International Endesa B.V.
Amsterdam

Report on the
annual accounts 2007

April 21, 2008

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Amsterdam

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Management Board's report

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

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

Management of the company is pleased to present herewith the financial statements for the year ended December 31, 2007. The result for 2007 was in accordance with management's expectations.

Operating results

The company earned a profit before taxation of EUR 6.365.761 due to its finance activities. In 2008, the Board of Directors will propose a dividend distribution. The amount of the dividend will be the net result (profit after taxation).

Principal activities in 2007

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

During 2007, 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, 2007 is EUR 1.113 million. The volume issued is EUR 5.705 million and average debt is EUR 1.383 million. All funds have been lent to companies of the Endesa Group.

The company has performed back-office and administration activities of ECP, MTN, Private Placement and Intercompany Loans and has sent daily capital market reports.

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

On October 5, 2007, changes in the Endesa Group intercompany short-term multicurrency credit facility were made.

On April 25, 2007, the Board of Directors proposed a dividend distribution of EUR 4.255.327 for April 25, 2007. This amount belongs to the result of the financial year 2006.

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Predictable evolution

On October 5, 2007, the Spanish Comisión Nacional del Mercado de Valores - CNMV informed Enel Energy Europe S.r.L. ("EEE"), Acciona S.A. ("Acciona") and Endesa S.A. ("Endesa") that an aggregate number of 487.601.643 ordinary shares representing 46,05% of the share capital of Endesa, including ordinary shares represented by ADSs, were tendered into the joint tender offers in Spain and in the U.S. (the "Joint Tender Offer") and were not withdrawn. EEE acquired 445.522.261 ordinary shares in Endesa and Acciona acquired 42.079.382 ordinary shares in Endesa as a result of the Joint Tender Offer. The settlement of the Spanish offer occurred on Wednesday, October 10, 2007. Therefore, as a result the Joint Tender Offer, ENEL Società per Azioni ("Enel") and EEE, which is a wholly-owned subsidiary of Enel, own 709.923.858 ordinary shares of Endesa representing a 67,05% of the share capital and Acciona and Finanzas Dos S.A. ("Finanzas"), which is a wholly-owned subsidiary of Acciona, own 264.793.905 ordinary shares of Endesa representing a 25,01% of the share capital of Endesa. It is not expected that the actual shareholder structure of Endesa will have any imminent impact on the activities of the Company and therefore it can be reasonably expected that the Company will continue its business as usual.

Risks and uncertainties

Due to the prudent company's management policy regarding its financial assets and liabilities, the events happened on financial markets in the second half of 2007 have not affected the business of International Endesa B.V.

Future outlook

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

Amsterdam, April 21, 2008

Managing Director:

José Antonio Artés

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Balance sheet as at December 31, 2007

(before appropriation of net income)

	Note	12.31.2007		12.31.2006	
			EUR 000		EUR 000
Assets					
Fixed assets					
Financial fixed assets:					
Investment in subsidiary	1		0		0
Loans to affiliated companies	2		5.680.040		5.784.904
Current assets					
Accounts receivable:	3				
Receivable from affiliated companies		1.208.124		873.429	
Interest receivable and prepaid expenses	4	118.563		117.782	
Income tax receivable		279	1.326.966	194	991.405
Cash	5		22		13
			7.007.028		6.776.322

	Note	12.31.2007		12.31.2006	
			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	
Retained earnings		0		0	
Result for the year		4.835	24.924	4.255	24.344
Long-term liabilities	7		5.680.268		5.785.245
Short-term liabilities					
Notes payable	8	1.187.149		848.806	
Interest payable	9	106.859		111.756	
Payable to subsidiary		7.801		6.142	
Accrued liabilities		27	1.301.836	29	966.733
			7.007.028		6.776.322

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Profit and loss account for the year 2007

	Note		2007		2006
			EUR 000		EUR 000
Financial income and expense:					
Interest income	10	337.493		293.450	
Interest expense	11	(330.440)	7.053	(286.765)	6.685
General and administrative expenses	12		688		642
Income before provision for income taxes			6.365		6.043
Provision for income taxes	13		1.530		1.788
Net income			4.835		4.255

Notes to the financial statements

General

International Endesa B.V. ("the company") was incorporated under the law of the Netherlands on June 10, 1993 and has its statutory seat in Amsterdam, the Netherlands, 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. 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.

Comparison with prior year

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

Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands 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.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when covered by a hedge or swap 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.

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

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

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

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

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

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

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

Notes to the specific items of the balance sheet

1. Investment in subsidiary

The company holds 100% of the common capital securities of Endesa Capital Finance, LLC, having its statutory seat in Delaware, USA. To the common capital securities all net losses are allocated (in the events such should occur), and all gains and losses resulting from the disposition of assets by Endesa Capital Finance, LLC.

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

2. Loans to affiliated companies

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

	12.31.2007	12.31.2006
	EUR 000	EUR 000
Loans to parent company	459.489	496.812
Loans to affiliated companies	5.111.315	5.179.028
Receivable zero coupon swaps	160.424	172.300
Upfront fee	(51.188)	(63.236)
	5.680.040	5.784.904

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

	EUR 000
Balance as at January 1, 2007	5.784.904
Transfer upfront fee to current assets	12.048
Transfer to current assets	(90.323)
Early redemption	(37.323)
Additions due to zero coupon notes	10.734
Balance as at December 31, 2007	5.680.040

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

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

	EUR 000
Balance as at January 1, 2007	63.236
Transfer upfront fee to current assets	(12.048)
Balance as at December 31, 2007	51.188

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:

	12.31.2007	12.31.2006
	EUR 000	EUR 000
Interest receivable related parties	94.862	82.165
Interest receivable on swaps	23.695	35.610
Other receivables and prepaid expenses	6	7
	118.563	117.782

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	Retained earnings	Result for the year	Total
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Balance as at January 1, 2006	15.429	4.660	0	4.367	24.456
Allocation result	0	0	4.367	(4.367)	0
Net income	0	0	0	4.255	4.255
Dividend paid	0	0	(4.367)	0	(4.367)
Balance as at December 31, 2006	15.429	4.660	0	4.255	24.344
Balance as at January 1, 2007	15.429	4.660	0	4.255	24.344
Allocation 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

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, 2007, 34.000 shares were issued and paid in.

In 2007, dividend was paid of EUR 4.255.327.

7. Long-term liabilities

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

The original notes issued are denominated in various currencies. The nominal interest rates on the notes issued vary from 0,9% to 7,3%. 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:

	12.31.2007	12.31.2006
	EUR 000	EUR 000
EMTN notes	4.044.328	4.287.783
EMTN notes to subsidiary	1.452.408	1.429.034
Net value currency swaps	234.476	131.391
Upfront fee	(50.944)	(62.963)
	5.680.268	5.785.245

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, 2007, 41% (EUR 2.357 million) of the long-term liabilities have a remaining period up to five years and 59% (EUR 3.323 million) have 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, 2007	5.785.245
Transfer upfront fee to current liabilities	12.019
Transfer to current liabilities	(90.323)
Early redemption	(37.410)
Additions due to zero coupon notes	10.737
Balance as at December 31, 2007	5.680.268

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

	Due to subsidiary	Due to third parties	Total
	EUR 000	EUR 000	EUR 000
Balance as at January 1, 2007	58.812	4.151	62.963
Transfer upfront fee to current liabilities	(11.220)	(799)	(12.019)
Balance as at December 31, 2007	47.592	3.352	50.944

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:

	12.31.2007	12.31.2006
	EUR 000	EUR 000
Payable to third parties	106.201	111.193
Payable to subsidiary	658	563
	106.859	111.756

Contingent liabilities

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

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

Financial instruments

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

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

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

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

On-balance sheet instruments

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

The estimated fair values of on-balance financial instruments as at December 31, 2007 approximate their carrying amounts, unless indicated otherwise.

Off-balance sheet instruments

Interest derivatives:

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

Foreign exchange derivatives:

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

Notes to the specific items of the profit and loss account

10. Interest income

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

11. Interest expense

Interest expense consists of:

	2007	2006
	EUR 000	EUR 000
Interest expense to third parties of EMTN Programme	228.870	264.419
Interest expense to subsidiary due to loan	69.448	64.220
Interest expense to third parties of ECP notes	57.316	28.657
Net interest expenses off-balance sheet instruments	(25.459)	(70.612)
Interest expense to subsidiary due to credit line	279	153
Other interest expense	(14)	(72)
	330.440	286.765

12. General and administrative expenses

General and administrative expenses consist of:

	2007	2006
	EUR 000	EUR 000
Salary expenses	291	268
Pension costs	2	0
Other personnel expenses	101	77
Professional fees	120	120
General expenses	174	177
	688	642

13. Provision for income taxes

The effective tax rate for the financial year ending December 31, 2007 amounts 24,0% (2006: 29,6%). The nominal tax rate for the financial year ending December 31, 2007 amounts 25,5%. The difference between the effective and the nominal tax rates is due to a refund of prior year income tax payments.

Other notes and signing of the financial statements

Statutory Director

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

Personnel

The average number of personnel during the year was approximately 3 (2006: 3).

Signing of the financial statements

Amsterdam, April 21, 2008

Managing Director:

José Antonio Artés

International Endesa B.V.
Amsterdam

Other information

Auditor's report

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

Appropriation of net income

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

Post-balance sheet events

There are no post-balance sheet events.

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The Managing Director of
International Endesa B.V.
Amsterdam

Date	Reference
April 21, 2008	J. Penon

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of International Endesa B.V., Amsterdam, which comprise the balance sheet as at December 31, 2007, 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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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, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Deloitte Accountants B.V.

signed by: J. Penon