SIGNIFICANT EVENT
ENDESA, S.A. AND SUBSIDIARIES

EXPLANATORY REPORT ON THE ASPECTS OF THE 2010 MANAGEMENT REPORT (ART.116bis OF THE SECURITIES MARKET ACT)

This explanatory report has been drawn up in accordance with article 116 bis of the Securities Market Act 24/1988, of 28 July introduced by article 14 of Act 6/2007, of 12 April amending the takeover code and transparency of issuers. It covers the following aspects:

DISCLOSURES REQUIRED BY ARTICLE 116 BIS OF THE SECURITIES MARKET ACT

a) The capital structure, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate, with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

The company’s share capital amounts to EUR 1,270,502,540.40 euros and has been fully subscribed and paid.

The share capital is represented by 1,058,752,117 shares of the same class (ordinary shares) of EUR 1.2 par value each, traded by the book-entry system.

The 1,058,752,117 shares making up the share capital, traded by the book-entry system, are marketable securities and are governed by the legislation regulating the securities market.

The shares of Endesa, S.A., traded by the book-entry system, have been registered in the Iberclear Central Registry, the entity responsible for accounting for shares.

The shares of Endesa, S.A. are traded on the Spanish Stock Exchanges and on the Santiago de Chile Offshore Stock Exchange, and are included in the Ibex-35 index.

b) Restrictions on the transfer of securities;

There are no legal or bylaw restrictions on the free acquisition or transfer of the securities making up the share capital.

c) Significant direct or indirect shareholdings;

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of direct voting rights</th>
<th>Number of indirect voting rights</th>
<th>% of total voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enel Energy Europe, S.L. (1)</td>
<td>974,717,763</td>
<td>-</td>
<td>92.063</td>
</tr>
<tr>
<td>Enel, S.P.A.</td>
<td>-</td>
<td>974,717,763</td>
<td>92.063</td>
</tr>
<tr>
<td>TOTAL</td>
<td>974,717,763</td>
<td>974,717,763</td>
<td>92.063</td>
</tr>
</tbody>
</table>

(1) Enel Energy Europe S.L.U. is wholly owned by Enel, S.P.A.

d) Restrictions on voting rights;

There are no legal or bylaw restrictions on voting rights.

e) Shareholder agreements;

No shareholder agreements are currently in force.
f) Rules governing the appointment and replacement of board members and the amendment of the articles of association:

Rules governing the appointment and replacement of board members:

Pursuant to Articles 37 and 38 of the bylaws, “The General Meeting shall be responsible for both the appointment and the removal of the members of the Board of Directors. “The term of office of Directors shall be four years. They may be re-elected for periods of like duration”.

The appointment and re-appointment of Directors are governed by the Board Regulations:

Article 5: Structure and composition of the Board.

“Proposals for the appointment or re-election of Directors formulated by the Board shall be made in respect of persons of recognized prestige who possess the adequate experience and professional knowledge for the performance of their duties and who assume a commitment of sufficient dedication for the performance of the tasks of the former.”

Article 21. Appointment of directors

“The Shareholders’ Meeting or, as the case may be, the Board will be responsible for appointing Board members in conformity with the provisions of the Corporations Law and the Corporate Bylaws.

The proposal for appointment or re-election of Directors brought by the Board of Directors to the General Shareholders’ Meeting shall be approved by the Board of Directors at the proposal of the Appointments and Compensation Committee, in the case of Independent Directors, and following a report by said Committee in the case of the remaining directors.

Article 24. Reappointment of Directors

The Appointments and Compensations Committee shall necessarily report on the proposed re-election of the Directors the Board decides to present to the General Meeting.

Article 25. Removal and vacating of office by Directors.

“25.1. Directors shall cease in their position when the period for which they were appointed has transpired, as well as in all other applicable circumstances in accordance with the Law, the Bylaws and these Regulations.

25.2 Directors must place their office at the disposal of the Board, and formalize the pertinent resignation, when:

- their remaining on the Board of Directors may impair the credit and reputation of the company, or
- they are subject to any of the cases of incompatibility or prohibition provided by law and when the Board, following a report by the Appointments and Compensation Committee, resolves that the Director has seriously violated his or her obligations.

25.3. When due to any cause the removal of a Director takes place, the latter may not render services at another competing entity during a period of two years, unless the Board exempts him or her from this obligation or shortens the duration of the aforesaid prohibition.”

25.4. In the event that a Director ceases in his position, whether due to resignation or otherwise, prior to the end of his mandate he must explain the reasons in a letter to be sent to all Board members. Without prejudice to said removal being reported as a material fact, a report must be given on the reason for the removal in the Annual Corporate Governance Report.

Rules governing the amendment of the articles of association:
Pursuant to Article 26 of the Bylaws, in order for the Annual or Special Shareholders’ Meeting to validly resolve the amendment to the Corporate Bylaws, in first, shareholders representing at least 50% of the subscribed voting capital must be present. In second call, 25% of the capital must be represented.

When less than 50% of the subscribed voting share capital is present, the resolutions referred to above may only be validly adopted when two-thirds of the capital present or represented at the Meeting casts a vote in favour thereof.

g) **The powers of board members, and in particular the power to issue or buy back shares;**

The CEO has been granted all the powers of the Board of Directors that are delegable pursuant to the law and the bylaws.

The Board of Directors of Endesa may not issue new shares of Endesa, S.A. without prior authorization at the Annual General Meeting.

In addition, authorisation was given at the Annual General Meeting of Endesa held 21 June 2010, in accordance with the provisions of article 75 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), to the derivative acquisition of treasury shares, as well as the pre-emptive rights of first refusal thereto, through any means legally accepted, either directly by Endesa, S.A. itself, by the Companies of its group or by an intermediary person, up to the maximum figure permitted by Law. Acquisitions shall be made at a minimum price per share of its par value and a maximum equal to their trading value plus an additional 5%. The duration of this authorisation shall be five years.

The authorization also includes the acquisition of shares which, as the case may be, must be delivered directly to the employees and directors of the Company or its subsidiaries, as a consequence of the exercise of stock option rights held thereby.

h) **Significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control following a takeover bid and the effects thereof, except when the disclosure would be seriously harmful for the Company;**

ENDESA and its subsidiaries have loans and other borrowings from banks of approximately Euros 1,755 million that might have to be repaid early in the event of a change of control over ENDESA, S.A. It also have derivatives with a market value of Euros 9 million (notional amount of Euros 75 million) that might have to be settled early as a result of a change of control.

i) **Agreements between the Company and its board members and executives or employees providing for compensation if they are made providing for compensation if they are made redundant without valid reason following a takeover bid.**

At 31 December 2010 Endesa had 48 executive directors, senior executives and executives with guarantee clauses in their employment contracts.

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>2</th>
</tr>
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<tbody>
<tr>
<td>Senior executives</td>
<td>22</td>
</tr>
<tr>
<td>Executives</td>
<td>24</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>48</strong></td>
</tr>
</tbody>
</table>

These clauses are the same in all the contracts of the executive directors and senior executives of the Company and of its Group and, as can be observed from the reports requested by the Company, they are in line with standard practice in the market. They were approved by the Board of Directors following the report of the Appointments and Remuneration Committee and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

The regime for these clauses for the executive directors and senior executives is as follows:

**Termination:**
- By mutual agreement: termination benefit equal to an amount from one to three times the annual remuneration, on a case-by-case basis.
- At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is rendered devoid of content, or in the event of a change of control or any of the other cases of remunerated termination provided for in Royal Decree 1382/1985.
- As a result of termination by the Company: termination benefit equal to that described in the first point.
- At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

However, in order to be in line with the market, in the case of two of the aforementioned senior executives, the guarantee is one month and a half’s salary payment per year of service in certain cases of termination of the employment relationship.

These conditions are alternatives to those derived from changes to the pre-existing employment relationship or their termination due to early retirement for senior executives.

Post-contractual non-competition clause:

In the vast majority of the contracts, the outgoing senior executive is required not to engage in a business activity in competition with Endesa for a period of two years; as consideration, the executive is entitled to an amount equal to one annual fixed remuneration payment.

The regime governing the clauses for the 24 executives is similar to that described for the executive directors and senior executives, except in the case of certain specific termination benefits of the senior executives.