International Endesa B.V.
Amsterdam

Report on the
annual accounts 2008

March 23, 2009

International Endesa B.V.
Amsterdam

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Annual accounts 2008

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Management Board's report

General

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 and manage notes and other financial instruments (refer to below), and to lend these funds to its parent company and other affiliated companies.

The Managing Director of the company is pleased to present herewith the financial statements for the year ended December 31, 2008. The result for 2008 was in accordance with management's expectations.

Operating results

The company earned a profit before taxation of EUR 6.155.909 due to its finance activities. The Managing Director 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 2008

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

During 2008, 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 2.000 million. The nominal debt amount on December 31, 2008 is EUR 1.158 million. The volume issued is EUR 6.101 million and average debt is EUR 1.249 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.

The company sent financial and accounting reports to the Endesa Group on a monthly basis.

On April 23, 2008, the Managing Director proposed a dividend distribution of EUR 4.835.783,79 for April 24, 2008, corresponding to the net income for the financial year 2007. The shareholders approved this proposal and adopted the statutory financial statements for the year 2007 in the General Meeting of Shareholders on April 23, 2008.

Recent events

Acciona S.A. (hereinafter "Acciona") and Enel S.p.A. (hereinafter "Enel") announced the early sale and purchase by Enel from Acciona of the Endesa S.A. shares owned by Acciona. Once the shares have been transferred, this will determine the termination of the agreement in respect of Endesa S.A. shares entered into between Acciona and Enel on March 26, 2007.

Bearing in mind this termination and, as a consequence thereof, the termination of the undertaking included therein in relation to the integration of renewable energy generation assets of Endesa S.A. and Acciona into a company controlled by Acciona, the Board of Directors of Endesa S.A., with the abstention of the shareholder directors of Acciona in application of commercial regulations, has agreed to sell to Acciona, who undertakes to acquire certain wind and hydraulic generation assets of Endesa S.A. in Spain and Portugal for a total price of EUR 2.890 million.

The effectiveness of the agreement is subject to obtaining the required antitrust and regulatory authorizations.

The assets involved in the transaction represent a total installed capacity of 2.104 MW, of which 1.248 MW relate to wind generation and 856 MW to hydraulic generation, of which 174 MW pertain to the special generation scheme.

Endesa's Board of Directors intends to approve, in the very near future, a business plan, which will take into consideration the consequences of the agreement described in the above paragraphs, the purpose of which shall always be the best interests of Endesa S.A. and its subsidiaries.

These events do not have a material impact on these financial statements.

Risk and uncertainties

Due to the company's prudent management policy regarding its financial assets and liabilities, the events that took place on financial markets in 2008 did not have a material negative impact on the business of International Endesa B.V.

The company has contracted appropriate derivative financial instruments to mitigate the interest and foreign currency risk of its financial assets and financial liabilities.

As the company lends funds only intragroup to Endesa S.A. and affiliates, and the company is supported by Endesa S.A., the credit risk is considered low.

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.

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 2009.

Amsterdam, March 23, 2009

Managing Director:

Francisco Ramírez Millor

International Endesa B.V.
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International Endesa B.V.
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Balance sheet as at December 31, 2008

(before appropriation of net income)

	Note	12.31.2008 EUR 000		12.31.2007 EUR 000	
Assets					
Fixed assets					
Financial fixed assets:					
Investment in subsidiary	1	0		0	
Loans to affiliated companies	2	4.074.091	4.074.091	5.678.909	5.678.909
Current assets					
Accounts receivable:	3				
Receivable from affiliated companies		2.492.206		1.208.124	
Interest receivable and prepaid expenses	4	106.527		118.563	
Income tax receivable		233	2.598.966	279	1.326.966
Cash	5		40		22
			6.673.097		7.005.897

	Note	12.31.2008 EUR 000		12.31.2007 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		(244)		0	
Result for the year		4.601	24.446	4.591	24.680
Long-term liabilities	7		4.074.239		5.679.240
Short-term liabilities					
Notes payable	8	2.463.107		1.187.290	
Interest payable	9	101.660		106.859	
Payable to subsidiary		9.614		7.801	
Accrued liabilities		31	2.574.412	27	1.301.977
			6.673.097		7.005.897

International Endesa B.V.
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Profit and loss account for the year 2008

	Note		2008		2007
			EUR 000		EUR 000
Financial income and expense:					
Interest income	10	356.904		337.504	
Interest expense	11	(336.484)		(356.051)	
Net result interest rate swaps	12	(13.761)		25.459	
Other financial results	13	159	6.818	(103)	6.809
General and administrative expenses	14		(662)		(688)
Income before income taxes			6.156		6.121
Provision for income taxes	15		(1.555)		(1.530)
Net income			4.601		4.591

Notes to the 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 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. 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.

Accounting principles

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

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.

Change in accounting principles

Up till the financial year 2007, issuance costs and deferred income were presented separately in the balance sheet and were amortized on a straight-line basis. In order to align with internal reporting as from 2008, the issuance costs and deferred income are taken into account in valuating financial instruments, which are now valued at amortized cost basis using the effective interest yield method.

As a result of this change in accounting policy, the comparative figures 2007 have been adjusted in accordance with the current accounting practice. The net impact relating to prior years of EUR 243.988 is deducted from shareholder's equity as at January 1, 2008 and consists of:

	EUR 000
EMTN loans to parent company	(1.131)
EMTN notes	1.028
ECP notes	(141)
Total	(244)

Comparison with prior year

The comparative figures 2007 have been adjusted in accordance with the prior year effects as shown above. Certain reclassifications have been made in order to provide a better insight in the activities of the company. These reclassifications had no effect on equity nor on result.

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.

Financial fixed assets

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

Loans to affiliated companies are stated at amortized cost value using the effective interest rate, less a provision for doubtful debts 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 the 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.

Financial instruments

Derivative financial instruments are stated at cost. In case the fair value is negative, a provision is recorded for this amount.

The company (actively) uses 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.

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

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

	12.31.2008	12.31.2007
	EUR 000	EUR 000
Loans to parent company	0	459.489
Loans to affiliated companies	4.074.091	5.219.420
	4.074.091	5.678.909

Of the loans to affiliated companies, an amount of EUR 1.324 million has fixed interest rates between 5,42% and 6,05%. The remainder has variable interest rates related to Libor and Euribor plus a mark-up.

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

	EUR 000
Balance as at January 1, 2008	5.678.909
Transfer to current assets	(1.311.525)
Early redemption	(318.981)
Additions due to zero coupon notes	25.688
Balance as at December 31, 2008	4.074.091

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 included in the amortized cost of the outstanding loans for a total of EUR 40.010 thousand.

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:

	12.31.2008	12.31.2007
	EUR 000	EUR 000
Interest receivable related parties	87.583	94.862
Interest receivable on interest rate swaps	18.935	23.695
Other receivables and prepaid expenses	9	6
	106.527	118.563

5. Cash

No restrictions on usage of cash exist.

6. Shareholder's equity

The movement in shareholder's equity is as follows:

	Issued and paid-in capital	Additional paid-in capital	Accumu-lated deficit	Result for the year	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at January 1, 2007	15.429	4.660	0	4.255	24.344
Allocation of result	0	0	4.255	(4.255)	0
Net income	0	0	0	4.835	4.835
Dividend paid	0	0	(4.255)	0	(4.255)
Balance as at December 31, 2007	15.429	4.660	0	4.835	24.924
Balance as at January 1, 2008	15.429	4.660	0	4.835	24.924
Accounting change	0	0	0	(244)	(244)
Revised balance as at January 1, 2008	15.429	4.660	0	4.591	24.680
Allocation of result	0	0	4.591	(4.591)	0
Net income	0	0	0	4.601	4.601
Dividend paid	0	0	(4.835)	0	(4.835)
Balance as at December 31, 2008	15.429	4.660	(244)	4.601	24.446

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 December 31, 2008, 34.000 shares were issued and paid in.

In 2008, dividend was paid of EUR 4.835.784.

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 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.

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

The specification of the long-term liabilities is set out below:

	12.31.2008	12.31.2007
	EUR 000	EUR 000
EMTN notes	2.355.341	3.993.377
EMTN notes to subsidiary	1.462.705	1.451.387
Negative fair value currency swaps	256.193	234.476
	4.074.239	5.679.240

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. Of the EMTN notes, an amount of EUR 1.119 million has fixed interest rates between 5,375% and 6,02%.

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, 2008, 41% (EUR 2.357 million) of the long-term liabilities has a remaining period up to five years and 59% (EUR 3.323 million) has a remaining period of more than five years.

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

	EUR 000
Balance as at January 1, 2008	5.679.240
Transfer to current liabilities	(1.311.698)
Early redemption	(316.969)
Additions due to zero coupon notes	23.666
Balance as at December 31, 2008	4.074.239

The capitalized upfront fee is included in the amortized cost of the notes for an amount of EUR 39.836 thousand.

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:

	12.31.2008	12.31.2007
	EUR 000	EUR 000
Payable to third parties	101.123	106.201
Payable to subsidiary	537	658
	101.660	106.859

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 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 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.

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 financial instruments as at December 31, 2008 approximate their carrying amounts, 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 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:

	2008	2007
	EUR 000	EUR 000
Interest expense to third parties of EMTN Programme	196.234	228.071
Interest expense to subsidiary due to loan	80.717	70.244
Interest expense to third parties of ECP notes	59.104	57.457
Interest expense to subsidiary due to credit line	429	279
	336.484	356.051

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 to 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:

	2008	2007
	EUR 000	EUR 000
Salary expenses	303	291
Pension costs	2	2
Other personnel expenses	52	101
Professional fees	99	120
General expenses	206	174
	662	688

Audit fees are included in the professional fees and amount to EUR 66.000 (2007: EUR 31.000), of which EUR 30.643 relate to prior year.

15. Provision for income taxes

The effective tax rate for the financial year ended December 31, 2008 amounts to 25,3% (2007: 25,0%). The nominal tax rate for the financial year ended December 31, 2008 amounts to 20,0% for the first EUR 275.000 and 25,5% for the remainder.

Other notes

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 4 (2007: 3).

Signing of the financial statements

Amsterdam, March 23, 2009

Managing Director:

Francisco Ramírez Millor

International Endesa B.V.
Amsterdam

Other information

Auditor's report

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

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 2007

On April 23, 2008, the annual General Meeting of Shareholders approved the dividend of EUR 4.835.783,79 and adopted the 2007 statutory financial statements.

Proposed appropriation of net income 2008

The Managing Director proposed to the shareholders a dividend distribution of 100% of the net income for the year 2008, after meeting the requirements for non-distributable income as imposed by the Netherlands Civil Code.

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
March 23, 2009	M.B. Hengeveld

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of International Endesa B.V., Amsterdam, which comprise the balance sheet as at December 31, 2008, 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.

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International Endesa B.V.
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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 December 31, 2008, 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 f 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.

already signed: M.B. Hengeveld

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international endesa b.v.

As required by section 5:25c of the Dutch Financial Supervision Act, the Managing Director confirms that to the best of its knowledge, the financial statements prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial condition and profit or loss of International Endesa BV.

The report of the Managing Director includes a fair view of the development and performance business during the financial year and the position at balance sheet date of International Endesa BV, with a description of the principal risks and uncertainties the company faces.

Francisco Ramirez Millor
Managing Director
International Endesa BV

international endesa b.v.

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These Financial Statements have been adopted by the General Shareholder's meeting on 21st April, 2009.

Francisco Ramirez Millor
Managing Director
International Endesa BV