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# International Endesa B.V.

Report on the half year accounts January-June 2010

July 28, 2010

Amsterdam

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Half year Report January-June 2010

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## Management Board report

The Managing Director of International Endesa B.V. (hereinafter: "the Company") is pleased to present herewith the financial statements for the half yearly report 2010.

### 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 first half year 2010 was in accordance with management's expectations.

### Operating results

The Company earned a profit before taxation of EUR 2,063 thousand due to its financial activities.

### Principal activities during the first six months of 2010

The Company focused on its financing activities under its Euro Commercial Paper (ECP) Programme.

During the first six months, 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 nominal debt amount on June 30, 2010 is EUR 2,680.6 million. The volume issued is EUR 4.473,2 million and average debt is EUR 2,771 million. All funds have been lent to companies of the Endesa Group.

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

On March 16, 2010, the Managing Director proposed a dividend distribution of EUR 2.802,912 for March 18, 2010. The shareholders approved this proposal and adopted the statutory financial statements for the year 2009 in the General Meeting of Shareholders on March 16, 2010, furthermore International Endesa B.V. re-appointed KPMG Accountants N.V. as the auditor for the financial year ending December 31, 2010

Amsterdam, July 28, 2010

## Recent events

Since December 31, 2009 no events have taken place which could have a significant effect on the Group's economic-financial position.

## Risk and uncertainties

### Financial risk management

Financial instruments and related risk management activities are used only to minimize the company's exposure to risk of changes in credit, interest and liquidity and 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 optimizing the return on risk.

Due to the Company's management policy regarding its financial assets and liabilities, the events that took place on financial markets during the first six months of 2010 did not have a material negative impact on the business of International Endesa B.V.

### 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.

## 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.

## 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 report gives a true and fair view of the Company's position as per 30 June 2010 and developments during the first six months of 2010 and International Endesa B.V.;

3. the management 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 2010.

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## Management Statement International Endesa B.V.

As the Managing Director of International Endesa B.V., I, Francisco Ramírez Millor make the following statement in light of the Transparency Directive:

The half year report gives a true and fair view of the assets, liabilities, financial position and the profit of International Endesa B.V. for the financial period ending June 30, 2010

This half year report has not been audited or reviewed by any external party.

Amsterdam, July 28, 2010

Francisco Ramírez Millor

Managing Director

## Financial statements

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

## Balance sheet as at June 30, 2010

(before appropiation of net income)

| | Note | 06.30.2010 | | 12.31.2009 | |
|---|---|---|---|---|---|
| | | EUR 000 | | EUR 000 | |
| **Assets** | | | | | |
| **Fixed assets** | | | | | |
| Financial fixed assets: | | | | | |
| Investment in subsidiary | 1 | 0 | | 0 | |
| Loans to affiliated companies. | 2 | 3,752,492 | | 3,882,279 | |
| Others | | 9 | | 9 | |
| | | | 3,752,501 | | 3,882,288 |
| **Current assets** | | | | | |
| Accounts receivable: | | | | | |
| Receivable from affiliated companies | 3 | 2,714,786 | | 2,007,938 | |
| Interest receivable and prepaid expenses | 4 | 65,257 | | 86,037 | |
| | | | 2,780,043 | 682 | 2,094,657 |
| Cash | 5 | | 22 | | 0 |
| | | | 6,532,566 | | 5,976,945 |

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| | Note | 06.30.2010 | | 12.31.2009 | |
|---|---|---|---|---|---|
| | | EUR 000 | | EUR 000 | |
| **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 | |
| Accumulated deficit | | 0 | | 0 | |
| Result for the year | | 1,548 | 21,637 | 2,803 | 22,892 |
| **Long-term liabilities** | 7 | | 3,757,332 | | 3,880,660 |
| **Short-term liabilities** | | | | | |
| Notes payable | 8 | 2,688,680 | | 2,003,040 | |
| Interest payable | 9 | 53,807 | | 59,071 | |
| Payable to subsidiary | | 12,008 | | 11,246 | |
| Accrued liabilities | | 11 | | 12 | |
| Income tax receivable | | -909 | | 0 | |
| Cash and cash equivalent | 5 | | 2,753,597 | 24 | 2,073,393 |
| | | | 6,532,566 | | 5,976,945 |

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## Profit and loss account for the half year January-June 2010

| | Note | | 06.30.2010 | | 06.30.2009 |
|---|---|---|---|---|---|
| | | | EUR 000 | | EUR 000 |
| Financial income and expense: | | | | | |
| Interest income | 10 | 100,004 | | 124,179 | |
| Interest expense | 11 | -109,126 | | -137,740 | |
| Net result interest rate swaps | 12 | 11,405 | | 15,858 | |
| Other financial results | 13 | 29 | 2,312 | -141 | 2,156 |
| General and administrative expenses | 14 | | -249 | | -261 |
| **Income before income taxes** | | | 2,063 | | 1,895 |
| Provision for income taxes | 15 | | -515 | | -468 |
| **Net income** | | | 1,548 | | 1,427 |

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## Statement of cash flows

**For the six months ended 30 June**

| In thousands of euro | 30 June 2010 | 30 June 2009 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Profit for the period | 1.548 | 1.427 |
| Changes in operating assets and liabilities; | | |
| Increase/ decrease accounts receivable | 896.224 | -886.419 |
| Increase/ decrease accounts liabilities | -913.463 | 877.918 |
| | -17.239 | -8.501 |
| **Cash flow from operating activities** | **-15.691** | **-7.074** |
| **Cash flow from financing activities:** | | |
| Distribution Dividends | -2.803 | -4.357 |
| Proceeds from borrowings | 331.874 | -18.230 |
| Repayment of external debt | -313.333 | 29.638 |
| **Cash flow from financing activities** | **15.737** | **7.051** |
| **Net change in cash during the year** | **46** | **-24** |
| **Net cash position at the beginning of the period** | **-24** | **40** |
| **Net cash position at the end of the period** | **22** | **16** |

## Notes to the Interim 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 Hoogoorddreef 9, Amsterdam. The Company is a wholly-owned subsidiary of Endesa S.A ("the parent"), a Spanish Company having its registered official 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 parents 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. 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 all notes and loans.

## 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.

## Accounting principles

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. Revenues are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer.

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. The 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.

## Financial instruments

Derivative financial instruments are stated at cost.

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.

Unrealized result 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.

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.

Financial instruments include investments in shares and bonds, other receivables, cash items, loans and other financing commitments and other payables.

*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.

*Hedge accounting*

The Company uses currency swap and interests 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 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 recognized in the profit or loss account is recognized 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.

**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.

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

### 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'.

### Cost and revenue

Finance income comprises interest income on loans to Endesa Group Companies, dividend income and foreign currency gain. Interest income is recognized as is accrued, using the effective interest method.

Finance expenses comprise interest of the EMTN's, USPP's, ECP's, the interest of the intercompany loan with Endesa Capital Finance LLC and losses on hedging instruments that are recognized in profit and loss.

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 profit for 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.

### 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.

### Financial assets

The fair value of financial assets is determined on the basis of the listed closing (bid) price as at reporting date. The fair value of investments held to maturity is only determined for the benefit of the disclosures.

### Trade and other receivables

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

### Derivatives

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 interest rates, including a margin for discounting the relevant risks.

### 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.

### Share in the result from investments in participating interests

The share in the result of participating interests consists of the share of the group in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are stated in the group result from the date of acquisition or until the date of sale respectively.

## 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. 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. As at 30 June 2010, the sum of preferred capital and retained earnings is not exceeding the nominal amount of EUR 1.5 billion that needs to be repaid in 2013. Therefore, the investment value of the participation is stated at zero.

### 2. Loan to affiliated companies

The specification of the loans to affiliated companies is set out below:

| | 06.30.2010 | 12.31.2009 |
|---|---|---|
| | EUR 000 | EUR 000 |
| Loans to affiliated companies | 3,752,492 | 3,882,279 |
| | 3,752,492 | 3,882,279 |

Of the loans to affiliated companies, an amount of EUR 1.517 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 000 |
|---|---|
| Balance as at January 1, 2010 | 3,882,279 |
| Transfer to current assets | 0 |
| Early redemption | -134,872 |
| Addtions due to zero coupon notes | 0 |
| Additions due to amortised cost of the upfront fee of outstanding loans | 5,085 |
| Balance as at June 30, 2010 | 3,752,492 |

The proceeds of the notes issued by the Company under the private placement are passed on to the Parent Company and other affiliated companies. Consequently, the maturity date of the intercompany receivables is exactly the same of the maturity date of the notes issued and included in note 7.

## 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:

| | 06.30.2010 | 12.31.2009 |
|---|---|---|
| | EUR 000 | EUR 000 |
| Interest receivable related parties | 65,257 | 86,028 |
| Interest receivable on interest rate swaps | 0 | 0 |
| Other receivables and prepaid expenses | 0 | 9 |
| | 65,257 | 86,037 |

## 5. Cash

No restrictions on usage of cash exist.

## 6. Shareholder's equity

| | Issued and paid-in capital | Additional paid-in capital | Accumulated deficit | Result for the year | Total |
|---|---|---|---|---|---|
| | EUR 000 | EUR 000 | EUR 000 | EUR 000 | EUR 000 |
| Balance as January 1, 2009 | 15,429 | 4,660 | 0 | 4,357 | 24,446 |
| Allocation of result | 0 | 0 | 4601 | -4357 | 244 |
| Accountig change | 0 | 0 | -244 | 0 | -244 |
| Net income | 0 | 0 | 0 | 1,427 | 1,427 |
| Dividend paid | 0 | 0 | -4,357 | 0 | -4,357 |
| Balance as June 30, 2009 | 15,429 | 4,660 | 0 | 1,427 | 21,516 |

| | Issued and paid-in capital | Additional paid-in capital | Reatined earnings | Result for the year | Total |
|---|---|---|---|---|---|
| | EUR 000 | EUR 000 | EUR 000 | EUR 000 | EUR 000 |
| Balance as January 1, 2010 | 15,429 | 4,660 | 0 | 2,803 | 22,892 |
| Allocation of result | 0 | 0 | 2,803 | -2,803 | 0 |
| Accountig change | 0 | 0 | 0 | 0 | 0 |
| Net income | 0 | 0 | 0 | 1,548 | 1,548 |
| Dividend paid | 0 | 0 | -2,803 | 0 | -2,803 |
| Balance as June 30, 2010 | 15,429 | 4,660 | 0 | 1,548 | 21,637 |

The authorized 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 June 30, 2010, 34.000 shares were issued and paid in.

In 2010, dividend was paid of EUR 2,803 thousand.

## 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 dominated in various currencies. The nominal interest rates on the notes issued vary from 4,18% 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 Company.

The specification of the long-term liabilities is set out on the next page:

| | 06.30.2010 | 12.31.2009 |
|---|---|---|
| | EUR 000 | EUR 000 |
| EMTN notes | 2,153,501 | 2,172,472 |
| EMTN notes to subsidiary | 1,468,334 | 1,462,637 |
| Negative fair value currency swap | 135,497 | 245,551 |
| | 3,757,332 | 3,880,660 |

The interest on the individual EMTN 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 "Amortized costs". The market price of the EMTN's and USPP's notes issued as at 30 June 2010 is EUR 2,357,548,608.

The maturity dates of the Notes issued are the following:

| Serie | | Currency | Maturity | Option |
|---|---|---|---|---|
| NI032 | EMTN | eur | February-2039 | February-2011 |
| NI039 | EMTN | eur | October 2019 | October 2019 |
| NI048 | EMTN | eur | September 2015 | September 2015 |
| NI052 | EMTN | eur | December-2010 | December-2010 |
| NI057 | EMTN | eur | February-2016 | February-2016 |
| NI059 | EMTN | eur | April-2021 | April-2011 |
| NI068 | EMTN | eur | November-2031 | November-2031 |
| NI072 | EMTN | gbp | July-2012 | July-2012 |
| NI075 | EMTN | eur | November-2012 | November-2012 |
| NI076 | EMTN | eur | December-2022 | December-2017 |
| NI077 | EMTN | eur | February-2013 | February-2013 |
| 78 | USPP | usd | September 2011 | September 2011 |
| 78 | USPP | usd | September 2019 | September 2019 |
| 78 | USPP | usd | September 2014 | September 2014 |
| 78 | USPP | usd | September 2012 | September 2012 |
| 78 | USPP | usd | September 2012 | September 2012 |
| 78 | USPP | usd | September 2016 | September 2016 |

Some notes have an option for anticipated reimbursement, as indicated in the table on the previous page. During the first six months of 2010, the Company reimbursed the notes numbers 31,33 and 43.

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.

The movement in the long-term liabilities is as follows:

| | EUR 000 |
|---|---|
| Balance as at January 1, 2010 | 3,880,660 |
| Transfer to current liabilities | 0 |
| Early redemption | -134,872 |
| Additions due to zero coupon notes | 5,510 |
| Additions due to amortised cost of upfront fee of the oustanding loans | 6,034 |
| Balance as at June 30, 2010 | 3,757,332 |

## 8. 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. Liabilities mature in one year.

## 9. Interest payable

The interest payable can be detailed as follows:

| | 06.30.2010<br>EUR 000 | 12.31.2009<br>EUR 000 |
|---|---|---|
| Payable to third parties | 53,266 | 58,530 |
| Payable to subsidiary | 541 | 541 |
| | 53,807 | 59,071 |

## 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 the same amount by its Parent Company, expiring on December 15, 2011.

Contingent rental expenses have been agreed for EUR 30.000 per year till October 31, 2010 and EUR 56.136 per year till May 16, 2011.

## 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 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 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.

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.

**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 estimated fair value of financial instruments as at June 30, 2010 approximate their carrying amount, because these are mainly entered into or swapped at floating interest rates which are periodically reset.

**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.

## 10. Interest income

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

## 11. Interest expense

Interest expense consist of:

| | 06.30.2010 EUR 000 | 06.30.2009 EUR 000 |
|---|---|---|
| Interest expense to third parties of EMTN Programme | 60,925 | 89,617 |
| Interest expense to subsidiary due to loan | 37,946 | 32,250 |
| Interest expense to third parties of ECP notes | 10,197 | 15,708 |
| Interest expense to subsidiary due credit line | 57 | 165 |
| | 109,126 | 137,740 |

## 12. 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 tot the EMTN notes.

## 13. Other financial results

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

## 14. General and administrative expenses

General and administrative expenses consist of:

| | 06.30.2010 EUR 000 | 06.30.2009 EUR 000 |
|---|---|---|
| Salary expenses | 77 | 82 |
| Pension costs | 0 | 0 |
| Other personal expenses | 20 | 28 |
| Professional fees | 80 | 78 |
| General expenses | 72 | 73 |
| | 249 | 261 |

## Personnel

The average number of personnel during the first six months of 2010 year was 3

## 15. Provision for income taxes

The effective rate for the financial year ended December 31, 2009 amounts to 25,21% The nominal tax rate for the six first months of 2010 amounts to 20,0% for the first EUR 200.000 and 25,5% for the remainder.

## 16. 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.

## 17. 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. The amount of this loan (note) is €1.468.333. The note, which matures on 28 March 2013, bears interest 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 nominal annual rate of 4,00% or more than a nominal annual rate of 7,00%.

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

Amsterdam, July 28, 2010.

Francisco Ramirez Millor
Managing Director

# 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 2009

On March 16,2010, the annual General Meeting of Shareholders approved the dividend of EUR 2,802,912 and adopted the 2009 statutory financial statements.

## Post-balance sheet events

There are no post-balance sheet events.