



Amsterdam, 10 March 2011

Dear Sirs:

Please find attached the financial statements of International Endesa B.V. over the financial year ending 31 December 2010.

The undersigned, Francisco Ramírez Millor, in his capacity of sole member of the board of directors of International Endesa B.V., herewith confirms that the original financial statements have been signed by the board of directors of International Endesa B.V. and that the financial statements have been adopted by the general meeting of shareholders in its meeting on 10 March 2011.

Yours faithfully,

Francisco Ramírez Millor



International Endesa B.V.

Financial Statements 2010

Index	Page
Financial Report 2010	
Management Board report	2
Financial Statements	6
Balance sheet	7
Profit and loss	8
Statement of cash flows	9
Statement of changes in shareholder's equity	10
Notes to the Interim Financial Statements	11
Other information	27

Management Board report

The Managing Director of International Endesa B.V. (hereinafter: "the Company") is pleased to present herewith the financial statements for the year ended December 31, 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 the year 2010 was in accordance with management's expectations.

Operating results

The Company earned a profit before taxation of EUR 4,357 thousand due to its financial 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 2010

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

During 2010, the Company regularly issued 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 December 31, 2010 is EUR 1,999 million. The volume issued is EUR 9,030 million and average debt is EUR 2,587 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.

During 2010, the company reimbursed the EMTN notes number 31,33 and 43 for an amount of EUR 341 million.

On July 30, International Endesa B.V. changed its registered address in Amsterdam from the Atlas Complex-Afrika Gebouw, Hoogoorddreef 9, 1101 BA, to Herengracht 471, 1017 BS, as agreed upon in a resolution of the Board of Directors of International Endesa B.V.

Financial review

The financial statements as at December 31, 2010 report a net equity of EUR 23,3 million and a profit for the year 2010 of 3,25 million. This will be submitted to the General Meeting of Shareholders for approval.

Recent events

Since December 31, 2010 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 in 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 31 December 2010 and developments during the financial year 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 management of its financial assets and liabilities related to the financial operations. No major changes are expected in the size and nature of operations in the year 2011.

Amsterdam, February 15, 2011

Francisco Ramírez Millor

Managing Director

Financial Statements

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

Balance sheet as at December 31, 2010

(before appropriation of net income)

	<u>Note</u>	<u>12.31.2010</u> EUR 000	<u>12.31.2009</u> EUR 000
Assets			
Fixed assets			
Financial fixed assets:			
Investment in subsidiary	1	0	0
Loans to affiliated companies.	2	3,717,662	3,882,279
Others		9	9
		<u>3,717,671</u>	<u>3,882,288</u>
Current assets			
Accounts receivable:			
Receivable from affiliated companies	3	2,081,606	2,007,938
Interest receivable and prepaid exper	4	66,604	86,037
Income tax receivable			682
Cash and cash equivalent	5	12	
		<u>2,148,222</u>	<u>2,094,657</u>
Total Assets		5,865,893	5,976,945
Shareholder's equity and liabilities			
Shareholder's equity			
	6		
Issued and paid-in capital		15,429	15,429
Share premium		4,660	4,660
Retained earnings		0	0
Result for the year		3,257	2,803
		<u>23,346</u>	<u>22,892</u>
Non-current liabilities	7	3,720,603	3,880,660
Current liabilities			
Notes payable	8	2,048,029	2,003,040
Interest payable	9	61,561	59,071
Payable to subsidiary		12,794	11,246
Accrued liabilities		0	12
Income tax receivable		-440	0
Cash and cash equivalent	5	0	24
		<u>2,121,944</u>	<u>2,073,393</u>
		5,865,893	5,976,945

The notes on page 11 to page 26 are an integral part of the financial statements.

Profit and loss account for the year ended 31 December 2010

	Note	2010 EUR 000	2009 EUR 000
Financial income and expense:			
Interest income	10	189,958	217,755
Interest expense	11	-215,470	-255,580
Net result interest rate swaps	12	18,150	30,112
Other financial results	13	12,214	11,991
Net income from financial activities		4,852	4,278
Other expenses			
General and administrative expenses	14	-495	-530
Result before income taxes		4,357	3,748
Tax on result	15	-1,100	-945
Net result		3,257	2,803

The notes on page 11 to page 26 are an integral part of the financial statements.

Statement of Cash flows for the year ended 31 December 2010

In thousands of euro	<u>31/12/2010</u>	<u>31/12/2009</u>
Cash flow from operating activities:		
Profit for the period	3,257	2,803
Changes in operating assets and liabilities;		
Increase/ decrease accounts receivable	198,045	32,317
Increase/ decrease accounts liabilities	-178,667	-18,763
	<u>19,378</u>	<u>13,554</u>
Cash flow from operating activities	22,635	16,357
Funds repaid by external parties	2,099,316	-323,432
Funds received from group company	-2,178,934	1,002,193
Cash flow from investing activities:	<u>-79,618</u>	<u>678,761</u>
Cash flow from financing activities:		
Dividends paid	-2,803	-4,357
Proceeds from borrowings	2,185,724	633,108
Repayment of borrowings	-2,125,902	-1,323,934
Cash flow from financing activities	<u>57,019</u>	<u>-695,183</u>
Net change in cash during the year	36	-64
Net cash position at the beginning of the period	<u>-24</u>	<u>40</u>
Net cash position at the end of the period	<u><u>12</u></u>	<u><u>-24</u></u>

The notes on page 11 to page 26 are an integral part of the financial statements.

Statement of changes in shareholder's equity

Thousands of euros	Issued capital	Share premium reserve	Retained earnings	Result for the year	Total
Balance as at January 1, 2009	15,429	4,660	-244	4,601	24,446
Allocation of result	0	0	4601	-4601	0
Net income	0	0	0	2,803	2,803
Dividend paid	0	0	-4,357	0	-4,357
Balance as December 31, 2009	15,429	4,660	0	2,803	22,892

Thousands of euros	Issued capital	Share premium reserve	Retained earnings	Result for the year	Total
Balance as at January 1, 2010	15,429	4,660	0	2,803	22,892
Allocation of result	0	0	2,803	-2,803	0
Net income	0	0	0	3,257	3,257
Dividend paid	0	0	-2,803	0	-2,803
Balance as at December 31, 2010	15,429	4,660	0	3,257	23,346

The notes on page 11 to page 26 are an integral part of the financial statements.

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 Herengracht 471, Amsterdam 1017 BS. . 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The comparative amounts of the other financial result have been reclassified to conform with the current year's presentation.

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.

Cash flow statements

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

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

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

Financial instruments

Financial instruments include investments in shares and bonds, loans granted and other receivables, cash items, loans and other financing commitments and other payables. Financial instruments also include derivative financial instruments that 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.

Purchased loans and bonds

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

Loans granted and other receivables

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

Other financial commitments

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

Derivatives

The Company uses currency swap and 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.

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.

Tax on result

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.

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.

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.

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 31 December 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:

	<u>2010</u>	<u>2009</u>
	EUR 000	EUR 000
Loans to affiliated companies	<u>3,717,662</u>	<u>3,882,279</u>
	<u>3,717,662</u>	<u>3,882,279</u>

Of the loans to affiliated companies, an amount of EUR 1,518 million have 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:

	<u>2010</u> EUR 000
Balance as at January 1, 2010	3,882,279
Transfer to current assets	-51,437
Early redemption	-134,872
Additions due to zero coupon notes	10,442
Additions due to amortised cost of the upfront fee of outstanding loans	<u>11,250</u>
Balance as at December 31, 2010	<u><u>3,717,662</u></u>

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:

	<u>12.31.2010</u> EUR 000	<u>12.31.2009</u> EUR 000
Interest receivable related parties	66,604	86,028
Other receivables and prepaid expenses	<u>0</u>	<u>9</u>
	<u><u>66,604</u></u>	<u><u>86,037</u></u>

5. Cash

No restrictions on usage of cash exist.

6. Shareholder's equity

Issued capital

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, 2010, 34,000 shares were issued and paid in.

Share premium reserve

The share premium concerns the income from the issuing of shares insofar at this exceeds the nominal value of the shares.

At least EUR 4,660,501 (year-end 2010) of the share premium reserve can be considered as freely distributable share premium as referred to in the 1964 Income Tax Act.

Retained earnings

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2010 profit after tax: the total amount of the profit after tax is to be paid out as dividend.

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 underneath:

	2010 EUR 000	2009 EUR 000
Interest expense to third parties of EMTN Programme	117,448	154,229
Interest expense to subsidiary due to loan	75,916	75,750
Interest expense to third parties of ECP notes	21,987	25,355
Interest expense to subsidiary due credit line	119	246
	<u>215,470</u>	<u>255,580</u>

The interest on the individual EMTN and USPP notes is either fixed or floating. By the use of interest rate swaps, net interest payable is mostly related to Libor or Euribor rates plus a mark-up. Of the EMTN and USPP notes before swap, an amount of 2,115 million has fixed interest rate between 5,02% and 6,26%.

Notes are valued at "Amortized costs". The market price of the EMTN's and USPP's notes issued as at 31 December 2010 is EUR 2,232,362,007.

The maturity dates of the Notes issued are the following:

Serie		Currency	Maturity	Option
NI032	EMTN	EUR	February 2039	February 2012
NI039	EMTN	EUR	October 2019	October 2019
NI048	EMTN	EUR	September 2015	September 2015
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 above. During 2010 the Company reimbursed the notes numbers 31, 33 and 43.

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

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

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

	<u>2010</u> EUR 000
Balance as at January 1, 2010	3,880,660
Transfer to current liabilities	-48,656
Early redemption	-134,872
Additions due to zero coupon notes	11,272
Additions due to amortised cost of upfront fee of the outstanding loans	<u>12,199</u>
Balance as at December 31 2010	<u><u>3,720,603</u></u>

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. These liabilities mature within one year.

9. Interest payable

The interest payable can be detailed as follows:

	<u>2010</u> EUR 000	<u>2009</u> EUR 000
Payable to third parties	61,020	58,530
Payable to subsidiary	<u>541</u>	<u>541</u>
	<u><u>61,561</u></u>	<u><u>59,071</u></u>

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 December 31, 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.

Cross currency interest rate derivatives:

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

The estimated fair value of derivative financial instruments as at December 31, 2010 is EUR -145 million (2009: EUR -206,5 million).

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 consist of:

	2010	2009
	EUR 000	EUR 000
Interest expense to third parties of EMTN Programme	117,448	154,229
Interest expense to subsidiary due to loan	75,916	75,750
Interest expense to third parties of ECP notes	21,987	25,355
Interest expense to subsidiary due credit line	119	246
	<u>215,470</u>	<u>255,580</u>

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:

	2010	2009
	EUR 000	EUR 000
Salary expenses	158	149
Pension costs	0	0
Other personal expenses	40	46
Professional fees	138	192
General expenses	159	143
	<u>495</u>	<u>530</u>

Personnel

The average number of staff employed during the year 2010 year was 3.
(2009:3)

15. Tax

The effective rate for the financial year ended December 31, 2010 amounts to 25,25%. The nominal tax rate for 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. Auditor's fee

According to article 382a of Book 2 of Dutch Civil Code, the audit fees for the year 2010 amount to 45,737 EUR (2009: 29,750 EUR).

18. 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 EUR 1,474,052.77. 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 a 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, February 15, 2011.

Francisco Ramírez 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.

Proposed appropriation of net income 2010

The Managing Director proposed to the shareholders a dividend distribution of 100% of the net income for the year 2010, 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.

Independent auditor's report

To the shareholder of International Endesa B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of International Endesa B.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of International Endesa B.V. as at 31 December 2010 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 15 February 2010

KPMG ACCOUNTANTS N.V.

L.M.A. van Opzeeland RA