International Endesa B.V.

Financial statements 2012

Contents

Financial report

Management Board report

The Managing Directors of International Endesa B.V. (hereinafter: ‘the Company’) are pleased to present herewith the financial statements for the year ended December 31, 2012.

General

The Company was incorporated on June 10, 1993 under the laws of the Netherlands.

The principal activity of the Company is to issue and manage notes and other financial instruments (refer to below), and to lend the funds to its parent company and other affiliated companies.

The result for the year 2012 was in accordance with management’s expectations.

Operating results

The Company earned a profit before taxation of EUR 1,712 thousand due to its financial activities. The Managing Directors will propose to the shareholders a dividend distribution of 100% of the net income, after meeting the requirements for non-distributable income as imposed by the Netherlands Civil Code.

Principal activities in 2012

The Company focused on its financing activities under its Euro Commercial Paper (ECP) Programme and on the managing of its outstanding financial debt and assets.

During 2012, the Company regularly issued a short-term debt under its Euro Commercial Paper Programme. The maximum amount of the outstanding debt under this programme is EUR 3,000 million The volume issued in 2012 is EUR 5,959 million and the average debt has been EUR 1,077 million. All funds have been lent to companies of Endesa Group.

The Company performed the management and administration activities on its financial assets and liabilities, including ECP, MTN, private placements, intercompany loans, credit lines and financial derivatives.

On April 24, 2012, the Managing Director proposed a dividend distribution of EUR 2,029,311 for April 26, 2012. On the same date, the shareholders approved this proposal and adopted the statutory financial statements for the year 2011. On that meeting the shareholders appointed a management board consisting of six members (Ernesto Di Giacomo, Alessandro Canta, Adolfo García Nombela, Pedro Corpas Fernández, Hans Marseille and Frank Mauritz) and accepted the resignation of the previous sole Managing Director Francisco Ramírez Millor presented in the referred General Meeting of Shareholders on April 24, 2012.

On April 24, 2012 International Endesa B.V., held a Management Board Meeting to granting of powers in favour of Mr. Ernesto Di Giacomo and to appoint Francisco Ramírez Millor as Head of Financial Planning and Forecast and granting of powers.

On July 26, 2012, International Endesa B.V., held a Management Board Meeting to re-appoint Ernst & Young Accountants LLP as the auditor of the Company for the financial year ending December 31, 2012 and to adopt without reservation interim financial statements for the six months ended June 30, 2012.

During 2012, International Endesa B.V. has appointed new additional Euro Commercial Paper Programme full-time dealers to expand its investor's demand.

Subsequent events

On February 7, 2013, its subsidiary Endesa Capital Finance LLC has adopted a resolution and has made public in the Spanish market that it will exercise of the call option over its outstanding participative preferred shares listed in Spain on its tenth anniversary due on March 28, 2013.

The management has decided to liquidate its subsidiary within 2013.

Risk and uncertainties

Financial risk management

Financial instruments and related risk management activities are used only to minimise the company's exposure to changes in credit risk, interest rates and liquidity not for speculative purposes.

The Company's activities expose it primarily to market risks. Market risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices.

The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rate will affect the Company's financial position and cash flows. Interest rate exposure on the debt is fully mitigated using interest rate swap agreements.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect the Company's financial position and cash flow.

The risks relating to the different currencies have been covered using swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities.

Liquidity risk

The Company manages its financial assets invested in Endesa Group companies ensuring that there is correspondence in terms and conditions with its liabilities. Its liquidity needs are corrected thereby with its financial assets and also additionally by its equity which is materialized.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As the Company lends funds only intragroup to Endesa S.A. and affiliates, and the Company received a comfort letter that the parent company guarantees the receivables form group companies.

The Company has not entered into any other transactions that might generate credit risk.

Internal control

International Endesa B.V. continues to maintain a system of internal control that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations.

This internal control ensures that risk is properly measured and managed.

International Endesa B.V. does not have an Audit Committee installed. The Audit Committee of Endesa S.A. monitors the compliance with the regulations of the Dutch Corporate Governance Code.

Statement ex Article 5:25c Paragraph 2 sub e Financial Markets Supervision Act ('Wet op het Financieel Toezicht')

To our knowledge,

1. the financial statements give a true and fair view of assets, liabilities, financial position and profit of International Endesa B.V.;
2. the Management Board report gives a true and fair view of the Company's position as per December 31, 2012 and developments during the financial year 2012;
3. the Management Board report describes the material risks the issuer is facing.

Future outlook

The principal activities of the Company will concentrate on the financial operations. No major changes are expected in the size and nature of operations in the year 2013, apart from the maturity of certain long-term operations.

Amsterdam, April 16, 2013

Ernesto di Giacomo	Alessandro Canta
Adolfo García Nombela	Pedro Corpas Fernández,
Hans Marseille	Frank Mauritz

Balance sheet as at December 31, 2012

(before appropriation of net income)

		2012		2011	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Fixed assets					
Financial fixed assets:					
• Investment in subsidiary	*1*	**–**		–	
• Loans to affiliated companies	*2*	**564,722**		1,446,165	
• Other		**3**		3	
			564,725		1,446,168
Current assets					
Accounts receivable:					
• Receivable from affiliated companies	*3*	**1,286,839**		2,194,523	
• Interest receivable and prepaid expenses	*4*	**38,306**		79,942	
• Income tax receivable	*5*	**744**		492	
• Cash and cash equivalents	*6*	**48**		29	
			1,325,937		2,274,986
			1,890,662		3,721,154

The notes on page 10 to 25 are an integral part of the financial statements.

	Note	2012 EUR 1,000	2012 EUR 1,000	2011 EUR 1,000	2011 EUR 1,000
Shareholder's equity	*7*				
Issued and paid-in capital		**15,429**		15,429	
Share premium		**4,660**		4,660	
Retained earnings		**–**		–	
Result for the year		**1,389**		2,029	
			21,478		22,118
Non-current liabilities	*8*		**564,960**		1,446,036
Current liabilities					
Notes payable	*9*	**1,073,761**		2,163,249	
Accrued interest	*10*	**37,698**		77,379	
Payable to subsidiaries	*8*	**192,765**		12,132	
Other		**–**		240	
			1,304,224		2,253,000
			1,890,662		3,721,154

The notes on page 10 to 25 are an integral part of the financial statements.

Profit and loss account for the year 2012

		2012		2011	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Operating expenses					
General and administrative expenses	*11*		**-405**		-436
Operating result			**-405**		-436
Financial income and expense					
Interest income	*12*	**100,693**		172,998	
Interest expense	*13*	**(115,581)**		(203,517)	
Net result interest rate swaps	*14*	**14,794**		8,702	
Other financial results	*15*	**2,211**		24,962	
Net income from financial activities			**2,117**		3,145
Result before income taxes			**1,712**		2,709
Taxation	*16*		**(323)**		(680)
Net result			**1,389**		2,029
Comprehensive income			**1,389**		2,029

The notes on page 10 to 25 are an integral part of the financial statements.

Cash flow statement for the year 2012

	2012		2011	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Income for the period		**1,389**		2,029
Adjustments for:				
• Finance income	**(117,698)**		(206,662)	
• Finance costs	**115,581**		203,517	
• Taxation	**323**		680	
		(1,794)		(2,465)
Cash flow from operating activities before changes in net current assets:		**(405)**		(436)
• (Increase)/Decrease in financial and non-financial assets/liabilities	**3,023**		4,429	
• Interest paid	**(114,976)**		(198,068)	
• Interest received	**114,976**		198,068	
• Corporate tax paid	**(1,174)**		(1,264)	
• Corporate tax received	**604**		545	
		2,453		3,710
Cash flow from operating activities		**2,048**		3,274
• Repayments on loans (non Endesa S.A.)	**975,109**		1,385,066	
• Repayments on loan from Endesa S.A.	**6,788,643**		7,699,500	
• ECPs issued	**(5,948,968)**		(6,858,040)	
Cash flow from investing activities		**1,814,784**		2,226,526
• Funds repaid to external parties (bonds and ECPs)	**(7,763,752)**		(9,084,566)	
• ECPs issued	**5,948,968**		6,858,040	
• Dividend paid to Endesa S.A.	**(2,029)**		(3,257)	
Cash flow from financing activities		**(1,816,813)**		(2,229,783)
Increase in cash and cash equivalents		**19**		17
Cash and cash equivalents at the beginning of the year		**29**		12
Cash and cash equivalents at the end of the year		**48**		29

The notes on page 10 to 25 are an integral part of the financial statements.

Statement of changes in shareholder's equity

	Issued capital	Share premium reserve	Retained earnings	Result for the year	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Balance as at January 1, 2011	15,429	4,660	–	3,257	23,346
Allocation of result	–	–	3,257	(3,257)	–
Net income	–	–	–	2,029	2,029
Dividend paid	–	–	(3,257)	–	(3,257)
Balance as at December 31, 2011	15,429	4,660	–	2,029	22,118
Balance as at January 1, 2012	**15,429**	**4,660**	**–**	**2,029**	**22,118**
Allocation of result	**–**	**–**	**2,029**	**(2,029)**	**–**
Net income	**–**	**–**	**–**	**1,389**	**1,389**
Dividend paid	**–**	**–**	**(2,029)**	**–**	**(2,029)**
Balance as at December 31, 2012	**15,429**	**4,660**	**–**	**1,389**	**21,478**

The notes on page 10 to 25 are an integral part of the financial statements.

Notes to the 2012 financial statements

General

International Endesa B.V. ('the Company') was incorporated under the laws of the Netherlands on June 10, 1993 and has its statutory seat in Amsterdam, the Netherlands, with offices at Herengracht 471, 1017 BS Amsterdam. The Company is a wholly-owned subsidiary of Endesa S.A. ('the parent'), a Spanish company having its registered office at Ribera del Loira 60, 28042 Madrid, Spain.

The principal activity of the Company is to issue commercial paper notes and other financial debt instruments (refer to below), and provide these funds to its parent and other affiliated companies.

Debt issuance programme and ECP Programme

On January 17, 1995, the Company entered into a USD 750 million Debt Issuance Programme, arranged by Morgan Stanley & Co. International Limited. On July 5, 1998, this Debt Issuance Programme was increased up to USD 4,000 million. On July 9, 1999, the initial maximum programme amount has been increased up to EUR 7,000 million from the former USD 4,000 million. On September 20, 2001, the maximum programme amount has been increased up to EUR 9,000 million from the former EUR 7,000 million. On November 15, 2002, the maximum programme amount has been increased up to EUR 10,000 million from the former EUR 9,000 million. As from 2004, no new loans are issued under the programme.

Under the programme, the Company issues notes in different currencies. These notes are listed on several European stock exchanges.

On April 29, 1998, the Company established a Euro Commercial Paper Programme pursuant to which the Company may issue and have outstanding short-term notes up to a maximum aggregate amount of USD 2,000 million. On December 13, 2006, the existing programme was updated to EUR 2,000 million. On December 18, 2009, the existing programme was updated to EUR 3,000 million. The proceeds of the notes issued are passed on to the parent company and other affiliated companies.

The risks relating to the different currencies have been covered using swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities.

In 2004, the Company issued a private placement of USD 575 million. The term of the agreement is 15 years and the repayment schedule is settled and has started in 2011. In 2012, an amount of USD 230 million has been repaid (2011: USD 45 million). The remaining amount as at December 31, 2012 is USD 300 million.

International Endesa B.V.'s external debt composed by Euro Medium Term Notes, Euro Commercial Papers and United States Private Placements is guaranteed by the parent company, Endesa S.A.

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP) and Part 9 of Book 2 of the Netherlands Civil Code. The financial statements have been prepared under the historical cost convention. Assets and liabilities are recorded at face value, unless indicated otherwise. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting principles

The figures for 2011 have been reclassified to conform with current year’s presentation.

The principal accounting policies adopted in preparation of these financial statements are set out below.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured. A liability is disclosed in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be estimated with a sufficient reliability. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be estimated with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Reference is also made to the items financial instruments and financial income and expense.

The financial statements are presented in euros, the company’s functional currency. All financial information in euros has been rounded to the nearest thousand.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Consolidation

The financial statements of the Company are included in the consolidated financial statements of its parent company Endesa S.A., which will be filed with the Chamber of Commerce in Amsterdam. Therefore, and in accordance with the provisions of Article 2:408 of the Netherlands Civil Code, the Company does not prepare consolidated financial statements, and investments are stated at cost.

Cash flow statements

The cash flow statements have been prepared using the indirect method.

Cash flows in foreign currency are translated into euros at the average weighted exchange rates at the dates of the transactions.

Cash flows from financial derivatives that are stated as fair value hedges or cash flow hedges are attributed to the same category as the cash flows from the hedge balance sheet items. Cash flows from financial derivatives to which hedge accounting is no longer applied, are categorised in accordance with the nature of the instrument as from the date on which the hedge accounting is ended.

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, and trade and other payables. This financial statement contains the following financial instruments: financial instruments held for trading (financial assets and liabilities), loans and receivables, equity instruments, other financial liabilities and derivatives.

The Company (actively) uses financial instruments to hedge its potential exposures to movements in currency exchanges rates and interest rates. These financial instruments include currency and interest rate agreements.

Financial instruments which are designated as hedges of assets, liabilities, firm commitments or transactions existing at balance sheet date are combined with the underlying positions being hedged.

Unrealised result of financial instruments designated as hedges of assets, liabilities, firm commitments or transactions existing at balance sheet date are deferred and recognised at the date the underlying positions are effectuated.

Interest differentials relating to interest swaps that hedge interest risks on debts are recorded as adjustments to the effective interest rates of the underlying debt.

Purchased loans and bonds

Purchased loans and bonds which the Company intends to hold to maturity (and is capable of doing so), are measured at amortised cost using the effective interest method, less impairment losses.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost using the effective interest method, less impairment losses.

Other financial commitments

Financial commitments that are not held for trading purposes are carried at amortised cost using the effective interest rate method.

Derivatives

The Company uses currency swap and interest swap contracts to hedge exchange rate and interest risks resulting from finance transactions. The Company applies cost price hedge accounting in order to simultaneously recognise both the results from changes in the value of the currency and interest swap exchange contract and the hedged receivable or payable in the profit and loss account.

The application of cost price hedge accounting leads to the following exception to the above-mentioned accounting principles for financial instruments.

Derivatives arising from forward foreign exchange transactions are initially carried at cost. As long as the currency and interest swap contract concerns an expected future transaction, the forward exchange contract will not be revalued. As soon as the hedged position of the expected transaction leads to the recognition of a financial asset or financial liability, the profits or losses associated with the currency and interest swap contract are recognised in the profit or loss account in the same period in which the asset or liability affects the profit or loss.

The fair value of forward exchange transactions is only determined for disclosure purposes and is based on the quoted market price, if available. If there is no market price available, the fair value is estimated on the basis of the expected cash flows discounted at the current market interest rates, including a margin for the relevant risks.

The results from the non-effective part of the hedge relationship are included in the profit and loss account.

If a currency and interest swap contract no longer qualifies for hedge accounting, expires or is sold, the hedging relationship is terminated. The cumulative gain or loss previously not recognised in the profit or loss account is recognised in the balance sheet as deferred income/liability until the transaction has taken place. When it is expected that the transaction will not take place anymore, the cumulative gain and loss is reclassified to profit and loss.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Financial assets and liabilities are translated at the exchange rate prevailing at balance sheet date, except when covered by a swap agreement, at the contractual rates.

The currency exchange rate used is:

- EUR/USD 1.3193.
- EUR/GBP 0.8159.

Accounts receivable

Accounts receivable are stated at face value, less an allowance for possible uncollectable accounts.

Long-term debt

The valuation of long-term debt is explained under the heading ‘Financial instruments’.

Shareholders’ equity

Ordinary shares are classified as equity. Investment costs directly attributable to the issue of ordinary shapes and share options are recognized as a deduction from equity, net of any tax effects.

Non-current liabilities

The valuation of non-current liabilities is explained under the heading ‘Financial instruments’.

Current liabilities

The valuation of current liabilities is explained under the heading ‘Financial instruments’.

Financial income and expense

Financial income comprises interest income on loans to Endesa group companies, dividend income and foreign currency gain. Interest income is recognised as is accrued, using the effective interest method.

Financial expenses comprise interest of the Euro Medium Term Notes, United States Private Placements, Euro Commercial Papers, the interest of the intercompany loan with Endesa Capital Finance, LLC and losses on hedging instruments that are recognised in profit and loss.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period.

Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Determination of fair value

A number of accounting principles and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. For measurement and disclosure purposes, the fair value is determined on the basis of the following methods. Where applicable, detailed information concerning the principles for determining the fair value are included in the section that specifically relates to the relevant asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows.

Non-derivative financial obligations

The fair value of non-derivative financial commitments is only determined for disclosure purposes and is calculated on the basis of the net present value of future repayments and interest payments, discounted at the market interest rate, including a margin for the relevant risks as at the reporting date.

1 Investment in subsidiary

The Company holds 100% of the common capital securities of Endesa Capital Finance, LLC, having its statutory seat in Delaware, USA. The common capital is allocated 100% of the losses of the Company and all gains and losses resulting from the disposition of assets of the Company.

Endesa Capital Finance, LLC has also issued preferred capital securities, which are all held by non-related parties.

The net profits of the LLC are allocated to the preferred capital securities until the amount so allocated equals the amount of preferred capital securities dividend declared for the year. Any net profits in excess of the amount allocated to the preferred capital securities are allocated to the common capital securities.

The investment value of the participation is USD 100. The valuation method for the investment is at historical cost less impairment.

On June 28, 2011, Endesa Capital Finance, LLC, a wholly subsidiary of International Endesa B.V., has repurchased and amortised 52,745,151 preferred capital securities at par value EUR 25. At December 31, 2012, an amount of 7,254,849 preferred capital securities remain outstanding.

2 Loan to affiliated companies

	2012	2011
	EUR 1,000	EUR 1,000
Loans to Endesa Financiación Filiales S.A.	**564,722**	1,446,165

Of the loans to affiliated companies, an amount of EUR 230 million (2011: EUR 917 million) has fixed interest rates, the remainder has variable interest rates related to LIBOR and EURIBOR plus mark-up.

The movement in the loans to affiliated companies is as follows:

	EUR 1,000
Balance as at January 1, 2012	**1,446,165**
Transfer to current assets	**(893,782)**
Early redemption	**–**
Additions due to zero coupon notes	**12,286**
Additions due to amortised costs of the upfront fee of outstanding loans	**53**
Balance as at December 31, 2012	**564,722**

The proceeds of the notes issued by the Company under the private placement are passed on to the parent and other affiliated companies. Consequently, the maturity date of the intercompany receivables is exactly the same as the maturity date of the notes issued and included in note 8.

3 Receivable from affiliates companies

Accounts receivable from affiliates companies mature within one year and are related to the short-term debt.

4 Interest receivable and prepaid expenses

The interest receivable and prepaid expenses can be detailed as follows:

	2012	2011
	EUR 1,000	EUR 1,000
Interest receivable related parties	**33,771**	56,990
Interest receivable on interest rate swaps	**4,471**	22,952
Other	**64**	–
	38,306	79,942

5 Income tax receivable

The income tax receivable specifies as the calculated income tax payable on the result before income taxes less the advance already paid to the tax authorities.

6 Cash

No restrictions on usage of cash exist.

7 Shareholder's equity

Issued capital

The authorised share capital amounts to EUR 15,882,308, consisting of 35,000 common shares with a par value of EUR 453.78 per share. As at December 31, 2012, 34,000 shares were issued and paid in.

Share premium

The share premium concerns the income from the issuing of shares insofar at this exceeds the nominal value of the shares.
At least EUR 4,660,501 (year-end 2012) of the share premium can be considered as freely distributable share premium as referred to in the 1964 Income Tax Act.

Retained earnings

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2012 profit after tax: the total amount of the profit after tax is to be paid out as dividend.

The dividend proposal has not been processed in the financial statements.

In 2012, dividend was paid of EUR 2,029 thousand.

8 Non-current liabilities

The notes issued by the Company under the Debt Issuance Programme and the Euro Commercial Paper Programme, a private placement and a payable to its subsidiary are presented under the liabilities.

The original notes issued are dominated in various currencies. The nominal interest rates on the notes issued vary from 1.887% to 6.26% (2011: 2.609% to 6.26%). These rates are fixed or floating. Floating rates are linked to EURIBOR or market indices. The notes and ECP notes issued under the Debt Issuance Programme and the Euro Commercial Paper Programme are unconditionally guaranteed by the parent.

The specification of the non-current liabilities is set out below:

	2012 EUR 1,000	2011 EUR 1,000
EMTN and USPP notes	**549,596**	1,256,012
Loan from subsidiaries (Endesa Capital Finance LLC)	–	179,623
Negative fair value currency swap	**15,364**	10,401
	564,960	1,446,036

The interest on the individual EMTN and USPP notes is either fixed or floating. By the use of interest rate swaps, net interest payable is mostly related to LIBOR or EURIBOR rates plus a mark-up.

Notes are valued at 'amortised costs'. The market price of the EMTNs and USPP notes issued as at December 31, 2012 is EUR 1,300 million.

The maturity dates of the Notes issued are the following:

Series	EMTN/ USPP	Currency	Nominal amount as at Dec. 31, 2012	Maturity	Option	Interest rate
N1032	EMTN	**EUR**	**230,202,628**	Febr. 2039	Febr. 2039	5.8
N1039	EMTN	**EUR**	**15,000,000**	Oct. 2019	Oct. 2019	10Y GBP CSM
N1048	EMTN	**EUR**	**45,000,000**	Sept. 2015	Sept. 2015	6.26
N1057	EMTN	**EUR**	**15,000,000**	Febr. 2016	Febr. 2016	95% 10Y Mid EUR-CMS
N1068	EMTN	**EUR**	**12,000,000**	Nov. 2031	Nov. 2031	5.735
N1076	EMTN	**EUR**	**20,000,000**	Dec. 2022	Dec. 2017	6.00
N1077	EMTN	**EUR**	**700,000,000**	Febr. 2013	Febr. 2013	5.375
78e	USPP	**USD**	**60,000,000**	Sept. 2019	Sept. 2019	5.82
78c	USPP	**USD**	**105,000,000**	Sept. 2014	Sept. 2014	5.47
78d	USPP	**USD**	**135,000,000**	Sept. 2016	Sept. 2016	5.62

Some notes have an option for anticipated reimbursement, as indicated in the table above. During 2012 the Company reimbursed the notes numbers 72 and 75 and USPP 78B.

Endesa Capital Finance, LLC has issued preferred capital securities, the revenue of this issuance has been borrowed by the Company and has been partially repaid in June 2012.

Liabilities with a remaining period of up to one year, including the short-term portion of long-term liabilities, are presented under short-term liabilities.

The movement in the non-current liabilities is as follows:

	EUR 1,000
Balance as at January 1, 2012	**1,446,036**
Transfer to current liabilities	**(893,782)**
Early redemption	**–**
Additions due to zero coupon notes	**12,653**
Additions due to amortised costs of upfront fee of outstanding loans	**53**
Balance as at December 31, 2012	**564,960**

9 Notes payable

The notes payable consist of liabilities to third parties under the ECP Programme and the short-term portions of the loan under the EMTN Programme.
These liabilities mature within one year.

10 Accrued interest

The accrued interest can be detailed as follows:

	2012	2011
	EUR 1,000	EUR 1,000
Payable to third parties	**37,638**	77,314
Payable to subsidiary	**60**	65
	37,698	77,379

Financial instruments

In the normal course of business, the Company uses various types of financial instruments. Financial instruments include those recognised in the balance sheet (on-balance sheet) and off-balance sheet financial instruments.

The estimated fair value of a financial instrument is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed markets prices, price quotations from banks or from pricing models.

The Company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The Company's management is involved in the risk management process.

The Company attempts to minimise the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

Financial instruments in the balance sheet substantially include long-term receivables and payables, short-term loans receivable and payable, and cash.

Interest rate risk

Interest rate risk is the risk that fluctuations in the prevailing levels of market interest rate will affect the Company's financial position and cash flows. Interest rate exposure on the debt is fully mitigated using interest rate swap agreements.

Currency risk

Currency risk is the risk that fluctuations in the prevailing foreign currency exchange rates will affect in Company's financial position and cash flow.

The risks relating to the different currencies have been covered using hedge and swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities.

Liquidity risk

The Company manages its financial assets invested in Endesa Group companies ensuring that there is correspondence in terms and conditions with its liabilities. Its liquidity needs are corrected thereby with its financial assets and also additionally by its equity which is materialized.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As the Company lends funds only intragroup to Endesa S.A and affiliates, and the Company is supported by Endesa S.A., one of the largest energy companies in Spain, the credit risk is considered low.

The Company has not entered into any other transactions that might generate credit risk.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents and current liabilities, is close to the carrying amount.

The fair value is disclosed in note 8 and note 10.

Derivative financial instruments

Interest derivatives

Interest derivatives are mostly related to long-term financing arrangements and are used to manage exposure to movements in interest rates and/or to adjust the fixed rate or floating rate or floating rate nature of financing arrangements.

Foreign exchange derivatives

Foreign exchange derivatives are used to hedge currency exchange rate risks resulting from cash flows (anticipated) business activities and financing arrangements denominated in foreign currencies.

Cross currency interest rate derivatives:

Cross currency interest rate derivatives are mostly related to long-term financing arrangements and used to both hedge currency exchange rate risks and manage exposure to movements in interest rates.

The estimated fair value of derivate financial instruments as at December 31, 2012 is EUR 40.6 million positive (2011: EUR 117.6 million negative).

Swap	P. Amount	International Endesa B.V., interest rate	Counterparty interest rate
S1039	EUR 10 MM	EURIBOR 6M+0.10%	10 year GBP CSM (4.50% - 7.05%)
S1048	EUR 45 MM	EURIBOR 3M+0.33%	6.26%
S1057	EUR 15 MM	EURIBOR 3M+0.34%	6.00%
S1068	EUR 15 MM	EURIBOR 6M+0.33%	5.74%
S1076	EUR 20 MM	EURIBOR 6M+0.9%	6.00%
S1078c	USD 105 MM/EUR 84,9 MM	EURIBOR 6M+0.434%	5.47%
S1078d	USD 135 MM/EUR 109,2	EURIBOR 6M+0.43125%	5.62%
S1078e	USD 60 MM/EUR 48,5 MM	EURIBOR 6M+0.4265%	5.82%

11 General and administrative expenses

General and administrative expenses consist of:

	2012	2011
	EUR 1,000	EUR 1,000
Salary expenses	**149**	159
Other personal expenses	**35**	40
Professional fees	**134**	85
General fees	**87**	152
	405	436

The Company has no pension plan, and as a result no pension charges and obligations.

12 Interest income

Interest income is mainly due to interest receivable from group companies.

13 Interest expense

Interest expense consist of:

	2012	2011
	EUR 1,000	EUR 1,000
Interest expense to third parties of EMTN Programme	**95,860**	111,928
Interest expense to subsidiary due to loan	**9,209**	71,085
Interest expense to third parties of ECP Notes	**10,352**	20,318
Interest expense to subsidiary due to the credit line	**160**	186
	115,581	203,517

14 Net result interest rate swaps

The net result on off-balance sheet instruments is the net amount of interest income and interest expense on the interest rate swaps related to the EMTN notes.

15 Other financial results

Other financial results mainly consist of the net amount of amortised upfront fees and issuance expenses released to the profit and loss account.

Personnel

The average number of staff employed during the year 2012 year was 2 (2011: 3).

16 Taxation

The effective rate for the financial year ended December 31, 2012 amounts to 18.87%. The tax charge for the year includes a prior year adjustment of approximately EUR 95,000. Excluding the prior year's adjustment, the effective tax charge amounts to 24.42%, which is in line with the nominal tax rate for the year. The nominal tax rate for 2012 amounts to 20% for the first EUR 200,000 and 25% for the remainder.

No deferred tax assets or deferred tax liabilities are included in the balance sheet per December 31, 2012.

17 Statutory director

The emoluments of the Company's Directors charged in 2012, as per Section 2:383 (1) of the Netherlands Civil Code, amounted to EUR 20,000.

18 Auditor's fee

According to article 382a of Book 2 of Netherlands Civil Code, the audit fees for the year 2012 amount to EUR 21,302 (2011: EUR 21,302).

19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Loans to group entities

Endesa Capital Finance, LLC has issued preferred capital securities and the revenue of this issuance has been borrowed by the Company

On June 28, 2011, Endesa Capital Finance, LLC has partially amortised the loan with International Endesa B.V. At December 31, 2012, the nominal debt of the loan is EUR 181,371,225 (2011: EUR 181,371,225).

The loan, which matures on March 28, 2013, bears interest rate at a rate equal to three-month European Interbank Offering Rate (EURIBOR) plus the margin (0.30%), provided, however, that the 3-month EURIBOR rate shall in no event be less than a nominal annual rate of 4.00% or more than a nominal annual rate of 7.00%.

The debt issued by the Company was lent to companies of the Endesa Group.

Amsterdam, April 16, 2013

Ernesto di Giacomo	Alessandro Canta
Adolfo García Nombela	Pedro Corpas Fernández,
Hans Marseille	Frank Mauritz

Other information

Statutory rules concerning appropriation of net income

The articles of Association of the Company provide that the appropriation of the net income for the year is decided upon at the annual General Meeting of Shareholders. The distributable profit shall be at the free disposal of the General Meeting of Shareholders.

Appropriation of net income

On April 24, 2012, the annual General Meeting of Shareholders approved the dividend of EUR 2,029,311.47 and adopted the 2011 statutory financial statements.

Post-balance sheet events

On February 7, 2013, its subsidiary Endesa Capital Finance LLC has adopted a resolution and has made public in the Spanish market that it will exercise of the call option over its outstanding participative preferred shares listed in Spain on its tenth anniversary due on March 28, 2013.

The management has decided to liquidate its subsidiary within 2013.

Independent auditor's report

The independent auditor's report is set forth on the following pages.

Ernst & Young Accountants LLP
Prof.Dr.Dorgelolaan 12
5613 AM Eindhoven, The Netherlands
P.O. Box 455
5600 AL Eindhoven, The Netherlands
Tel.: +31 (0) 88 - 407 1000
Fax: +31 (0) 88 - 407 4800
www.ey.nl

Independent auditor's report

To: the shareholder of International Endesa B.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2012 of International Endesa B.V., Amsterdam, which comprise the balance sheet as at 31 December 2012, the profit and loss account for the year then ended, the statement of cash flows for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of International Endesa B.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 16 April 2013

Ernst & Young Accountants LLP

Was signed: G.J. Verwoert