



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

**2010 Consolidated Management
Report**

Madrid, 25 February 2011

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Analysis of 2010

Consolidated results

Endesa reported 2010 net income of Euro 4,129 million (+20.4%).

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

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

Endesa net income, 2010			
	Euro million	% chg vs 2009	% of total net income
Spain, Portugal and Other	3,498	26.8	84.7
Latin America	631	(6.0)	15.3
TOTAL	4,129	20.4	100.0

Electricity generation and sales

Endesa's power output in 2010 totalled 130,485 GWh, 4.8% less than in 2009. Electricity sales stood at 175,217 GWh, up 3.1%.

Electricity generation and sales, 2010				
	Output		Sales	
	GWh	% chg vs 2009	GWh	% chg vs 2009
Spain, Portugal and Other	68,069	(8.4)	107,942	1.6
Latin America	62,416	(0.6)	67,275	5.5
TOTAL	130,485	(4.8)	175,217	3.1

EBITDA rose 3.4% despite the lower output

Despite the fall in electricity output, the increase in energy sold and higher margins resulted in a 3.4% year-on-year rise in 2010 EBITDA to Euro 7,474 million.

This increase in EBITDA is the result of the 20.3% rise in revenues (to Euro 31,177 million), 34.4% growth in variable costs and 0.6% increase in fixed costs. EBIT totalled Euro 5,031 million, down 0.4% year-on-year.

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

	Revenues		EBITDA		EBIT	
	Euro million	% chg vs 2009	Euro million	% chg vs 2009	Euro million	% chg vs 2009
Spain, Portugal and Other	21,191	21.3	4,079	0.5	2,483	(2.8)
Latin America	9,986	18.2	3,395	7.2	2,548	2.0
TOTAL	31,177	20.3	7,474	3.4	5,031	(0.4)

Net financial results improved by 13.3% to Euro 883 million

Endesa reported a net financial result of Euro 883 million in 2010, an improvement of Euro 135 million year-on-year. Net finance expense totalled Euro 895 million, down 9.0%, while net exchange gains were Euro 12 million, compared to the loss of Euro 34 million seen in 2009.

Cash flow from operating activities: Euro 5,905 million

Cash flow from operating activities in 2010 totalled Euro 5,905 million, up 18.9% on 2009.

Discounting the effects of "Changes in current assets" on this cash flow, which show higher volatility year on year, this figure would be Euro 5,828 million, up 21% on 2009, Euro 3,217 million in Spain, Portugal and Other (+35.5%) and Euro 2,611 million in Latin America (+7.0%)

Investment: Euro 3,408 million

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

Investment	Euro million			% chg vs 2009
	Capex and intangible assets	Financial investments	TOTAL	
Spain, Portugal and Other	1,980	231	2,211	(25.6)
Latin America	1,041	156	1,197	(0.9)
TOTAL	3,021	387	3,408	(18.5)

Financial position

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

Breakdown of Endesa's net debt by business line (*)				
	Euro million			
	31/12/10	31/12/09	Difference	% chg
Business in Spain, Portugal and Other	10,684	13,865	(3,181)	(22.9)
Business in Latin America	4,652	4,697	(45)	(1.0)
Enersis Group	4,188	4,209	(21)	(0.5)
Other	464	488	(24)	(4.9)
TOTAL	15,336	18,562	(3,226)	(17.4)

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

The average cost of Endesa's total debt was 4.5% in 2010, while the cost of the debt corresponding to the Enersis Group was an average 8.3%. Excluding Enersis Group debt, the average cost of Endesa's debt was 2.9% in the period.

When assessing Endesa's debt levels, it must be remembered that at 31 December 2010, the company had the recognised right to collect Euro 9,186 million in connection with several regulatory matters affecting the Spanish electricity business: Euro 6,340 million for financing the revenue shortfall from regulated activities and Euro 2,846 million in compensation for stranded costs in non-mainland generation. Stripping out these regulatory items, Endesa's net debt at the end of December 2010 was Euro 6,150 million.

On 7 July 2010, Endesa informed the Deficit Securitisation Fund for the Electricity System of its irrevocable commitment to transfer all its deficit collection rights 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. Where applicable, the Inter-ministerial Commission must rule that such circumstances have arisen. A year after the notification date, the initial holders may dissolve the commitment to transfer any collection rights that have not been securitised by the fund.

On 13 January 2011 the final terms and conditions of the first issue of the Deficit Securitisation Fund for the Electricity System for an amount of Euro 1,996 million were filed with the Spanish securities market commission (hereinafter the "CNMV"). Euro 1,041 million of this amount corresponded to Endesa and were collected on 25 January 2011.

On 15 February 2011 the fund's second issue was made for an amount of Euro 1,994 million, of which Euro 1,039 million corresponded to Endesa and were collected on 24 February 2011.

**Structure of Endesa's net financial debt
(Euro million)**

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

Endesa had liquidity of Euro 6,467 million in Spain at the close of 2010, sufficient to meet the group's total debt repayments over the next 15 months. Euro 6,176 million of this amount comprised undrawn sums on unconditional credit lines.

Meanwhile, the Enersis Group held cash and cash equivalents totalling Euro 1,537 million and Euro 578 million in undrawn, unconditional credit lines, covering debt maturities for the next 23 months.

As of the date of release of FY10 earnings, Endesa's long-term debt ratings are: Moody's A3 and Standard & Poor's A-, both under review for a possible downgrade and Fitch A, with a stable outlook.

Equity: Euro 23,164 million

Endesa's consolidated equity was Euro 23,164 million at 31 December 2010, Euro 4,204 million higher than at 31 December 2009. Euro 17,776 million of this amount corresponded to Endesa S.A. shareholders, and Euro 5,388 million to minority shareholders of group companies.

Net equity corresponding to shareholders of Endesa, S.A. has increased by Euro 3,549 million compared to 31 December 2009, mainly as a result of:

- Earnings generated during the period.
- Net exchange gains of Euro 661 million in 2010 due to converting the net assets of the group's LatAm companies to euros on the back of the appreciation of local currencies against the euro.
- The recognition of a Euro 559 million final dividend against 2009 earnings approved by shareholders at the General Meeting on 21 June 2010 and paid on 1 July 2010.

- The recognition of a Euro 529 million interim dividend against 2010 earnings approved by shareholders at the General Meeting on 20 December 2010 and paid on 3 January 2011.

Financial leverage

The changes in group equity and net debt resulted in leverage of 66.2% at 31 December 2010, compared to 97.9% at 31 December 2009.

Assets held for sale

At 31 December 2010 Endesa's consolidated balance sheet included certain assets classified as held for sale because proceedings had started by that date for their disposal and are expected to be completed within a year.

The main assets are:

- The assets of the groups headed by the Chilean companies, Compañía Americana de Multiservicios (CAM) and Synapsis Soluciones y Servicios IT Ltda (Synapsis). In relation to the disposal of CAM, on 20 December 2010 Enersis' management accepted the binding offer made by Graña y Montero S.A.A. for the sale of this company for USD 20 million, transaction that was finally completed on 24th February 2011. On the same date, Enersis' management accepted the offer presented by Riverwood Capital L.P. to acquire Synapsis for the amount of USD 52 million. This transaction is expected to be finalised in early 2011.
- At the end of 2010 Endesa started proceedings for the sale of its 100% stake in Endesa Ireland Ltd. (hereafter, "Endesa Ireland"). Therefore, assets held for sale were recognised on the consolidated balance sheet at 31 December 2010.

Results by business line

Business in Spain, Portugal and Other

Net income – Spain, Portugal and Other: Euro 3,498 million

Net income from Endesa's business in Spain, Portugal and Other was Euro 3,498 million in 2010, Euro 739 million higher than in 2009, contributing 84.7% of the company's total net income.

This figure includes Euro 1,968 million from disposals carried out in 2010, compared to Euro 1,078 million recognised for this item in 2009.

EBITDA was Euro 4,079 million, up 0.5% compared to 2009, and EBIT totalled Euro 2,483 million, down 2.8%.

The positive EBITDA performance, despite the sale of renewable assets to the Acciona group and Enel Green Power, S.p.A (hereafter "EGP") in 2009 and 2010, respectively, and the drop in electricity generation, owed to the increase in electricity sold to customers and improved output mix due the rise in hydro and nuclear production and the drop in thermal output.

Highlights

Following the fall in 2009, electricity demand recovered by 3.28% during 2010 year-on-year (2.93% adjusted for working days and temperatures).

Additionally, wholesale electricity prices remained low in 2010, although they were up 2.7% on 2009.

During this period, Endesa obtained a market share in ordinary regime generation of 28.2%, a 42.8% share in distribution and a 40.1% share in sales to deregulated customers.

In December 2009 the access tolls to be implemented from 1 January 2010 were revised, with an average increase of 14.5%. Also, in December 2009 the resolution establishing the tariff of last resort (TLR) to be applied in 2010 was published, with an average increase of 2.6% for the TLR with no time restrictions. Furthermore, the period during which customers not eligible for the TLR with no supply contract can continue to be supplied by the supplier of last resort (SLR) was extended until 31 December 2010.

In June 2010 the access tariff applicable from 1 July 2010 were revised. Overall, access tariffs set on 1 January 2010 were maintained with the exception of the access tariffs for customers eligible for the TLR, which was reduced to offset the increased energy prices recognised in the TLR, essentially leaving final TLR unchanged.

Specifically, access tariffs for customers eligible for the TLR with no time restrictions fell by 3%.

The General Directorate of Energy and Mining resolution of 29 September 2010 established the cost of electricity production and the TLR to be applied in the fourth quarter of 2010. The TLR rose by 4.8% on average as a result of the increase in the cost of energy subsequent to the CESUR auction on 21 September. Access tariffs were unchanged from those applied in the third quarter of the year.

The shortfall between the access tariffs collected during 2010 and the system costs during the same period led to a revenue shortfall from regulated activities of approximately Euro 4,736 million for the entire sector in 2010. Endesa must finance 44.16% of this deficit.

Royal Decree Law 14/2010, of 23 December, includes a series of measures aimed at reducing the tariff deficit, following the schedule established in Royal Decree Law 6/2009, of 30 April, to ensure no further deficit is incurred from 2013 onwards. The new legislation amends the programme to eliminate the deficit, changing the annual deficit limit to Euro 5,500, Euro 3,000, and Euro 1,500 for 2010, 2011 and 2012, respectively, while increasing the amounts backed by the State to securitise the deficit.

Other measures established by Royal Decree Law 14/2010, of 23 December, to reduce the deficit include obliging producers to pay access tariffs in compliance with the EU framework programme, restricting operating hours eligible for a premium at photovoltaic plants in 2011-2013, extending the transitory financing period for the discount rate (*bono social*) until 2013 and obliging power producers to finance the amounts charged to the electricity system to finance the 2008-2012 Action Plan (Energy Savings and Efficiency Plans) and the plan approved for 2013.

Ministerial Order ITC/3353/2010, of 28 December, establishes that access tariffs shall remain unchanged from 1 January 2011, while capacity payments payable by consumers have increased. This regulation stipulates the definitive remuneration to be received by distribution companies in 2009 and 2010 and sets out provisional remuneration for 2011, in compliance with the methodology established in Royal Decree 222/2008, of 15 February, thereby giving the power distribution business the stable regulatory framework needed for its development.

The Resolution of 28 December 2010, establishing the TLR to be applied in the first quarter of 2011, stipulates an average increase of 9.8% in this tariff.

Royal Decree 134/2010, of 12 February, published in 2010, establishes a mechanism to guarantee, for reasons of security of supply, the production of domestic coal plants, through a preferential dispatch mechanism for these plants. Plants that have to reduce their output as a result of this mechanism are selected according to their CO₂ emissions. However, after the initial publication and after approval had been obtained from the EU, a new Royal Decree 1221/2010, was published as part of the open notification process on 1 October, amending the afore-mentioned Royal Decree 134/2010, of 12 February. The most significant changes introduced by the new regulation are the elimination of the right to compensation for lost earnings and recognition of possible damages for owners of plants with a reduced programme and the remuneration scheme for plants

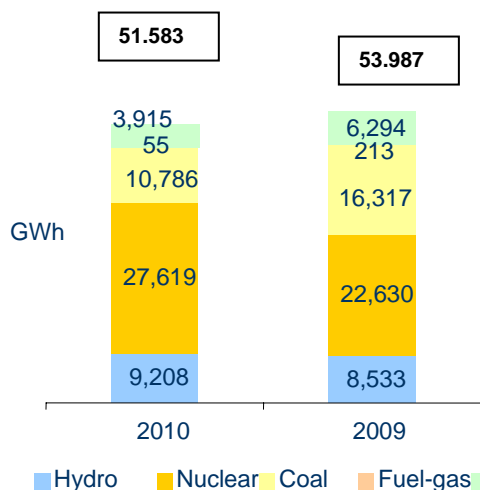
using domestic (Spanish) coal. This compensation will now be based on audited costs, from which a percentage of the value of rights assigned in the National Allocation Plan (NAP) in 2011 and 2012 will be deducted.

Revenues: Euro 21,191 million (+21.3%)

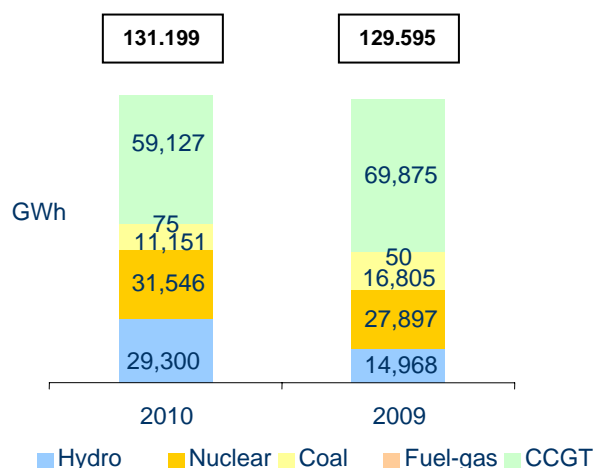
Endesa reported revenues of Euro 21,191 million from its Spain, Portugal and Other business in 2010, an increase of 21.3%. Of this amount, Euro 20,186 million corresponded to sales, up 22.8% year-on-year, due mainly to supplier of last resort (SLR) sales, as explained later in this report.

Sales in Spain, Portugal and Other				
	Euro million			%
	2010	2009	Diff.	chg
Electricity sales	16,098	12,560	3,538	28.2
<i>Sales on the deregulated market</i>	<i>6,690</i>	<i>5,374</i>	<i>1,316</i>	<i>24.5</i>
Sales to Suppliers of Last Resort	5,242	2,824	2,418	85.6
Sales in auctions	-	87	(87)	n/a
Wholesale market sales	660	862	(202)	(23.4)
Deductions under Royal Decree Law 11/2007	-	(110)	110	n/a
CHP/renewables generation	29	276	(247)	(89.5)
Supply to deregulated customers outside Spain	399	278	121	43.5
Non-mainland compensation	1,737	1,393	344	24.7
Power trading	1,136	1,312	(176)	(13.4)
Other sales	205	264	(59)	(22.3)
Regulated revenue from electricity distribution	2,385	2,158	227	10.5
Regulated revenue from gas distribution	60	60	-	n/a
Gas supply	1,277	975	302	31.0
Other sales and services rendered	366	682	(316)	(46.3)
TOTAL	20,186	16,435	3,751	22.8

Endesa ordinary regime mainland generation Total: 51,583 GWh (-4.5%)



Rest of sector ordinary regime mainland generation Total: 131,199 GWh (+1.2%)



Electricity sales

Endesa's electricity output in the Spain, Portugal and Other business was down 8.4% year-on-year, at 68,069 GWh in 2010. Of this amount, 66,299 GWh corresponded to Spain (-6.7%), 750 GWh to Portugal (-53.5%) and 1,020 GWh to the rest of the segment (-35.4%)

Endesa's mainland electricity output stood at 52,042 GWh, 8.1% lower than in 2009. Of this amount, 51,583 GWh corresponded to ordinary regime generation in Spain, 4.5% less than in 2009.

Endesa's CHP and renewable energy output was 459 GWh, down 82.5% as a result of the sale of renewable energy assets to Acciona in June 2009 and to EGP in March 2010.

Nuclear and hydro energy accounted for 71.4% of Endesa's mainland generation mix under the ordinary regime, compared with 46.4% for the rest of the sector.

Endesa's output from non-mainland facilities was 14,257 GWh, a decrease of 1.6% compared to 2009.

Despite the 8.4% drop in mainland generation in 2010, revenues from electricity sales grew by 28.2% due to increased sales to deregulated customers (+24.5% in Spain) and, above all, to the regulatory changes that came into force on 1 July 2009 with the start of the supply of last resort.

Supply to deregulated customers

Endesa had 1,938,142 customers in the deregulated market at the end of 2010: 1,709,782 in the Spanish mainland market, 192,149 on the non-mainland market and 36,211 in European deregulated markets other than Spain.

Endesa sold a total of 70,953 GWh to these customers in 2010, an increase of 16.7%.

Sales in the Spanish deregulated market totalled Euro 6,690 million, up 24.5% on 2009. In turn, revenues from sales to customers in deregulated European markets other than Spain rose 43.5% year-on-year to Euro 399 million.

Sales to suppliers of last resort

From 1 July 2009, the integrated regulated tariff applied by distributors to consumers who had not signed a power supply contract with any sales company was eliminated. Under the previous system, the cost of energy supply was a pass through cost for the distributor. From 1 July, customers who had not signed a supply contract with a distributor went on to be supplied by suppliers of last resort (SLR), providing power to their customers at the tariff of last resort (TLR) set by the government on a periodic basis, with the previous pass through cost having disappeared.

This regulatory change has had an accounting impact which involves recording the amounts invoiced to customers including the power purchase costs, in the consolidated income statement whereas previously this was not required for customers eligible for the integrated tariff.

Endesa sold 35,941 GWh through its SLR in 2010, reporting revenues of Euro 5,242 million.

Electricity distribution

Endesa distributed 117,670 GWh of electricity in the Spanish market in 2010, an increase of 2.1%.

Revenues from regulated distribution activities totalled Euro 2,385 million, up 10.5% on 2009. This figure includes the impact of the revised remuneration for distribution from 2009 onwards in accordance with the Ministerial Order ITC/3353/2010, of 28 December.

The revised remuneration for 2009 implies a Euro 97 million increase in recognised costs, which have been booked in 2010.

Gas distribution and supply

Endesa's group of investees sold a total of 52,005 GWh of natural gas in the Spanish market in 2010, an increase of 10.6%. Of this amount, 51,875 GWh were sold on the deregulated market, an increase of 11.8%, while 130 GWh were sold on the regulated market, 79.7% lower than in 2009.

Revenues from gas sales in the deregulated market increased 31.0% to Euro 1,277 million.

Electricity generation in the rest of the segment

Electricity sales generated in the rest of the segment totalled Euro 205 million, down 22.3% on 2009. Of this amount, Euro 120 million corresponded to Ireland (-17.8%), Euro 63 million to Portugal (-30.8%), Euro 6 million to Greece (-50%) and Euro 16 million to Morocco (-4%).

Operating expenses

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

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

Procurements and services

Power purchases stood at Euro 5,125 million, an increase of 30.4% on 2009. This rise was due to power purchases in 2010 to supply SLR customers in excess of the group's own production. To 30 June 2009 power purchases made to supply regulated customers were not recognised on the income statement as they were considered to be a pass through cost.

Fuel consumption totalled Euro 1,929 million in 2010, a year-on-year drop of 1.6%, due to the lower thermal production during the period.

Power transmission costs were Euro 5,517 million, Euro 2,274 million higher than the figure registered in 2009. This increase was due mainly to the recognition of the cost of access tariffs paid by the SLR and higher tariff payments for supply to deregulated

customers due to the significant rise in the volume of power sold to these customers and the increase in the tariffs themselves.

Personnel and other fixed operating expenses

Fixed costs in 2010 totalled Euro 2,931 million, Euro 137 million lower (-4.5%) compared to 2009.

This change is due to a Euro 218 million reduction in "Personnel expenses" to Euro 1,279 million, and a Euro 81 million increase in "Other operating expenses" to Euro 1,652 million.

In 2009 and 2010 provisions of Euro 319 million and Euro 132 million respectively were allocated under personnel expenses after the early retirement dates for several employees under the workforce reduction programme approved in 2000 were brought forward. These employees were part of groups affected by the on-going restructuring plans.

At 31 December 2010 Endesa has provisioned Euro 233 million corresponding to the contributions that Endesa Generación 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.

Depreciation & amortisation charges and impairment losses

Depreciation and amortisation charges and impairment losses totalled Euro 1,596 million, Euro 91 million higher compared to 2009.

The depreciation and amortisation charge includes Euro 115 million relating to the decline in value of the group's assets in Ireland.

Financial results: Euro 460 million (-15.9%)

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

This was due to a Euro 70 million decline in net financial expenses and a Euro 17 million reduction in net exchange differences, which have moved from a loss of Euro 12 million in 2009 to a gain of Euro 5 million in 2010.

Net financial expenses in 2010 include Euro 77 million as a result of the restatement of finance revenues recorded in previous years 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.

The drop in long-term interest rates that took place in 2009 and 2010 required higher provisions to cover the obligations relating to the workforce reduction programme currently on-going to the amount of Euro 260 million and Euro 45 million respectively. These amounts have been recognised in the Income Statement under "Net finance expenses".

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

Cash flow from operating activities: Euro 3,532 million

Cash flow from operating activities in the business in Spain, Portugal and Other totalled Euro 3,532 million in 2010, an increase of 48% year-on-year.

Discounting the effects of "Changes in current assets" on this cash flow, which show higher volatility year on year, this figure would be Euro 3,217 million, up 35.5% on 2009.

Investment: Euro 2,211 million

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

Total investment			
Business in Spain, Portugal and Other			
	Euro million		% chg
	2010	2009	
Capex	1,841	2,255	(18.4)
Intangible	139	148	(6.1)
Financial investments	231	569	(59.4)
TOTAL	2,211	2,972	(25.6)

Capex			
Business in Spain, Portugal and Other			
	Euro million		% chg
	2010	2009	
Generation	939	1,041	(9.8)
Distribution	866	1,172	(26.1)
Other	36	42	(14.3)
TOTAL	1,841	2,255	(18.4)

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

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 massive installation of smart meters and their associated operating systems.

Business in Latin America

Net income in Latin America: Euro 631 million

In Endesa's Latin America business net income shrank 6.0% year-on-year in 2010 to Euro 631 million.

This decline is due to the fact that income from asset disposals in 2009 was Euro 176 million while in 2010 it was only Euro 7 million.

Stripping out the result from asset disposals, net income in Latin America would have risen 26.1%.

EBITDA increased by 7.2% compared to 2009 to Euro 3,395 million while EBIT rose 2.0% to Euro 2,548 million.

Highlights

The economic environment in Endesa's Latin American operating markets was positive.

Demand in 2010 increased in all countries, particularly in Peru where it grew 8.5% and Brazil which saw a rise of 7.1%, but also in Argentina (+5.9%), Chile (+3.5%) and Colombia (+2.6%).

In this context, distribution sales by Endesa companies totalled 67,275 GWh, an increase of 5.5% on 2009, with rises recorded in all countries: Brazil (+8.8%), Peru (+7.2%), Argentina (+4.6%), Chile (+4.1%), and Colombia (+2.9%).

Endesa's generation business was affected by extraordinary events in 2010 that caused output to fall 0.6% to 62,416 GWh.

Output fell in Colombia (-11.0%) due to the drought caused by the "El Niño" phenomenon in the first half of the year. It also fell in Chile (-6.0%) as a result of the earthquake on 27 February and the drought which hit the country in the second half of the year. In contrast, output in Brazil rose by 53.5% on the back of increased availability of gas and better rainfall conditions.

Electricity generation and sales in the Latin American business				
	Output (GWh)		Sales (GWh)	
	2010	% chg vs. 2009	2010	% chg vs. 2009
Chile	20,914	(6.0)	13,098	4.1
Argentina	15,991	1.2	16,759	4.6
Peru	9,133	4.6	6,126	7.2
Colombia	11,283	(11.0)	12,515	2.9
Brazil	5,095	53.5	18,777	8.8
TOTAL	62,416	(0.6)	67,275	5.5

Changes in unit margins

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

The unit margin on distribution activities in 2010 was Euro 33.7/MWh, an increase of 9.0% compared to 2009. This was mainly due to the better unit margins in Colombia (+15.9%), Brazil (+8.8%), Peru (+5.8%) and Chile (+4.2%), which partially offset the 0.8% decline in Argentina.

New capacity development

Construction continued in 2010 on the 370 MW Bocamina II coal-fired plant in Chile which is due to be commissioned in the second half of 2011.

Construction of the Quintero regasification terminal in Chile, in which Endesa holds a 20% stake, concluded in August 2010. Once test runs finalised on 1 January 2011 the terminal was declared onstream, thereby ending the Fast Track period which had begun in September 2009.

Construction of the 400 MW El Quimbo hydro plant in Colombia began in 2010. The Ministry of Mines and Energy signed a legal stability agreement in December whereby the plant will be exempt from any future tax reforms for the next 20 years and 30% of the investment will be deductible from Emgesa's tax expense. That same month, the "equipment manufacture, supply and installation" contract was granted allowing construction to commence.

In November 2010, Peru's Ministry of Energy and Mines awarded Empresa Eléctrica de Piura, S.A. (EPPSA) the Electricity Generation Cold Reserve contract to construct the 200 MW Talara thermal plant. Construction will commence once the Environmental Impact Study has been approved and total investment is estimated to be USD 105 million. The dual (diesel and natural gas) open cycle plant will deliver additional power

to the Peruvian National Interconnection System, and is slated for start up in the first half of 2013.

Regulatory update

Chile

In March 2010, the “nudo” price was revised downwards (-6.8%) due to the dollar indexation clause, to USD 86.8/MWh compared to the previous price set in November 2009 (USD 93.2/MWh).

The “nudo” price applied from May to October 2010 was set at USD 94.9/MWh, an increase of 1.8% on the price set in November 2009 (USD 93.2/MWh) and up 9.3% on the price in force, associated with the last indexation made in March 2010 (USD 86.8/MWh).

In November 2010 the CNE published the definitive “nudo” price for November 2010 to April 2011. The monomial price was set at USD 112.52/MWh, an 8.3% increase on the previous price.

Brazil

In 2010, the ordinary tariff review for Ampla took place for the period March 2010-March 2011. Under this new tariff, which came into force on 15 March 2010, the price adjustment for Parcel B (DAV) is +1.3%.

On 19 April 2010, ANEEL announced the tariff adjustment for Coelce, to be applied from 22 April and involving an adjustment of 3.95% for the consumer and an increase of 2.98% for Parcel B (DAV).

The enactment of Act 12,111 in December 2009 means that international interconnections may be classified as part of the Brazilian transmission grid and therefore receive a regulated fixed tariff. On 15 December 2010, ANEEL approved the annual toll (Receita Anual Permitida-RAP) for Cien of 239.5 million Brazilian reales. ANEEL has maintained Cien's current authorisation deadline (to 2021) with the possibility of a further extension from the Ministry of Mines and Energy. Once this has expired, the facilities will be reverted under the terms of article 36 of Act 8,987 (Administrative Concessions Act) which sets compensation at a residual rate (also applicable for concession contracts at distributors).

As part of this same treatment, on 28 December 2010 the Ministry of Mines and Energy published a first Directive (PRT 1,004/2010) stating that companies should express their interest in classifying their interconnection line. The toll is expected to be effective in 2011.

Decree 7324 was passed on 5 October 2010, extending until 31 December 2011 the “Electricity for All” project.

Finally, Act 12,187/2009, regulating the country's National Climate Change Policy (PNMC) was published in the Official Gazette. The text sets specific targets for greenhouse gas emissions for the country's industries for 2020.

Peru

The new "barra" prices have been in force in Peru since 1 May 2010 with an average monomial price (excluding tolls) of USD 40/MWh, implying a reduction of 5% on current prices.

On 29 April 2010, Emergency Decree 032-2010 was published, establishing the measures to speed up investment and facilitate financing for the execution of electricity projects. In general terms, this Emergency Decree establishes the process of rural electrification, based on the Universalisation and "Electricity for All" projects in Brazil.

Lastly, in 2010 new measures were approved for power remuneration and for cold reserve tenders (Supreme Decree 001/2010), extending their scope.

On 5 August 2010, the Ministry of Energy and Mines passed Supreme Decree DS No. 046-2010-EM regulating the secondary gas market. Under this legislation, will enable the exchange product and transport capacity between natural gas users. It also contemplates creating an electronic bid mechanism.

Emergency Decree 079-2010 of 16 December 2010 extended until 31 December 2013 Emergency Decree 049-2008 setting the single marginal rate, taking into account that there are no current restrictions in the gas and electricity system.

On 4 October 2010, the Peruvian regulator, Osinergmin, finally decided to reconsider Edelnor's DAV, setting it at +0.1% (previously -0.1%).

Colombia

In the first half of 2010, the Colombian electricity wholesale market was highly intervened, with various temporary measures rolled out by the regulator (CREG) aimed at alleviating the impact of the drought caused by the "El Niño" phenomenon. Most of these measures were withdrawn later in the year once "El Niño" was officially declared over.

The Ministry of Mines and Energy issued Decree 2730-2010 regarding the workings of the gas sector in Colombia which was partially amended by Decree 2807-2010. This new regulation covers various aspects such as supply, transport, reliability and continuity of service, international exchanges and commercial and operational coordination.

Argentina

On 25 November 2010 the country's private generation companies signed an agreement with the Secretary of Energy establishing the wholesale generation market rules and the remuneration to be applied in 2010-2011.

Under the terms of this temporary agreement the output price for gas and steam turbines will be raised by USD 6.9 and 8.0/MW-hrp, respectively; remuneration for the operation and maintenance of thermal plants will increase by USD 3.6/MWh; the system's debt will be fully recognised; the price ceiling for thermal plants will be reviewed twice yearly or when gas prices rise 10%; and construction of the new 800 MW Vuelta de Obligado thermal plant was agreed.

Also, on 30 November 2010, the government ordered that the system operator, CAMMESA, sign an MEM Equipment Availability Commitment Contract with Endesa Costanera, S.A. (hereinafter, "Endesa Costanera") within the framework of the Turbosteam Units Agreement. The contract was signed on 12 December 2010 and allows for the necessary investment to be made to ensure the correct operation of the Costanera thermal plant's units.

There were power outages in Buenos Aires between 22 and 31 December 2010 given the high temperatures and increased demand for electricity. As a result of these power cuts, the regulator's Resolutions 525 and 551 for 2010 were released on 4 January 2011. In the first Resolution, ENRE ruled that Edesur must adapt its 2010 investment plan and submit an "operating regularisation programme" in order to correct the deficiencies in the service detected by ENRE. In the second Resolution, ENRE adjourned indefinitely its 2009 dividend payment study.

Notwithstanding compliance with the above resolutions, Edesur has appealed against both of these. On the same date, ENRE ordered that audits have to be carried out at the country's three distribution companies (Edesur, Edelap and Edenor) to check the level of compliance with these obligations.

EBITDA: Euro 3,395 million (+7.2%)

In 2010 EBITDA increased 7.2% compared to 2009 to Euro 3,395 million while EBIT rose 2.0% to Euro 2,548 million.

EBITDA and EBIT in the Latin American business						
	EBITDA (Euro million)			EBIT (Euro million)		
	2010	2009	% chg	2010	2009	% chg
Generation and transmission	1,979	1,932	2.4	1,602	1,573	1.8
Distribution	1,448	1,259	15.0	1,018	979	4.0
Other	(32)	(23)	n/a	(72)	(55)	n/a
TOTAL	3,395	3,168	7.2	2,548	2,497	2.0

The breakdown of these results by country is shown below:

EBITDA and EBIT in the Latin American business Generation and transmission						
	EBITDA (Euro million)			EBIT (Euro million)		
	2010	2009	% chg	2010	2009	% chg
Chile	882	1,010	(12.7)	757	830	(8.8)
Colombia	441	370	19.2	387	323	19.8
Brazil	222	192	15.6	200	173	15.6
Peru	192	164	17.1	129	111	16.2
Argentina	128	110	16.4	93	73	27.4
TOTAL GENERATION	1,865	1,846	1.0	1,566	1,510	3.7
Brazil-Argentina interconnection	114	86	32.6	36	63	(42.9)
TOTAL GENERATION AND TRANSMISSION	1,979	1,932	2.4	1,602	1,573	1.8

EBITDA and EBIT in the Latin American business Distribution						
	EBITDA (Euro million)			EBIT (Euro million)		
	2010	2009	% chg	2010	2009	% chg
Chile	203	196	3.6	159	166	(4.2)
Colombia	402	333	20.7	307	257	19.5
Brazil	685	562	21.9	450	435	3.4
Peru	128	106	20.8	96	80	20.0
Argentina	30	62	(51.6)	6	41	(85.4)
TOTAL DISTRIBUTION	1,448	1,259	15.0	1,018	979	4.0

Generation and transmission

Chile

EBITDA and EBIT in the Chilean generation business stood at Euro 882 and 757 million, respectively in 2010, down 12.7% and 8.8%. This was due mainly to lower output in the period (-6.0%), lower sales prices to regulated customers and higher power purchase prices as a result of the rise in spot prices due to dispatch problems arising following the earthquake and lower rainfall.

Colombia

In Colombia, lower output (-11.0%) during the period due to the drought and maintenance work carried out at the Guavio plant was offset by higher sales prices and a favourable exchange rate effect. This boosted EBITDA and EBIT by 19.2% and 19.8%, respectively, to Euro 441 million and Euro 387 million in 2010.

Brazil

Endesa's investees in Brazil generated a total of 5,095 GWh in 2010, up 53.5% year-on-year, with increases at the Fortaleza (thermal) plant primarily due to higher gas availability and the Cachoeira (hydro) plant as a result of higher rainfall levels. This, coupled with higher sales prices, pushed EBITDA and EBIT up by 15.6% to Euro 222 and Euro 200 million, respectively.

Peru

Endesa's investees in Peru generated total output in 2010 of 9,133 GWh, 4.6% more than in 2009. Given the higher spot prices in the north of the country, exports to Ecuador and contained fixed costs triggered a 17.1% rise in EBITDA, to Euro 192 million while EBIT climbed 16.2% to Euro 129 million.

Argentina

Despite maintenance work at the Costanera combined cycles, output for the year rose 1.2% thanks to higher availability at the Docksud plant. This, along with improved margins on sales, drove EBITDA up 16.4% to Euro 128 million and EBIT up 27.4% to Euro 93 million compared to 2009.

Argentina - Brazil interconnection

EBITDA at the interconnection in 2010 was Euro 114 million, 32.6% higher than year earlier figure.

This increase is due to higher revenue in 2010 resulting from the agreement signed to use the lines in the last seven months of the year to export electricity from Brazil to Argentina compared to the 2009 figure resulting from use of the lines between Argentina and Uruguay.

Despite the increase in EBITDA, EBIT shrank 42.9% to Euro 36 million due to the provisions made in 2010 for accounts receivable with Argentina.

Distribution

Chile

The lower unit power sales price due to imperfections in the pass-through in 2009, and the application of a new subtransmission rate, pushed up EBITDA just 3.6% to Euro 203 million while EBIT declined 4.2% to Euro 159 million.

Colombia

The 2.9% rise in sales volumes and the exchange rate, among other factors, drove up EBITDA and EBIT in the Colombian distribution business by 20.7% and 19.5%, respectively, to Euro 402 million and Euro 307 million.

Brazil

EBITDA stood at Euro 685 million and EBIT at Euro 450 million in 2010, up 21.9% and 3.4% respectively year-on-year. This increase was mainly due to higher energy sales (+8.8%) resulting from higher consumption on the back of increased economic activity.

Peru

Financial indicators in the Peruvian distribution business marked a good performance during the period on the back of a 7.2% rise in sales volumes. EBITDA rose 20.8% year-on-year to Euro 128 million while EBIT was 20.0% higher than in 2009 at Euro 96 million.

Argentina

EBITDA for the distribution business in Argentina was Euro 30 million, 51.6% lower than the 2009 figure of Euro 32 million. EBIT amounted to just Euro 6 million compared to Euro 35 million the previous year (-85.4%).

These declines are due to the company's higher fixed costs given Argentina's rising inflation and the provisions made to cover possible claims relating to the power outages in Buenos Aires at the end of 2010.

Financial results: Euro 423 million (-10.2%)

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

The exchange losses of Euro 22 million in 2009 have been reversed and a net exchange gain of Euro 7 million has been recorded for 2010. The 2010 figure includes Euro 26 million corresponding to exchange rate differences affecting the company's generation

subsidiaries in Argentina resulting from the dollarisation of the amounts to be collected for the contributions made to Foninvermem.

Net finance expense was Euro 430 million, down Euro 19 million or 4.2%.

Net debt at Endesa's Latin American business stood at Euro 4,652 million at 31 December 2010, a reduction of Euro 45 million vs. 2009.

Cash flow from operating activities: Euro 2,373 million

Endesa's business in Latin America generated Euro 2,373 million of cash flow in 2010, a decrease of 8 % with respect to 2009. Discounting the effects of " Changes in current assets" on this cash flow, which show higher volatility year on year, this figure would be Euro 2,611 million, up 7% on 2009.

Investment: Euro 1,197 million

In 2010, investments in this business totalled Euro 1,197 million, Euro 156 million of which comprised financial investments and Euro 1,041 million capex and investments in intangible assets, as shown in the following table:

Capex and investment in intangible assets in Latin America			
	Euro million		
	2010	2009	% chg
Generation	279	476	(41.4)
Distribution and Transmission	321	301	6.6
Other Capex	47	61	(23.0)
TOTAL CAPEX	647	838	(22.8)
Intangible assets (*)	394	252	56.4
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	1,041	1,090	(4.5)

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

Income from asset disposals

Income from asset disposals

Income from asset disposals in 2010 totalled Euro 2,361 million, a Euro 848 million increase compared to 2009.

Of this amount, Euro 2,346 million corresponded to the business in Spain and Portugal and Euro 15 million to the business in Latin America.

Highlights

Endesa Cogeneración y Renovables, S.A.U.

In March 2010 the ENEL Group pooled the renewable energy activities of Endesa and Enel Green Power (EGP) in Spain and Portugal into a single organisation within the scope of EGP, a company 100% owned by ENEL, S.p.A. (ENEL).

Prior to this integration Endesa Cogeneración y Renovables, S.A.U. (now ENEL Green Power España, S.L., EGP España or Ecyr) paid a dividend of Euro 366 million and reduced capital by Euro 128 million. Subsequently, Endesa sold 30% of its Ecyr subsidiary to EGP for Euro 326 million, generating a gross capital gain of Euro 313 million and EGP subscribed to a capital increase in Ecyr which enabled it to obtain a shareholding of 60% in that company, diluting Endesa's holding to 40%. This capital increase was subscribed by EGP through a cash contribution of Euro 534 million and shares representing 50% of ENEL Unión Fenosa Renovables (Eufer) valued at Euro 280 million.

As a result of this operation, Endesa no longer exercises control over Ecyr. Therefore, in accordance with current accounting regulations, Endesa has recorded its 40% holding in EGP España at fair value, recording income before tax of Euro 730 million under the "Net gain/(loss) from asset disposals" heading of the Consolidated Income Statement, as accounting regulations regard the loss of control of a subsidiary as a swap between the net assets retired from the Consolidated Balance Sheet and the shares added thereto.

Endesa Hellas

On 1 July 2010 Endesa completed the sale of its 50.01% stake in Endesa Hellas Power Generation and Supplies, S.A. (Endesa Hellas) to Mytilineos Holding, S.A., as agreed on 16 March, for a price of Euro 140 million. No income was recorded from this sale.

Power transmission grid

On 13 December 2010, Endesa Distribución Eléctrica, S. L. (EDE) completed the sale of power transmission assets to Red Eléctrica de España, S.A.U. (REE) as agreed in the contract signed on 1 July 2010, thereby complying with the legal obligation imposed by Law 17/2007 of 4 July, amending Law 54/1997, of 27 November, governing the Spanish electricity sector.

The acquisition price was Euro 1,412 million, implying gross capital gains of Euro 748 million, without prejudice to the application of any contractual revisions to the purchase price.

Furthermore, Endesa collected Euro 66 million in relation to its technical assistance agreement with REE.

Gas distribution and transport assets

On 17 December 2010 an 80% stake in Nubia 2000, S.L. (Nubia), the company incorporating most of Endesa's gas transmission and distribution assets, was sold to two infrastructure funds managed by Goldman Sachs.

The operation reduced group debt by Euro 742 million and increased consolidated pre-tax income by Euro 489 million. It includes the revaluation of the 20% stake which Endesa had retained in Nubia to measure its fair value.

Endesa reserves the right to repurchase the sold stake during the period between the fifth and seventh anniversary of the transaction.

Other stakes

In addition, in 2010 Endesa completed the disposal of its 1% holding in Red Eléctrica Corporación (REC) for Euro 51 million, reporting income before tax of Euro 36 million in the Consolidated Income Statement for 2010, in addition to the Euro 5 million recorded in 2009.

The sale of the group's 40% stake in the Iniciativas de Gas group (owner of a 50% stake in the Sagunto regasification plant) to Osaka Gas was also completed. This transaction brought in a gross capital gain of Euro 24 million

Finally, in 2010 the group disposed of its stake in Reganosa, generating a gross capital gain of Euro 10 million.

Statistical appendix

Key figures

Electricity Generation Output (GWh)	2010	2009	% chg
Business in Spain, Portugal and Other	68,069	74,287	(8.4)
Business in Latin America	62,416	62,767	(0.6)
TOTAL	130,485	137,054	(4.8)

Electricity Generation Output in Spain and Portugal and Other (GWh)	2010	2009	% chg
Mainland	52,042	56,606	(8.1)
Nuclear	27,619	22,630	22.0
Coal	10,786	16,317	(33.9)
Hydro	9,208	8,533	7.9
Combined cycle (CCGT)	3,915	6,294	(37.8)
Fuel oil	55	213	(74.2)
CHP/renewables	459	2,619	(82.5)
Non-mainland	14,257	14,488	(1.6)
Portugal	750	1,614	(53.5)
Other	1,020	1,579	(35.4)
TOTAL	68,069	74,287	(8.4)

Electricity Generation Output in Latin America (GWh)	2010	2009	% chg
Chile	20,914	22,239	(6.0)
Argentina	15,991	15,806	1.2
Peru	9,133	8,728	4.6
Colombia	11,283	12,674	(11.0)
Brazil	5,095	3,320	53.5
TOTAL	62,416	62,767	(0.6)

Electricity sales (GWh)	2010	2009	% chg
Business in Spain, Portugal and Other	107,942	106,221	1.6
Regulated market	-	23,445	n/a
SLR	35,941	20,392	76.3
Deregulated market	70,953	60,781	16.7
Other	1,048	1,603	(34.6)
Business in Latin America	67,275	63,745	5.5
Chile	13,098	12,585	4.1
Argentina	16,759	16,026	4.6
Peru	6,126	5,716	7.2
Colombia	12,515	12,164	2.9
Brazil	18,777	17,254	8.8
TOTAL	175,217	169,966	3.1

Gas sales (GWh)	2010	2009	% chg
Regulated market	130	641	(79.7)
Deregulated market	51,875	46,396	11.8
TOTAL	52,005	47,037	10.6

Closing workforce (number of employees)	31/12/10	31/12/09	% chg
Business in Spain, Portugal and Other	12,270	13,629	(10.0)
Business in Latin America	12,462	12,676	(1.7)
TOTAL	24,732	26,305	(6.0)

Financial data

Key figures (Euros)	2010	2009	% chg
EPS	3.9	3.2	20.4
BVPS ⁽¹⁾	16.8	13.4	24.9

(1) BVPS at 31 December 2010.

Net financial debt (Euro million)	31/12/10	31/12/09	% chg
Business in Spain, Portugal and Other	10,684	13,865	(22.9)
Business in Latin America	4,652	4,697	(1.0)
TOTAL	15,336	18,562	(17.4)
Financial leverage (%)	66.2	97.9	n/a

Ratings (25/02/11)	Long-term	Short-term	Outlook
Standard & Poor's	A-	A-2	Under review (-)
Moody's	A3	P-2	Under review (-)
Fitch	A	F2	Stable

Endesa's main fixed-income issue	Spread over IRS (bp)	
	31/12/10	31/12/09
2Y GBP 400M 6.125% Mat. June 2012	128	28
2.6Y Euro 700M 5.375% Mat. February 2013	80	45

Stock market data	31/12/10	31/12/09	% chg
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Market cap (Euro million)	20,429	25,352	(19.4)
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value (Euros)	1.2	1.2	-

Stock market data (Shares)	31/12/10	31/12/09	% chg
Trading volume			
Madrid stock exchange	154,589,510	488,945,396	(68.4)
Average daily trading volume			
Madrid stock exchange	603,865	1,924,982	(68.6)

Share price (Euros)	2010 high	2010 low	31/12/10	31/12/09
Madrid stock exchange	24.00	16.93	19.295	23.945

Dividends (€/share)	<i>Against 2010 earnings</i>
Interim dividend (03/01/11)	0.500
Final dividend ⁽¹⁾	0.517
Total DPS	1.017
Pay-out (%)	26.1
Dividend yield (%)	4.2

(1) Pending approval at the General Shareholders' Meeting.

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.

