 0.2%.

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

The decline in EBITDA is primarily due to the following factors:

- The sale of assets in 2010 which generated EBITDA of Euro 236 million.
- The less favourable power generation mix due to the drop in hydro and nuclear output, and the increase in conventional thermal generation, leading to higher fuel costs.
- The higher average price on the electricity wholesale market during 2011 compared to 2010. This price hike has bumped up the cost of electricity purchases required to cover the gap between sales and output, thereby leading to a shrinking of the margin on these sales.

### Highlights

Mainland electricity demand declined by 1.2% in 2011 (-2.1% not adjusted for working days and temperature).

Additionally, wholesale electricity prices continued to rise, climbing 34.0% compared to 2010.

During this period, ENDESA obtained a market share in ordinary regime generation of 34.5%, a 42.9% share in distribution and a 34.6% share in sales to deregulated customers.

From a regulatory perspective, Ministerial Order ITC/3353/2010, of 28 December, established that access tariffs shall remain unchanged from 1 January 2011, while capacity payments payable by consumers have increased 72%.

Resolution of 28 December 2010, establishing the Last Resort Tariff (hereinafter "LRT") to be applied in the first quarter of 2011, stipulated an average increase of 9.8% in this tariff.

Ministerial Order ITC/688/2011, of 30 March, established the access tariffs and LRT applicable from 1 April 2011. The LRT remained unchanged while access tariffs



increased by 10.8%, equivalent to the reduction in energy prices. For the remaining low-voltage tariffs, access tariffs have gone up 7%, while medium- and high-voltage tariffs have increased 2%.

Additionally, the Resolution of 30 June 2011 set the LRT for the third quarter of 2011. LRTs increased by 1.5% on average as a result of the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. However, access tariffs remained unchanged.

Ministerial Order ITC/2585/2011, of 29 September, established the access tariffs from 1 October 2011 while Resolution of 29 September 2011 set the LRT also applicable from 1 October 2011. The LRT remained unchanged while access tariffs increased by 12%, equivalent to the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. For the remaining low-voltage tariffs, access tariffs remained unchanged. A new access tariff and super off peak LRT with time restraints for the fourth quarter of 2011 were also set. We would note that on 20 December 2011 the Supreme Court issued an injunction concerning articles 1.2 and 5 of Ministerial Order ITC/2585/2011, of 29 September, suspending the effectiveness of the toll reductions established therein.

Pursuant to this, Ministerial Order IET/3586/2011, of 30 December, establishing the access tolls applicable as of 1 January 2012, established the prices for access tolls 2.0A and 2.0 DHA which must be applied in order to be billed for the period between 23 December (when the court order was passed) and 31 December, inclusive. The Resolution of 31 December 2011, establishing the LRT for the first quarter of 2012, set the LRT for the period 23-31 December 2011, taking into consideration the prevailing access tolls in place from 1 April 2011, and the LRT production cost for the fourth quarter of 2011.

The shortfall between the access tariffs collected during 2011 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euro 3,446 million for the sector as a whole. Of this amount, ENDESA must finance 44.16%.

Royal Decree 1544/2011, of 31 October, implemented Royal Decree Law 14/2010, of 23 December, established an access tariff payable by all generation facilities, both Ordinary Regime and CHP/renewables, at Euro 0.5/MWh.

Ministerial Order ITC/3127/2011, of 17 November, applicable from 15 December 2011, established an availability service to be provided by certain facilities, specifically, coal-fired, combined cycle and fuel-oil plants as well as pure pumped, mixed pump and reservoir hydroelectric plants. The consideration for the service provided is set at a single amount of Euro 5,150/MW for all technologies. However, for the calculation of the amount to be received for this service, the previous figure will be affected by different availability factors for each technology.

Ministerial Order ITC/3127/2011 also amends the current investment incentive for facilities built after 1998. This has increased from Euro 20,000 to Euro 26,000/MW a year for facilities with a useful life of less than 10 years. It also establishes an investment incentive (Euro 8,750/MW) for those facilities which have invested in assets to substantially reduce sulphur oxide emissions.

In relation to the mechanism to promote Spanish coal production (Royal Decree 134/2010, of 12 February, amended by Royal Decree 1221/2010, of 1 October), on 10 February 2011 a resolution was passed establishing the amounts of coal to be consumed in 2011, the maximum output covered by this mechanism, and the energy prices to be applied in this process. This mechanism was first applied at the end of February 2011.

Order ITC/2452/2011, of 13 September was enacted on 16 September, revising certain CHP/renewables tariffs and premiums. Among other aspects it stipulates the rental price for meters which can be used for remote management.

Finally, Royal Decree Law 20/2011, of 30 December amended the percentage of stranded costs for non-mainland generation for 2011 covered in Spanish government budgets. This has been reduced from 51% to 17%.

### Other operations during the period

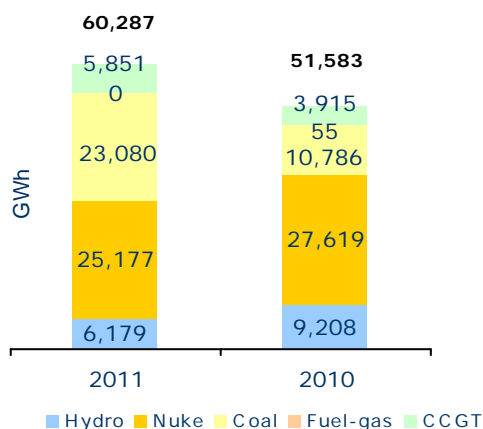
On 30 June 2011, an agreement was finalised with Gas Natural, SDG, S.A. whereby ENDESA will acquire a portfolio of approximately 245,000 gas customers and other associated assets in the Madrid area. Once the relevant regulatory and anti-trust authorisations have been granted, the the contracts will be transferred to ENDESA Energía, S.A.U. and ENDESA Energía XXI, S.L.U. during the first quarter of 2012.

### Revenues: Euro 22,650 million (+6.9%)

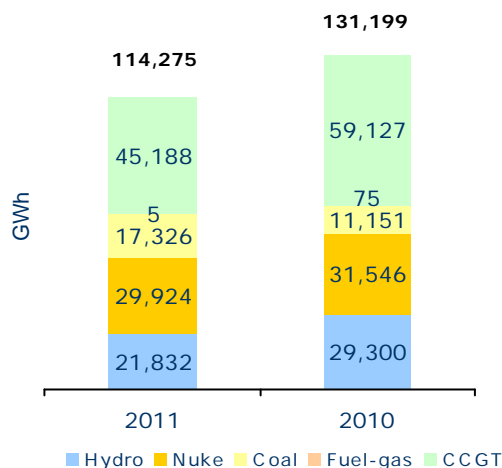
In 2011, ENDESA reported revenues of Euro 22,650 million from its Spain, Portugal and Other business in 2011, an increase of 6.9%. Of this amount, revenues from sales accounted for Euro 21,234 million, 5.2% higher than in 2010, as shown below:

	Euro million			% change
	2011	2010	Difference	
Electricity sales	16,666	16,098	568	3.5
Sales to the deregulated market	7,172	6,690	482	7.2
Sales to Suppliers of Last Resort	4,973	5,242	(269)	(5.1)
Wholesale market sales	1,333	660	673	102.0
CHP/renewables sales	-	29	(29)	n/a
Supply to deregulated customers outside Spain	626	399	227	56.9
Non-mainland compensation	1,762	1,737	25	1.4
Power trading	626	1,136	(510)	(44.9)
Other sales	174	205	(31)	(15.1)
Regulated revenue from electricity distribution	2,241	2,385	(144)	(6.0)
Gas supply	1,525	1,277	248	19.4
Other sales and services rendered	802	426	376	88.3
<b>TOTAL</b>	<b>21,234</b>	<b>20,186</b>	<b>1,048</b>	<b>5.2</b>

**Endesa ordinary regime  
mainland output:**  
Total: 60,287 GWh (16.9%)



**Rest of the sector ordinary  
regime mainland output:**  
Total: 114,275 GWh (-12.9%)



## Electricity sales

ENDESA's electricity output in the Spain, Portugal and Other business stood at 75,947 GWh (+11.6%) in 2011. Of this amount, 74,249 GWh corresponded to Spain (+12.0%), 883 GWh to Portugal (+17.7%) and 815 GWh to the rest of the segment (-20.1%).

Mainland electricity output totalled 60,287 GWh in 2011, 15.8% more than in 2010. Nuclear and hydro energy accounted for 52.0% of ENDESA's mainland generation mix under the ordinary regime (71.4% in 2010), compared with 45.3% for the rest of the sector (46.4% in 2010).

ENDESA's output from non-mainland facilities was 13,962 GWh, a decrease of 2.1% compared to 2010.

## Supply to deregulated customers

ENDESA had 2,326,865 customers in the deregulated market at the end of 2011: 2,253,663 in the Spanish mainland market and 73,202 in European deregulated markets other than Spain.

ENDESA sold a total of 76,422 GWh to these customers in 2011, an increase of 7.7%.

Sales in the Spanish deregulated market totalled Euro 7,172 million, up 7.2% on 2010. Revenues from sales to deregulated European markets other than Spain rose 56.9% to Euro 626 million.

### Last resort supplier sales

ENDESA sold 28,819 GWh through its LRS in 2011, 19.8% lower than the previous year as a result of the transfer of LRT customers to the deregulated market.

These sales generated revenues of Euro 4,973 million, down 5.1% on 2010.

### Electricity distribution

ENDESA distributed 115,727 GWh in the Spanish market in 2011, 1.7% lower than the previous year.

Following the sale of power transmission assets in 2010, regulated revenue from distribution activities amounted to Euro 2,241 million, 6.0% less than in 2010.

### Gas supply

ENDESA sold 54,759 GWh of natural gas to customers in the deregulated market in Spain in 2011, which represents a 34.4% increase on the 2010 figure.

Revenues from gas sales in the deregulated market rose 19.4% to Euro 1,525 million.

### Operating expenses

The breakdown of operating expenses in the Spain, Portugal and Other business in 2011 is provided below:

<b>Operating expenses - Business in Spain, Portugal and Other</b>				
	<b>Euro million</b>			<b>%</b>
	<b>2011</b>	<b>2010</b>	<b>Difference</b>	<b>change</b>
Procurements and services	16,192	14,380	1,812	12.6
Power purchased	6,321	5,125	1,196	23.3
Fuel consumption	2,647	1,929	718	37.2
Transmission expenses	5,659	5,517	142	2.6
Other supplies and services	1,565	1,809	(244)	(13.5)
Personnel expenses	1,050	1,279	(229)	(17.9)
Other operating expenses	1,513	1,652	(139)	(8.4)
Depreciation & amortisation charges and impairment losses	1,780	1,596	184	11.5
<b>TOTAL</b>	<b>20,535</b>	<b>18,907</b>	<b>1,628</b>	<b>8.6</b>

### Procurements and services (variable costs)

Power purchases stood at Euro 6,321 million, an increase of 23.3% on 2010. This rise was mainly due to the higher unit cost of these purchases.

Fuel consumption totalled Euro 2,647 million in 2011, a year-on-year increase of 37.2%, due to higher thermal output during the period.

## **Personnel and other fixed operating expenses**

Fixed costs in 2011 were Euro 2,563 million, Euro 368 million lower (-12.6%) than in 2010 largely thanks to the implementation of the Synergy and Efficiency Plan.

This change is due to a Euro 229 million reduction in "Personnel expenses" to Euro 1,050 million, and a Euro 139 million decline (-8.4%) in "Other operating expenses" to Euro 1,513 million.

Comparing the two years, it should be noted that in 2010 provisions of Euro 132 million were allocated under personnel expenses after the early retirement date for several employees adhered to the workforce reduction programme approved in 2000 was brought forward. These employees were part of groups affected by the on-going restructuring plans. Stripping out this one-off provision, personnel expenses would have been 8.5% lower.

At 31 December 2010 ENDESA has provisioned Euro 233 million corresponding to the contributions that ENDESA Generación, S.A.U. is obliged to make in 2011-2013 for financing the Energy Savings and Efficiency Plans approved by the government, in compliance with the obligation established in Royal Decree Law 14/2010, of 23 December.

## **Financial results: Euro 295 million (-35.9%)**

The net financial result reported for 2011 was Euro -295 million in 2010, Euro 165 million less than in 2010.

This was due to a Euro 178 million decline in net financial expenses and a Euro 13 million reduction in net exchange differences, which moved from a gain of Euro 5 million in 2010 to loss of Euro 8 million in 2011.

In addition to the effect of the reduction in net debt which was partially offset by the higher average cost of debt, the following factors should be taken into account in the comparison between both years:

- In 2010, the net financial expense included the negative impact of the restatement of Euro 77 million of finance revenues recorded in previous years resulting from the accrual of interest on the shortfall between the effective contribution date and the start of the following year, in accordance with the provisions of Royal Decree Law 6/2010 of 9 April.
- In 2011 financial revenues of Euro 27 million were recorded for this business, corresponding to interest associated with the rulings handed down by the National Court on companies belonging to the ENDESA tax group in 1998 and 1999.

Net financial debt in the Spain, Portugal and Other business at 31 December 2011 stood at Euro 6,841 million vs. Euro 10,684 million at year-end 2010.



Of this amount, Euro 5,380 million was incurred to finance regulatory receivables: Euro 3,281 million to finance the revenue shortfall from regulated activities and Euro 2,099 million to fund the non-mainland generation compensations.

### Cash flow from operating activities: Euro 3,407 million

Cash flow from operating activities in the business in Spain, Portugal and Other totalled Euro 3,407 million in 2011 compared to Euro 3,532 million in 2010, representing a decline of 3.5%.

### Investment: Euro 1,495 million

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

<b>Total investment</b>			
<b>Business in Spain, Portugal and Other</b>			
	<b>Euro million</b>		<b>% change</b>
	<b>2011</b>	<b>2010</b>	
Capex	1,284	1,841	(30.3)
Intangible	115	139	(17.3)
Financial investments	96	231	(58.4)
<b>TOTAL (*)</b>	<b>1,495</b>	<b>2,211</b>	<b>(32.4)</b>

(\*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 101 million.

<b>Capex</b>			
<b>Business in Spain, Portugal and Other</b>			
	<b>Euro million</b>		<b>% change</b>
	<b>2011</b>	<b>2010</b>	
Generation	474	939	(49.5)
Distribution	806	866	(6.9)
Other	4	36	(88.9)
<b>TOTAL</b>	<b>1,284</b>	<b>1,841</b>	<b>(30.3)</b>

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

Capex in the distribution business relates to investment to expand and optimise the network, in order to improve efficiency and service quality. It also includes investment for the widespread installation of smart meters and their associated operating systems.

## **Business in Latin America**

### **Net income in Latin America: Euro 619 million**

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

Nonetheless, the impact of the net worth tax in Colombia should be considered when analysing net income in the Latin American business. In 2009, Law 1370 was passed in Colombia, resulting in the establishment of a 4.8% net worth tax on liquid assets held at 1 January 2011, payable in eight instalments between 2011 and 2014. Furthermore, Decree Law 4825 was enacted on 29 December 2010 establishing a 25% surcharge on the net worth tax calculated in accordance with Law 1370. This tax amounts to Euro 109 million for ENDESA Group subsidiaries with registered offices in Colombia as a whole, and was accrued in full at 1 January 2011. It was therefore recognised in full in 2011.

Stripping out the impact of the Colombian net worth tax, net income in Latin America would have risen 4.1%.

EBITDA stood at Euro 3,241 million, down 4.5% (-1.3% excluding the impact of the net worth tax in Colombia), while EBIT stood at Euro 2,409 million, a decline of 5.5% in comparison to 2010 (-1.2% excluding the impact of the net worth tax in Colombia).

### **Highlights**

The economic environment in ENDESA's Latin American operating markets was positive. Energy demand advanced in all countries during 2011, with especially noteworthy increases in Peru (+7.5%), Chile (SIC +6.7% and SING 3.5%), Argentina (+5.1%) and Brazil (+3.4%).

In this context, distribution sales by ENDESA companies, including tolls and unbilled consumption, totalled 69,553 GWh, an increase of 3.4% on 2010, with rises recorded in all countries: Peru (+7.3%), Chile (+4.6%), Argentina (+2.8%), Colombia (+2.7%) and Brazil (+2.2%).

Output in ENDESA's generation business grew 0.6% to 62,767 GWh. Increases in output were especially significant in Peru (+7.7%) and Colombia (+7.2%), offsetting the decreases in Brazil (-18.4%), Argentina (-0.2%) and Chile (-0.9%).

## Electricity generation and sales Business in Latin America

	Generation (GWh)		Distribution (GWh) <sup>(1)</sup>	
	2011	% change 2010	2011	% change 2010
Chile	20,722	(0.9)	13,697	4.6
Argentina	15,960	(0.2)	17,233	2.8
Peru	9,840	7.7	6,572	7.3
Colombia	12,090	7.2	12,857	2.7
Brazil	4,155	(18.4)	19,194	2.2
<b>TOTAL</b>	<b>62,767</b>	<b>0.6</b>	<b>69,553</b>	<b>3.4</b>

(1) Includes tolls and unbilled consumption totalling 12,458 GWh. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh (+2.7%).

### Unit margins

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

The unit margin on distribution activities in 2011 was Euro 33.1/MWh, a decrease of 1.9% compared to 2010. This was mainly due to the better unit margins in Chile (+1.4%), which failed to offset the falls in Argentina (12%), Peru (1.5%), Brazil (1.0%) and Colombia (0.7%).

### New capacity development

Construction continued in 2011 on the Bocamina II coal-fired plant in Chile (370 MW), with assembly of the boiler and turbine. The plant is due to be commissioned in 2012.

Work on the El Quimbo hydro plant in Colombia (400 MW) currently entails moving earth and lining the tunnel to redirect the River Magdalena. The plant is slated to come on stream in 4Q14.

Finally, equipment for the Talara thermal plant in Peru (183 MW) is currently being manufactured and subjected to quality control prior to being shipped to the plant during the first half of 2012 for assembly in June. This dual open-cycle plant (diesel/natural gas) is due to come into operation in the first half of 2013.

### Regulatory update

#### Chile

On 17 February 2011, and in light of the prevailing drought, Chile's National Energy Commission (the "NEC") issued a Rationing Decree setting out a series of measures aimed at guaranteeing supply. This Rationing Decree, which has been extended until 30 April 2012, includes operational measures such as reducing voltage and maintaining hydro reserves, etc.



On 18 January 2011, Supreme Decree 13/2011 establishing emissions regulations for power plants was signed and subsequently published on 23 June. Highlights of the new text include the need for emissions convergence between new and existing plants by 2020, the recognition of plants under construction as existing assets and the extension of the timeframe for adjustments to be made at existing facilities.

On 16 November 2011, the advisory committee for electricity development (CADE) published its report on proposed regulatory reform for various aspects of the country's electricity sector. Among other issues, the report proposes the development of an electricity highway; recommends that 15% of total output come from non-conventional renewable energy sources by 2024; endorses hydro projects in the south of the country to aid development there; and recommends amendments to the tender process to increase competition. Based on this report the Chilean government will draw up an energy policy document to help develop the country over the coming years.

## **Brazil**

On 15 March 2011 the annual Tariff Adjustment (IRT) for Ampla Energia e Serviços, S.A. (hereinafter, "Ampla") was completed, establishing a 10.04% increase for Parcel B (DAV).

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

On 8 July the Government published Decree 7.520 rolling out a new "Power for All" programme for the 2011-2014 period. New operations manuals have been published outlining the rules and general framework under which this new scheme will be carried out. It is estimated that through this programme Companhia Energética do Ceará, S.A. (hereinafter "Coelce") and Ampla could attract 15,000 and 2,000 new customers respectively over the next three years.

In this regard, Decree 7.583, regulating the application of the electricity discount rate was approved on 13 October.

On 22 November 2011, the National Electrical Energy Agency (hereinafter "ANEEL"), approved the final methodology for calculating the Third Cycle of Tariff Reviews for distribution companies. This had been under discussion since 2010. This methodology will be applied to Coelce from 2011 and Ampla from March 2014. The companies have filed appeals concerning two of the items, namely "Other revenue" (additional services provided by the distribution company) and the capture of tax benefits for companies in the northeast and north of Brazil (hereinafter, "SUDENE").

## Peru

On 20 March 2011, the Ministry of Energy and Mines issued Supreme Decree 008-2011, which includes some amendments to previous Supreme Decree 003-2011, whereby the participation of private distribution companies in auctions is optional rather than mandatory.

Also, on 22 March 2011, Supreme Decree 012-2011 was approved, passing new regulation for power generation using renewable energies. The new regulation basically amends the rules for renewable energy auctions to improve its operations given the results seen in 2010. Based on this regulation, on 28 April 2011 a new auction to assign approximately 2,000 GWh of renewable energy power was held.

On 11 June 2011 Supreme Decree 027-2011-EM was enacted, passing the regulation for the short-term power market. This regulation, which will come into force on 1 January 2014, outlines the rules for the short-term market and marginal power sales as well as the requirements and guarantees needed to participate in the market for large customers and for generation and distribution companies.

## Colombia

On 13 April 2011, the country's Electricity and Gas Regulatory Commission (CREG) published its definitive model for quantifying the investment needed to reduce losses on the distribution grid. The CREG also passed various regulations relating to amendments and/or improvements to reliability remuneration.

## Argentina

In accordance with the generation agreement signed between the government and ENDESA, Sadesa and Duke, the generation companies submitted a joint project for the 800 MW "Vuelta de Obligado" combined cycle plant (hereinafter, "VOSA"). On 16 May 2011, the generation companies set up a financial trust including all the resources necessary for future investment, in accordance with the agreement.

In 2011, Empresa Distribuidora Sur, S.A. (hereinafter, "Edesur") requested that Ente Regulador de Electricidad (hereinafter "ENRE") revise the six-monthly tariff adjustment for the period November 2010 to April 2011, estimated at 6.34% and 7.69% for the period May to October 2011. These increases have not been passed onto customer tariffs and are pending ENRE approval.

The financial stability of Edesur (the Group's distribution company in Argentina) has been strongly affected by the government's delay in complying with certain points contained in the agreement signed between both parties, particularly the half-yearly recognition of tariff adjustments via the Cost Monitoring Mechanism (the MMC) and the Integral Tariff Review. At 31 December 2011, Enersis, S.A. recognised impairment losses for property, plant and equipment at Edesur amounting to Euro 158 million to cover all of the asset risk that this company represents within the Group.



On 7 November 2011 the government passed a ruling to reduce electricity tariff subsidies. To date this has been applied to sectors and companies able to assume this reduction, such as banks, financial and insurance entities, gaming companies, mobile phone operators, airports and ports and hydrocarbon and mining companies, among others. This reduction will not cause generation and/or distribution margins to increase but it is a step in the right direction in restructuring the sector.

### Other operations during the period

At the beginning of October 2011, ENDESA Latinoamérica, S.A.U. (a wholly owned subsidiary of ENDESA, S.A. and hereinafter ENDESA Latinoamérica) and EDP Energias de Portugal, S.A. (hereinafter EDP) entered into an agreement for ENDESA Latinoamérica to acquire EDP's 7.70% stakes in ENDESA's Brazilian subsidiaries Ampla Energia e Serviços S.A. (electricity distribution services concessionaire in the state of Rio de Janeiro) and Ampla Investimentos e Serviços S.A. (which owns a stake in Companhia Energetica do Ceara S.A., Coelce, the concession holder for electricity distribution services in the state of Ceará and a controlled by ENDESA) for Euro 76 million and Euro 9 million, respectively. Following these acquisitions, the ENDESA Group controls 99.64% of the share capital of both companies, which are listed on the Sao Paulo stock exchange.

Also, and in compliance with securities market regulations in Brazil, in November ENDESA launched tender offers, under the terms stipulated, for the remaining 0.36% stake held by the minority shareholders of both companies. These public tenders are due to take place during the first half of 2012.

### EBITDA: Euro 3,241 million

In 2011 EBITDA stood at Euro 3,241 million, down 4.5% (-1.3% excluding the impact of the net worth tax in Colombia). Meanwhile, fourth-quarter EBITDA was Euro 34 million lower year-on-year due to exchange rate trends between the euro and local currencies in the countries where the Group operates.

EBIT stood at Euro 2,409 million, a decline of 5.5% in comparison with 2010 (-1.2% excluding the effect of the net worth tax in Colombia).

<b>EBITDA and EBIT Business in Latin America</b>						
	<b>EBITDA (Euro million)</b>			<b>EBIT (Euro million)</b>		
	<b>2011</b>	<b>2010</b>	<b>% change</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
Generation and transmission	1,875	1,979	(5.3)	1,549	1,602	(3.3)
Distribution	1,402	1,448	(3.2)	893	1,018	(12.3)
Other	(36)	(32)	n/a	(33)	(72)	n/a
<b>TOTAL</b>	<b>3,241</b>	<b>3,395</b>	<b>(4.5)</b>	<b>2,409</b>	<b>2,548</b>	<b>(5.5)</b>

The breakdown of these results by country is shown below:

<b>EBITDA and EBIT Business in Latin America – Generation and Transmission</b>						
	<b>EBITDA (Euro million)</b>			<b>EBIT (Euro million)</b>		
	<b>2011</b>	<b>2010</b>	<b>% change</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
Chile	728	882	(17.5)	595	757	(21.4)
Colombia	433	441	(1.8)	377	387	(2.6)
Brazil	224	222	0.9	207	200	3.5
Peru	245	192	27.6	186	129	44.2
Argentina	118	128	(7.8)	80	93	(14.0)
<b>TOTAL GENERATION</b>	<b>1,748</b>	<b>1,865</b>	<b>(6.3)</b>	<b>1,445</b>	<b>1,566</b>	<b>(7.7)</b>
Brazil-Argentina interconnection	127	114	11.4	104	36	188.9
<b>TOTAL GENERATION AND TRANSMISSION</b>	<b>1,875</b>	<b>1,979</b>	<b>(5.3)</b>	<b>1,549</b>	<b>1,602</b>	<b>(3.3)</b>

<b>EBITDA and EBIT Business in Latin America – Distribution</b>						
	<b>EBITDA (Euro million)</b>			<b>EBIT (Euro million)</b>		
	<b>2011</b>	<b>2010</b>	<b>% change</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
Chile	233	203	14.8	188	159	18.2
Colombia	371	402	(7.7)	276	307	(10.1)
Brazil	684	685	(0.1)	529	450	17.6
Peru	137	128	7.0	104	96	8.3
Argentina	(23)	30	n/a	(204)	6	n/a
<b>TOTAL DISTRIBUTION</b>	<b>1,402</b>	<b>1,448</b>	<b>(3.2)</b>	<b>893</b>	<b>1,018</b>	<b>(12.3)</b>

## Generation and transmission

### Chile

During 2011 Chile suffered one of the worst droughts in its history. This caused a huge reduction in hydroelectric output that was partially replaced by thermal power, which has a much lower margin. Overall, ENDESA's generation in Chile decreased 0.9%, with unit margins declining 15.1%.

Against this backdrop, EBITDA for the generation business amounted to Euro 728 million in 2011, down 17.5%.

EBIT totalled Euro 595 million, a 21.4% decline vs. 2010.



## **Colombia**

In Colombia, EBITDA (-1.8%) and EBIT (-2.6%) were affected by the introduction of the net worth tax.

Stripping out this effect, EBITDA and EBIT in 2011 would have risen by 12.9% and 14.2%, respectively, primarily because of improved output during the period (+7.2%) thanks to favourable hydro resources caused by "La Niña" climate phenomenon, lower energy purchase prices to cover commercial commitments, and the positive impact of the higher revenues from frequency regulation services.

## **Brazil**

ENDESA's investees in Brazil generated a total of 4,155 GWh to 31 December, down 18.4% year-on-year, with decreases at the Fortaleza (thermal) plant primarily due to lack of demand by the system and the Cachoeira (hydro) plant as a result of lower rainfall levels.

Despite the fall in generation, the margin on sales covered by spot purchases made to cover contracted demand led to a slight improvement in EBITDA (+0.9 %) and EBIT (+3.5%) to Euro 224 million and Euro 207 million, respectively.

## **Peru**

ENDESA's investees in Peru generated total output in 2011 of 9,840 GWh, 7.7% more than the previous year.

Higher spot prices coming from the activation of new tender contracts to distribution companies and the increase in sales to regulated customers, triggered a 27.6% rise in EBITDA, to Euro 245 million while EBIT climbed 44.2% to Euro 186 million.

## **Argentina**

In 2011, even though output was similar to the previous year (-0.2%), the change in the generation mix with an increase in thermal output and a decrease in hydro output, combined with the exchange rate effect due to the peso's devaluation against the euro, triggered a 7.8% contraction in EBITDA vs. 2010 to Euro 118 million.

Also, the Euro 8 million write-down of ENDESA Costanera, S.A.'s goodwill triggered an even higher decrease in EBIT (-14.0%) to Euro 80 million.

## **Argentina - Brazil interconnection**

As mentioned above, from April 2011 the two interconnections lines linking Brazil and Argentina began to receive regulated remuneration, putting Cien's EBITDA at 31 December 2011 at Euro 127 million, up 11.4% on 2010.

This, combined with the recovery of receivables from Argentina, for which provisions had previously been made, put EBIT at Euro 104 million for the period.





## Distribution

### Chile

The 4.6% rise in sales volumes, thanks to increased demand, and higher prices due to improved indexing factors, pushed up EBITDA and EBIT in the Chilean distribution business by 14.8% and 18.2%, respectively, to Euro 233 million and Euro 188 million.

### Colombia

EBITDA and EBIT in the Colombian distribution business declined by 7.7% and 10.1%, respectively, to Euro 371 million and Euro 276 million.

Stripping out the net worth tax effect, both indicators improved (+3.2% and 4.2% respectively) due to higher demand and prices.

### Brazil

EBITDA and EBIT for 2011 amounted to Euro 684 million (-0.1%) and Euro 529 million (+17.6%), respectively compared to 2010.

The decline in EBITDA was largely due to the lower electricity margin at Ampla caused by the price effect but which was partially offset by higher physical sales (+2.2%). The improvement to EBIT in 2011 (+17.6%) is mainly due to the impairment allocation of its customer portfolio in 2010.

### Peru

Financial indicators in the Peruvian distribution business performed well during the period on the back of a 7.3% rise in sales volumes.

EBITDA climbed 7.0% year-on-year, to Euro 137 million, while EBIT was 8.3% higher at Euro 104 million.

### Argentina

EBITDA for the distribution business in Argentina was a negative Euro 23 million in 2011 compared to a positive Euro 30 million the previous year. This decline was due to the company's higher fixed costs triggered by Argentina's rising inflation which it has not been possible to pass on to customers through tariffs.

EBIT meanwhile amounted to a negative Euro 204 million, Euro 201 million less than in 2010 due to the fall in EBITDA and the provisions for Edesur's assets mentioned in the "Regulatory Update" section above.

### Financial results: Euro 327 million (-22.7%)

ENDESA's Latin American business generated a net financial expense of Euro 327 million in 2011, a reduction of 22.7% compared to 2010.

Net exchange gains of Euro 26 million were recorded for 2011, compared to Euro 7 million for 2010.

Net finance expense for the year was Euro 353 million, down Euro 77 million or 17.9%. Of this amount, Euro 36 million corresponds to the positive effect on this business of the National Court rulings on Corporate Income Tax for the ENDESA Group.

Net debt at ENDESA's Latin American business stood at Euro 4,161 million at 31 December 2011, a reduction of Euro 491 million since year-end 2010.

### Cash flow from operating activities: Euro 2,431 million de euros

ENDESA's business in Latin America generated cash flow of Euro 2,431 million in 2011, 2.4% higher than in 2010.

### Investment: Euro 1,331 million

Investment in this business unit stood at Euro 1,331 million in 2011.

Euro 172 million of this amount corresponded to financial investments and Euro 1,159 million to capex and investments in intangible assets, as shown in the table below:

<b>Capex and investment in intangible assets</b>			
<b>Business in Latin America</b>			
	<b>Euro million</b>		
	<b>2011</b>	<b>2010</b>	<b>% change</b>
Generation	508	279	82.1
Distribution and Transmission	360	321	12.1
Other	7	47	(85.1)
<b>TOTAL CAPEX</b>	<b>875</b>	<b>647</b>	<b>35.2</b>
<b>Intangible assets (*)</b>	<b>284</b>	<b>394</b>	<b>(27.9)</b>
<b>TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS</b>	<b>1,159</b>	<b>1,041</b>	<b>11.3</b>

(\*) 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.

## Statistical appendix

### Key figures

Electricity Generation Output (GWh)	2011	2010	% change
Business in Spain, Portugal and Other	75,947	68,069	11.6
Business in Latin America	62,767	62,416	0.6
<b>TOTAL</b>	<b>138,714</b>	<b>130,485</b>	<b>6.3</b>

Electricity Generation Output in Spain and Portugal and Other (GWh)	2011	2010	% change
<b>Mainland</b>	<b>60,287</b>	<b>52,042</b>	<b>15.8</b>
Nuclear	25,177	27,619	(8.8)
Coal	23,080	10,786	114.0
Hydroelectric	6,179	9,208	(32.9)
Combined cycle (CCGT)	5,851	3,915	49.5
Fuel oil	-	55	n/a
CHP/renewables	-	459	n/a
<b>Non-mainland</b>	<b>13,962</b>	<b>14,257</b>	<b>(2.1)</b>
<b>Portugal</b>	<b>883</b>	<b>750</b>	<b>17.7</b>
<b>Other</b>	<b>815</b>	<b>1,020</b>	<b>(20.1)</b>
<b>TOTAL</b>	<b>75,947</b>	<b>68,069</b>	<b>11.6</b>

Electricity Generation Output in Latin America (GWh)	2011	2010	% change
Chile	20,722	20,914	(0.9)
Argentina	15,960	15,991	(0.2)
Peru	9,840	9,133	7.7
Colombia	12,090	11,283	7.2
Brazil	4,155	5,095	(18.4)
<b>TOTAL</b>	<b>62,767</b>	<b>62,416</b>	<b>0.6</b>

Electricity sales (GWh)	2011	2010	% change
<b>Business in Spain, Portugal and Other</b>	<b>106,148</b>	<b>107,942</b>	<b>(1.7)</b>
LRS	28,819	35,941	(19.8)
Deregulated market	76,422	70,953	7.7
Rest of the sector <sup>(1)</sup>	907	1,048	(13.5)
<b>Business in Latin America<sup>(2)</sup></b>	<b>69,553</b>	<b>67,275</b>	<b>3.4</b>
Chile	13,697	13,098	4.6
Argentina	17,233	16,759	2.8
Peru	6,572	6,126	7.3
Colombia	12,857	12,515	2.7
Brazil	19,194	18,777	2.2
<b>TOTAL</b>	<b>175,701</b>	<b>175,217</b>	<b>0.3</b>

(1) Generation sales.

(2) Includes tolls and unbilled consumption totalling 12,458 GWh in 2011 and 11,703 GWh in 2010. Stripping out tolls and unbilled consumption, sales would have totalled 57,095 GWh and 55,572 GWh, respectively (+2.7%).

<b>Gas sales (GWh)</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
Regulated market	-	130	n/a
Deregulated market (*)	54,759	40,742	34.4
<b>TOTAL</b>	<b>54,759</b>	<b>40,872</b>	<b>34.0</b>

(\*) Excluding own generation consumption.

<b>Period-end headcount (number of employees)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>% change</b>
Business in Spain, Portugal and Other	11,785	12,270	(4.0)
Business in Latin America	11,092	12,462	(11.0)
<b>TOTAL</b>	<b>22,877</b>	<b>24,732</b>	<b>(7.5)</b>

## Financial data

<b>Key figures (Euro)</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
EPS <sup>(1)</sup>	2.1	3.9	(46.4)
BVPS <sup>(2), (3)</sup>	18.2	16.8	8.5

(1) Parent company's FY profit / No. shares.

(2) Parent company's net equity / No. shares.

(3) At 31 December 2011.

<b>Net financial debt (Euro million)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>% change</b>
Business in Spain, Portugal and Other	6,841	10,684	(36.0)
Business in Latin America	4,161	4,652	(10.6)
<b>TOTAL</b>	<b>11,002</b>	<b>15,336</b>	<b>(28.3)</b>
Financial leverage (%) <sup>(1)</sup>	44.6	66.2	n/a

(1) Net finance debt / Net equity.

<b>Ratings (27 February 2012)</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Outlook</b>
Standard & Poor's	A-	A2	Negative (*)
Moody's	A3	P2	Negative
Fitch	A-	F2	Stable

(\*) Under review for a possible downgrade.

<b>ENDESA's main fixed-income issues</b>	<b>Spread over IRS (bp)</b>			
	<b>31 December 2011</b>	<b>31 December 2010</b>		
0.5 Y GBP 400Mn 6.125% Mat. June 2012	145	128		
1.1 Y EUR 700Mn 5.375% Mat. February 2013	157	80		

<b>Stock market data</b>	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>% change</b>
Market cap (Euro million)	16,781	20,429	(17.9)
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value (Euros)	1.2	1.2	-

<b>Stock market data (Shares)</b>	<b>2011</b>	<b>2010</b>	<b>% change</b>
Trading volume			
Madrid stock exchange	160,274,194	154,589,510	3.7
Average daily trading volume			
Madrid stock exchange	623,635	603,865	3.3

<b>Share price (Euro)</b>	<b>2011 high</b>	<b>2011 low</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Madrid stock exchange	24.050	15.115	15.850	19.295

<b>Dividends (€/share)</b>	<b>Against 2011 earnings</b>
Final dividend (2 July 2012)	0.606
Total DPS	0.606
Pay-out (%)	29.0
Dividend yield (%)	3.8



## Important legal disclaimer

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated increases in wind and CCGT generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning of production amongst different technologies, increases in costs associated with higher activity that do not exceed certain limits, electricity prices not below certain levels, the cost of CCGT plants, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements we avail ourselves of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following important factors, in addition to those discussed elsewhere in this document, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

**Economic and industry conditions:** materially adverse changes in economic or industry conditions generally or in our markets; the effect of existing regulations and regulatory changes; tariff reductions; the impact of any fluctuations in interest rates; the impact of fluctuations in exchange rates; natural disasters; the impact of more stringent environmental regulations and the inherent environmental risks relating to our business operations; the potential liabilities relating to our nuclear facilities.

**Transaction or commercial factors:** any delays in or failure to obtain necessary regulatory, antitrust, internal and other approvals for our proposed acquisitions, investments or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Any delays in or failure to obtain necessary regulatory approvals, including environmental approval, to construct new facilities, repowering or enhancement of existing facilities; shortages or changes in the price of equipment, materials or labour; opposition of political and ethnic groups; adverse changes in the political and regulatory environment in the countries where we and our related companies operate; adverse weather conditions, which may delay the completion of power plants or substations, or natural disasters, accidents or other unforeseen events; and the inability to obtain financing at rates that are satisfactory to us.

**Political/governmental factors:** political conditions in Latin America; changes in Spanish, European and foreign laws, regulations and taxes.

**Operating factors:** technical difficulties; changes in operating conditions and costs; the ability to implement cost reduction plans; the ability to maintain a stable supply of coal, fuel and gas and the impact of fluctuations on fuel and gas prices; acquisitions or restructurings; the ability to implement an international and diversification strategy successfully.

**Competitive factors:** the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in this document are given in the Risk Factors section of the current ENDESA Share Registration Statement filed with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the "CNMV" for its initials in Spanish).

No assurance can be given that the forward-looking statements in this document will be realised. Except as may be required by applicable law, neither Endesa nor any of its subsidiaries intends to update these forward-looking statements.