international endesa b.v.

International Endesa BV
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Autoriteit Financiële Markten
Attn. Drs. A.J. Delger RA
Postbus 11723
1001 GS Amsterdam

Amsterdam, 24 april 2007.

Geachte heer / mevrouw Delger,

Ter informatie doen wij u het " Annual Report" van International Endesa B.V. over het jaar 2006 toekomen.

Met vriendelijke groet,

International Endesa B.V.

Jordi Jacobs
Administration Manager

International Endesa B.V.
Amsterdam

Annual accounts 2006

April 18, 2007

3100064105-BC9996-R06/JG/1

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Management Board's report

International Endesa B.V. ("the company") was incorporated on June 10, 1993 under the laws of the Netherlands.

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.

Management of the company is pleased to present herewith the financial statements for the year ended December 31, 2006. The result for 2006 was in accordance with management's expectations.

Operating results

The company earned a profit before taxation of EUR 6.043.178 due to its finance activities. In 2006, the Board of Directors will propose a dividend distribution. The amount of the dividend will be the net result (profit after taxation).

Principal activities in 2006

The company has been focused to its financing activities under its Commercial Paper Programme (ECP) and in private placement.

The Euro Medium Term Note (EMTN) Programme has not been renewed.

During 2006, the company regularly issued a short-term debt under its Euro Commercial Paper Programme. The programme is updated from USD 2.000 million to EUR 2.000 million as at December 13, 2006. The maximum amount of the outstanding debt under this programme is EUR 2.000 million. The nominal debt amount on December 31, 2006 is EUR 754.500.000.

The company has contracted appropriated derivative financial instruments to mitigate the financial risk of assets and liabilities.

All funds have been lent to companies of the Endesa Group.

On March 30, 2006, the Board of Directors proposed a dividend distribution of EUR 4.366.733 for March 31, 2006. This amount of EUR 4.366.733 belongs to the result of the financial year 2005.

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Risks and uncertainties

The main risk of the company would be a potential impairment of the amounts receivable from affiliated companies. This risk is mitigated by a guarantee by the ultimate parent, which is a highly profitable company with a strong market position in the Spanish and Latin-American energy markets.

Public Tender Offer

On February 27, 2006, the Spanish Securities Market Commission (Comisi6n Nacional del Mercado de Valores; CNMV) authorized the Public Tender Offer (hereinafter, the "Tender Offer") of Gas Natural SDG, S.A. for all of the shares representing the capital stock of ENDESA, S.A. Although Gas Natural SDG, S.A. withdrawn its Tender Offer on February 1, 2007, it had already been enjoined by the Supreme Court as well as by Commercial Court no. 3 of Madrid. Both suspensions were subsequently lifted. As a condition of those suspensions, a bond was required to be posted relating to possible damages or losses that may be incurred by the companies affected by the suspensions. The amount of the bank guarantee posted, as shared by both proceedings, is 1.0 billion euros, although it must be mentioned that neither the posting of the bond nor its amount will determine the existence or quantity of eventual damages or losses that could be imposed in either of the mentioned proceedings.

On March 26, 2007, Acciona, S.A. ("Acciona") and Enel Energy Europe S.r.L. ("Enel"), entered into a cooperation agreement to launch a joint tenders offer for all of the shares of Endesa and to implement a joint management project for Endesa under the leadership of Acciona pursuant to the terms and conditions set forth in the cooperation agreement.

On April 2, 2007, E.ON, A.G., Acciona and Enel entered into an agreement to settle their conflicts and to agree on certain matters relating to Endesa. Interalia, Acciona and Enel have undertaken to cause certain assets of Endesa to be transferred to E.ON, A.G. upon condition of Acciona and Enel acquiring control over Endesa.

In furtherance of their cooperation agreement, on April 11, 2007, Acciona and Enel announced a joint tender offer, for all of the outstanding ordinary shares and ADSs of Endesa. The offer consists of EUR 41.30 in cash for each ordinary share and ADS of Endesa. The offer is currently awaiting regulatory approvals and authorizations and its completion would be conditioned to (i) the ordinary share and ADS of Endesa tendered in the tender offer, together with any shares already held directly or indirectly by Acciona and Enel, representing more than 50% of the share capital of Endesa; and (ii) before the end of the tender offer period, (a) Endesa's General Shareholders Meeting passing certain resolutions amending aricles 32, 37, 38 and 42 of Endesa's bylaws, and (b) such resolutions becoming registered with the Madrid Commercial Registry.

Furthermore, in relation thereto, ENDESA and its subsidiaries have loans or other financial agreements with financial institutions which could be accelerated if Acciona and Enel acquire control of ENDESA as a result of their bid. Approximately 176 million dollars in bank loans would be subject to prepayment if a change of control at ENDESA takes place, and another 493 million euros in derivative contracts could be called in early if, as a consequence of the change of control, a significant reduction in ENDESA's rating takes place.

As a consequence of the above and for other factors, uncertainty exists as to the definitive result of the process, without it being possible to determine to what extent it could affect both the market price as well as the liquidity of the securities representing the capital stock of ENDESA and its subsidiaries on the securities markets on which they are admitted to trading, the maintenance of the dividend policy as well as the activity, financial position and/or result of ENDESA's operations.

Future outlook

The principal activities of the company will be concentrated on the financial operations.

Amsterdam, April 18, 2007

Managing Director:

José Antonio Artés

International Endesa B.V.
Amsterdam

Financial statements

- Balance sheet
- Profit and loss account
- Notes to the financial statements

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Balance sheet as at December 31, 2006

(before appropriation of net income)

	Note		12.31.2006		12.31.2005
			EUR 000		EUR 000
Assets					
Fixed assets					
Financial fixed assets:					
Investment in subsidiary	1		0		0
Loans to affiliated companies	2		5.772.888		5.886.618
Current assets					
Accounts receivable:	3				
Receivable from affiliated companies		885.445		2.456.897	
Interest receivable and prepaid expenses	4	117.782		157.402	
Income tax receivable		194	1.003.421	94	2.614.393
Cash	5		13		15
			6.776.322		8.501.026
Shareholder's equity and liabilities					
Shareholder's equity	6				
Issued and paid-in capital		15.429		15.429	
Additional paid-in capital		4.660		4.660	
Retained earnings		0		0	
Result for the year		4.255	24.344	4.367	24.456
Long-term liabilities	7		5.773.225		5.887.168
Short-term liabilities					
Notes payable	8	860.826		2.432.763	
Interest payable	9	111.756		152.023	
Payable to subsidiary		6.142		4.609	
Income taxes		0		0	
Accrued liabilities		29	978.753	7	2.589.402
			6.776.322		8.501.026

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Profit and loss account for the year 2006

	Note		2006 EUR 000		2005 EUR 000
Financial income and expense:					
Interest income	10	293.450		313.536	
Interest expense	11	(286.765)	6.685	(306.528)	7.008
General and administrative expenses	12		642		634
Income before provision for income taxes			6.043		6.374
Provision for income taxes			1.788		2.007
Net income			4.255		4.367

Notes to the financial statements

General

International Endesa B.V. ("the company") was incorporated under the law of the Netherlands on June 10, 1993 and has its statutory seat in Amsterdam, the Netherlands. 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. 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. 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 hedge and swap agreements. The swap contracts mature in accordance with the terms of the related assets and liabilities. Accordingly, the balances have been presented against their hedge or swap rate.

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 starts in 2011. The parent company, Endesa S.A., is guarantor of the loan.

Consolidation and cash flow statement

The financial statements of the company are included in the consolidated financial statements of its parent company, 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 no cash flow statement is included in these financial statements.

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Accounting principles

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

Comparison with prior year

The accounting principles remained unchanged compared to prior year, except that certain assets and liabilities have been reclassified in order to provide a better insight in the activities of the company. These reclassifications had no effect on equity nor result.

Basis of preparation

The financial statements have been prepared in accordance with 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.

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 recognized in the profit and loss account, except when covered by a hedge or swap agreements, at the contractual rates.

Financial fixed assets

Investments in subsidiaries are stated at cost value, less a provision for impairment if such is deemed necessary.

Accounts receivable

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

Recognition of income

Revenues and expenses are recorded in the period in which they originate.

Taxation

Corporate income tax is calculated by applying the nominal tax rate to the profit before taxation of the financial year, taking into account permanent and timing differences, including carry forward, if any, between the profit for commercial and tax purposes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Financial instruments

On-balance sheet financial instruments are stated at fair (market) value.

The company (actively) uses off-balance sheet financial instruments to hedge its potential exposures to movements in currency exchange rates and interest rates, and to assume trading positions. 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.

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

Unrealized results of financial instruments that are not designated as hedges or which hedge expected future cash flows are directly recorded in the profit and loss account under financial income and expense.

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.

Notes to the specific items of the balance sheet

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. To the common capital securities all net losses are allocated (in the events such should occur), and all gains and losses resulting from the disposition of assets by Endesa Capital Finance, LLC.

Endesa Capital Finance, LLC has also issued preferred capital securities which are all held by non-related parties. Holders of preferred capital securities are entitled to receive cash dividends out of the net profits, as and if declared by the Board of Directors of Endesa Capital Finance, LLC. These dividends are non-cumulative.

2. Loans to affiliated companies

	EUR 000
Balance as at January 1, 2006	5.886.618
Amortization upfront fee	12.043
Transfer to current assets	(110.000)
Early redemptions	(57.675)
Additions due to zero coupon notes	41.902
Balance as at December 31, 2006	5.772.888

The proceeds of the notes issued by the company under the private placement are passed on to the parent company and other affiliated companies.

The capitalized upfront fee is deducted from the outstanding loans and the movement can be detailed as follows:

	EUR 000
Balance as at January 1, 2006	87.295
Amortization	(12.043)
Balance as at December 31, 2006	75.252

3. Accounts receivable

Accounts receivable mature within one year.

4. Interest receivable and prepaid expenses

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

	12.31.2006	12.31.2005
	EUR 000	EUR 000
Interest receivable related parties	82.165	109.422
Interest receivable on swaps	35.610	47.974
Other receivables and prepaid expenses	7	6
	117.782	157.402

5. Cash

No restrictions on usage of cash exist.

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6. Shareholder's equity

The movement in shareholder's equity is as follows:

	Issued and paid-in capital	Additional paid-in capital	Retained earnings	Result for the year	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at January 1, 2005	15.429	4.660	3.382	4.180	27.651
Allocation result	0	0	4.180	(4.180)	0
Net income	0	0	0	4.367	4.367
Dividend paid	0	0	(7.562)	0	(7.562)
Balance as at December 31, 2005	15.429	4.660	0	4.367	24.456
Balance as at January 1, 2006	15.429	4.660	0	4.367	24.456
Allocation result	0	0	4.367	(4.367)	0
Net income	0	0		4.255	4.255
Dividend paid	0	0	(4.367)	0	(4.367)
Balance as at December 31, 2006	15.429	4.660	0	4.255	24.344

The authorized share capital amounts to EUR 15.882.308, consisting of 35 million common shares with a par value of EUR 0,45 per share.

As at December 31, 2006, 34 thousand shares were issued and paid in. In 2006, dividend has been paid of EUR 4.366.733 (EUR 128,43 per share).

7. Long-term 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 denominated in various currencies. The nominal interest rates on the notes issued vary from 0,9% to 7%. 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 company.

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

Liabilities with a remaining period up to one year, including the short-term portion of long-term liabilities, are presented under short-term liabilities. As at December 31, 2005, 29% (EUR 1.688.748) of the long-term liabilities have a remaining period up to five years, and 71% (EUR 4.046.489) have a remaining period of more than five years.

The movement in long-term liabilities is as follows:

	EUR 000
Balance as at January 1, 2006	5.887.168
New issues	0
Amortization upfront fee	11.960
Transfer to current liabilities	(110.000)
Early redemption	(61.712)
Additions due to zero coupon notes	45.809
Balance as at December 31, 2006	5.773.225

Long-term liabilities consist of:

	12.31.2006 EUR 000	12.31.2005 EUR 000
Payable to third parties	4.344.191	4.468.419
Payable to subsidiary	1.429.034	1.418.749
	5.773.225	5.887.168

The capitalized upfront fee is deducted from the outstanding liabilities and the movement can be detailed as follows:

	Due to subsidiary EUR 000	Due to third parties EUR 000	Total EUR 000
Balance as at January 1, 2006	81.252	5.691	86.943
Amortization	(11.147)	(813)	(11.960)
Balance as at December 31, 2006	70.105	4.878	74.983

8. Notes payable

The notes payable consist of liabilities to third parties under the ECP programme and the short-term portions of the loans under the EMTN programme. Liabilities mature in one year.

9. Interest payable

The interest payable can be detailed as follows:

	12.31.2006	12.31.2005
	EUR 000	EUR 000
Payable to third parties	111.193	151.460
Payable to subsidiary	563	563
	111.756	152.023

Contingent liabilities

The company has issued a guarantee of approximately EUR 81 million to the European Investment Bank in relation to a loan payable of that same amount by its parent company, expiring on December 15, 2011.

Contingent rental expenses have been agreed for EUR 54.000 per year till June 30, 2008 and EUR 51.000 per year till July 31, 2009.

Financial instruments

In the normal course of business, the company uses various types of financial instruments. Financial instruments include those recognized 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 a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed market 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 minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

On-balance sheet instruments

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

The estimated fair values of on-balance financial instruments as at December 31, 2006 approximate their carrying amounts, unless indicated otherwise.

Off-balance sheet 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 nature of financing arrangements.

Foreign exchange derivatives:

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

Notes to the specific items of the profit and loss account

10. Interest income

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

11. Interest expense

Interest expense consists of:

	2006	2005
	EUR 000	EUR 000
Interest expense to third parties of EMTN Programme	264.419	350.257
Interest expense to subsidiary due to loan	64.220	66.474
Interest expense to third parties of ECP notes	28.657	24.751
Net interest expenses off-balance sheet instruments	(70.612)	(135.177)
Interest expense to subsidiary due to credit line	153	87
Other interest expense	(72)	136
	286.765	306.528

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12. General and administrative expenses

General and administrative expenses consist of:

	2006	2005
	EUR 000	EUR 000
Personnel expenses	345	325
Professional fees	120	271
General expenses	177	38
	642	634

Other notes and signing of the financial statements

Statutory Director

In accordance with Article 2:383 of the Netherlands Civil Code, the remuneration of the only Statutory Director is not presented. The company has no Supervisory Directors.

Personnel

The average number of personnel during the year was approximately 3 (2005: 3).

Signing of the financial statements

Amsterdam, April 18, 2007

Managing Director:

José Antonio Artés

Other information

Auditor's report

Reference is made to the auditor's report included hereinafter.

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.

Post-balance sheet events

There are no post-balance sheet events.

Deloitte.

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The Managing Director of
International Endesa B.V.
Amsterdam

Date	Reference
April 18, 2007	J. Penon

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of International Endesa B.V., Amsterdam, which comprise the balance sheet as at December 31, 2006 the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Management Board's report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

Deloitte.

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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 December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Management Board's report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

J. Penon