KPMG

ENDESA CAPITAL FINANCE, L.L.C.

(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

ACTION BY UNANIMOUS WRITTEN CONSENT

OF THE

BOARD OF DIRECTORS

OF

ENDESA CAPITAL FINANCE, LLC

The undersigned, being all the directors of Endesa Capital Finance, LLC, a Delaware Limited Liability Company (the "Company"), hereby adopt the following as a resolution of the board of directors of the Company:

RESOLVED, the audited financial statements for the years ended December 31, 2009 and December 31, 2008 and the Independ Auditors Report prepared by KPMG LLP and dated February 11, 2010 are hereby approved and accepted.

IN WITNESS WHERE OF, the undersigned have: executed this Unanimous Written Consent as of the 5th day of March 2010.

Francisco Ramírez Millor

Gregory F. Lavelle

ENDESA CAPITAL FINANCE, L.L.C.
(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors and Securityholders
Endesa Capital Finance, L.L.C.:

We have audited the accompanying balance sheet of Endesa Capital Finance, L.L.C. (the Company) (an indirect wholly owned subsidiary of Endesa, S.A.) as of December 31, 2009, and the related statements of income, securityholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of the Company as of December 31, 2008 and for the year then ended were audited by other auditors whose report dated February 18, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in note 8 to the financial statements, the Company conducts significant transactions with related parties.

KPMG LLP

February 11, 2010

ENDESA CAPITAL FINANCE, L.L.C.
(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

Balance Sheets

December 31, 2009 and 2008

(In Euros)

Assets		2009	2008
Current assets:			
Cash	€	4,868	458
Accrued interest receivable		538,685	550,828
Short-term loan receivable to International Endesa B.V.		11,245,609	9,601,171
Total current assets		11,789,162	10,152,457
Loan to International Endesa B.V. – net of unearned loan fees of €36,371,500 and €47,591,500 in 2009 and 2008, respectively		1,463,628,500	1,452,408,500
Total	€	1,475,417,662	1,462,560,957
Liabilities and Securityholders' Equity			
Current liabilities:			
Preferred dividends payable	€	500,000	500,000
Liquidity fee payable		16,659	16,660
Accounts payable		1,495	1,527
Total current liabilities		518,154	518,187
Securityholders' equity:			
Preferred capital securities. Authorized noncumulative 80,000,000 securities; issued and outstanding 60,000,000 securities as of December 31, 2009 and 2008, authorized liquidation preference of €25 per security with an aggregate liquidation preference of €1.5 billion as of December 31, 2009 and 2008 – net of issuance costs of €111,574,581		1,388,425,419	1,388,425,419
Common capital securities. Authorized, issued, and outstanding 10 securities as of December 31, 2009 and 2008		92	92
Retained earnings		86,473,997	73,617,259
Total securityholders' equity		1,474,899,508	1,462,042,770
Total	€	1,475,417,662	1,462,560,957

See accompanying notes to financial statements.

ENDESA CAPITAL FINANCE, L.L.C.
(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

Statements of Income

Years ended December 31, 2009 and 2008

(In Euros)

		2009	2008
Revenues:			
Interest income from loan to International Endesa B.V.	€	64,500,000	80,718,125
Loan fee income		11,220,000	11,220,000
Other interest income		243,852	428,541
Total revenues		75,963,852	92,366,666
Operating expenses:			
Liquidity fees		2,999,999	2,999,999
Guaranty fees		—	2,983,339
Other		107,115	113,769
Total operating expenses		3,107,114	6,097,107
Net income		72,856,738	86,269,559
Preferred dividends		60,000,000	73,243,125
Net income attributable to common securityholders	€	12,856,738	13,026,434

See accompanying notes to financial statements.

ENDESA CAPITAL FINANCE, L.L.C.
(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

Statements of Securityholders' Equity

Years ended December 31, 2009 and 2008

(In Euros)

	Preferred capital securities	Common capital securities	Retained earnings	Total
Balance – January 1, 2008	€ 1,388,425,419	92	60,590,825	1,449,016,336
Net income	—	—	86,269,559	86,269,559
Preferred dividends	—	—	(73,243,125)	(73,243,125)
Balance – December 31, 2008	1,388,425,419	92	73,617,259	1,462,042,770
Net income	—	—	72,856,738	72,856,738
Preferred dividends	—	—	(60,000,000)	(60,000,000)
Balance – December 31, 2009	€ 1,388,425,419	92	86,473,997	1,474,899,508

See accompanying notes to financial statements.

ENDESA CAPITAL FINANCE, L.L.C.
(An Indirect Wholly Owned Subsidiary of Endesa, S.A.)

Statements of Cash Flows

Years ended December 31, 2009 and 2008

(In Euros)

		2009	**2008**
Cash flows from operating activities:			
Net income	€	72,856,738	86,269,559
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of loan fee income		(11,220,000)	(11,220,000)
Changes in operating assets and liabilities:			
Decrease in accrued interest receivable		12,143	118,138
Decrease in liquidity fee payable		(1)	(1)
Decrease in guaranty fee payable		—	(16,661)
Increase (decrease) in accounts payable		(32)	83
Net cash provided by operating activities		61,648,848	75,151,118
Cash flows from investing activities:			
Increase in short-term loan receivable from International Endesa B.V.		(1,644,438)	(1,812,260)
Cash flows from financing activities:			
Payment of dividends		(60,000,000)	(73,338,750)
Net increase in cash		4,410	108
Cash – beginning of year		458	350
Cash – end of year	€	4,868	458
Supplemental disclosure of noncash financing activities:			
Accrued and unpaid dividends on preferred capital securities	€	500,000	500,000

See accompanying notes to financial statements.

(1) Organization

Endesa Capital Finance, L.L.C. (the Company) was formed under the laws of the State of Delaware on February 21, 2003. The Company is a direct wholly owned subsidiary of International Endesa B.V. (the Parent), which, in turn, is a wholly owned subsidiary of Endesa, S.A. (Endesa). Endesa is a Spanish corporation that is involved in the generation, transmission, marketing, and distribution of electricity in Europe and Latin America. The Company was established for the purpose of issuing preferred capital securities and common capital securities and to use substantially all of the proceeds thereof to enter into loan agreements with the Parent or other non-U.S. affiliates of Endesa.

(2) Summary of Significant Accounting Policies

(a) Basis of presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and related notes. Actual amounts could differ from those estimates. The Company's functional currency and reporting currency is the Euro.

(b) Revenue Recognition

Interest income is recognized as earned, based upon the principal amount outstanding on loans on an accrual basis. Loan fees are recognized into income using a method which approximates the effective interest method over the life of the related loan.

(c) Fair Value of Financial Instruments

Presented below is a brief summary of the significant management estimates relating to the fair value of financial instruments:

Cash – The recorded amounts of cash approximate fair value due to the short-term nature of these instruments.

Short-Term Loan Receivable from Parent – The recorded amount of the loan approximates fair value due to the short-term nature of the loan and the periodic repricing of the loan.

Loan to the Parent – The recorded amount of the loan approximates fair value due to the periodic repricing of the loan's interest rate.

Other Current Liabilities – The recorded amount of other current liabilities approximates fair value due to their short-term nature.

(d) Federal and State Income Taxes

The Company is a partnership for federal and state income tax purposes. As such, the income tax effects of the results of operations of the Company pass through directly to the owners. Accordingly, the accompanying financial statements do not include any effects for income taxes. Management evaluates the Company's tax positions taken to determine whether the tax positions are "more-likely-than-not" of being sustained by the Company upon challenge by the applicable tax authorities. For the year ended December 31, 2009, management has concluded there are no uncertain tax positions that would require financial statement recognition or disclosure.

(e) Fair Value Measurement

The Financial Standards Accounting Board (FASB) Accounting Standard Codification (ASC) 825, *Financial Instruments*, provides reporting entities an option to report selected financial assets and liabilities at fair value. The Company adopted FASB ASC 825 effective January 1, 2008, and has elected not to measure any of its current eligible financial assets or liabilities at fair value.

(3) Loan to the Parent

On March 28, 2003, the Company made a loan of €1.5 billion to the Parent in exchange for a note. The note, which matures on March 28, 2013, bears interest at a rate equal to the three-month European InterBank Offering Rate (Euribor) plus a margin (0.50%), provided, however, that the three-month effective Euribor shall in no event be less than 4.00% or more than 7.00%. In January 2009, the note was amended to a margin of 0.30%. Interest is due and payable quarterly in arrears on March 28, June 28, September 28, and December 28, commencing June 28, 2003. The effective interest rate of the loan was 4.30% and 4.30% as of December 31, 2009 and 2008, respectively. In connection with this loan, the Company deducted an up-front loan fee of €112,200,000 from the loan amount to be disbursed to the Parent. The Company recognized loan fee income of €11,220,000 representing the accretion of the up-front loan fee for the years ended December 31, 2009 and 2008, respectively. The loan to the Parent is presented net of unearned up-front loan fees of €36,371,500 and €47,591,500 as of December 31, 2009 and 2008, respectively.

On March 26, 2003, the Company extended a €10 million short-term credit facility (the Credit Facility) to the Parent. The Credit Facility bears interest equal to the average of the three-month and six-month Euribor plus a margin (0.10%). The effective interest rate of the credit facility was 1.295% and 4.900% at December 31, 2009 and 2008, respectively. The original maturity date of the Credit Facility was March 26, 2004 and has been automatically extended on a monthly basis until March 24, 2009 when the Company extended a new €20 million short-term credit facility (2009 Credit Facility) to the Parent that modified and superseded the March 26, 2003 Credit Facility. The 2009 Credit Facility bears interest equal to the average of the three-month and six-month Euribor plus a margin (0.10%). The maturity date is March 24, 2010 and will be automatically extended on annual periods until written notice is provided by either party.

At December 31, 2009 and 2008, the Company had a loan receivable of €11,245,609 and €9,601,171, respectively, from the Parent pursuant to the Credit Facility.

(4) Common Capital Securities

The Company has issued 10 common capital securities to the Parent. Common capital securities are allocated 100% of the net losses of the Company (in the event such should occur) and all gains and losses resulting from the disposition of assets from the Company. The net profits of the Company are allocated to the preferred capital securities until the amount so allocated equals the amount of preferred capital securities dividends 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.

(5) Preferred Capital Securities

The Company is authorized to issue and sell preferred capital securities having an aggregate initial liquidation preference of €2 billion. This amount may be amended or restated by resolution of the Board of Directors. Holders of preferred capital securities are entitled to receive, when, as, and if declared by the Board of Directors, out of the Company's net profits, cash dividends that will be paid at such rates as will be determined by the Board of Directors prior to the first issuance of these securities. Dividends on the preferred capital securities are noncumulative. Endesa is the guarantor of these securities.

On March 28, 2003, the Company completed the issuance of 60,000,000 preferred capital securities and received proceeds of €1.5 billion from the issuance. Preferred capital securityholders are entitled to receive dividends at a rate equal to the three-month effective Euribor, provided, however, that the three-month effective Euribor shall in no event be less than 4.00% or more than 7.00%. Dividends are payable quarterly in arrears on March 28, June 28, September 28, and December 28 of each year. The preferred capital securities cannot be redeemed by the Company prior to March 28, 2013, with the exception of certain tax-related events, as defined in the Amended and Restated Limited Liability Company Agreement of Endesa Capital Finance, L.L.C. (the Agreement). In the event the preferred capital securities are not redeemed on March 28, 2013, preferred capital securityholders are entitled to receive dividends at a rate equal to the three-month Euribor plus an effective annual rate of 3.75%. All costs related to this transaction were incurred by the Company and have been charged against the proceeds from issuing the securities.

Preferred capital securities possess no voting rights. However, in the event that the Company fails to pay dividends in full on the preferred capital securities (and the guarantor fails to make a corresponding payment under the guarantee) for five consecutive dividend periods, the holders of the preferred capital securities have the right to alter the composition of the Board of Directors as prescribed in the Agreement.

Preferred capital securities may not be sold or otherwise transferred to a person in the United States of America except pursuant to sales or other transfers that satisfy the requirements of Regulation S under the Securities Act of 1933 (the Securities Act) or that are otherwise exempt from the registration requirements of the Securities Act.

In the event of any voluntary or involuntary liquidation of the Company, the holders of the preferred capital securities will be entitled to receive out of the assets of the Company available for distribution to securityholders an amount equal to the liquidation preference per preferred capital security, plus accrued and unpaid dividends thereon for the then-current dividend period, if any, to the date of liquidation. This distribution will occur before any distribution of assets is made to holders of common capital securities or any other class of securities ranking junior to the preferred capital securities.

(Continued)

The Company may not, without the prior approval of the preferred capital securityholders owning not less than 66% of the aggregate liquidation preference of all preferred capital securities then outstanding, merge or consolidate into another entity unless such successor entity assumes all of the obligations of the Company under the preferred capital securities or replaces the preferred capital securities with other securities that have at least the same participation in the profits or assets of the successor entity as the preferred capital securities have in the Company.

(6) Liquidity Fee

In February 2003, the Company entered into a "Contrato de Liquidez" (the Liquidity Fee Agreement) with the underwriters, an unrelated party, of its preferred capital securities offering. Pursuant to the Liquidity Fee Agreement, the Company is committed to pay an annual liquidity fee of 0.2% of the outstanding principal amount of the preferred capital securities. The Company has recorded a liquidity fee expense of €2,999,999 for the years ended December 31, 2009 and 2008, respectively.

(7) Guaranty Fee

In February 2003, the Company entered into a "Acuerdo de Contragarantia" (the Guaranty Fee Agreement) with Endesa, the guarantor of the Company's preferred capital securities offering and the Company's ultimate parent company. Pursuant to the Guaranty Fee Agreement, the Company is committed to pay an annual guaranty fee of 0.2% of the outstanding principal amount of the Preferred Capital Securities. In December 2008, the Company entered into a "Contrato de Resolucion de Acuerdo de Contragarantia" (the Guaranty Resolution Agreement). The Guaranty Resolution Agreement eliminated the guarantee fee payment of 0.2% effective December 28, 2008. The Company has recorded a guaranty fee expense of €0 and €2,983,339 for the years ended December 31, 2009 and 2008, respectively.

(8) Related-Party Transactions (Amounts Shown in U.S. Dollars)

Pursuant to the Agreement described in note 5, the Parent is responsible for paying substantially all expenses of the Company to the extent such expenses are not paid by the Company. The expenses covered by the Agreement include administrative and organizational costs, as well as any costs resulting from any litigation against the Company.

As discussed in note 3, the Company's loans to the Parent are related-party transactions.

In addition, the guaranty fee discussed in note 7 was paid to Endesa.

(Continued)

Puglisi & Associates, under terms of a Vendor Agreement dated February 25, 2003, provides accounting and related administrative functions for the Company. The related vendor fee amounts to $28,500 per year. Under the terms of a Lease Agreement dated February 25, 2003, Puglisi & Associates also provides office space to the Company. The office lease amounts to $1,500 per year. Gregory F. Lavelle, who is a director of the Company, also works for Puglisi & Associates. The related director fee amounts to $6,000 per year.

(9) Subsequent Events

Management of the Company has evaluated the need for adjustments and/or disclosures resulting from subsequent events through February 11, 2010, the date the financial statements were available to be issued. Based on this evaluation, no subsequent events requiring additional adjustments and/or disclosures have been identified.

endesa Capital Finance L.L.C.

Management Report 2009

1. General Comments

Endesa Capital Finance, L.L.C. (the "Company") was formed under the laws of the State of Delaware on February 21, 2003. The Company is a wholly owned subsidiary of International Endesa B.V. (the "Parent") which, in turn, is a wholly owned subsidiary of Endesa, S.A. ("Endesa"). Endesa is a Spanish corporation that is involved in the generation, transmission, marketing, and distribution of electricity in Spain, Europe, and Latin America.

The Company was established for the purpose of issuing preferred capital securities and common capital securities and to use substantially all of the proceeds thereof to enter into loan agreements with the Parent or other non-U.S. affiliates of Endesa.

Loan to the Parent: On March 28, 2003, the Company made a loan of €1.5 billion to the Parent in exchange for a note. The note, which matures on March 28, 2013, bears interest at a rate equal to the three-month European InterBank Offering Rate ("Euribor") rate plus a margin (0.30%), provided, however, that the three-month Euribor effective rate shall in no event be less than 4.00% or more than 7.00%. Interest shall be due and payable quarterly in arrears on March 28, June 28, September 28, and December 28 commencing June 28, 2003. In connection with this loan, the Company deducted an up-front loan fee of €112,200,000 from the loan amount to be disbursed to the Parent. Also on March 26, 2003, the Company extended a €10 million short-term credit facility (the "Credit Facility") to the Parent. The Credit Facility bears interest equal to the average of the three-month and six-month Euribor rates plus a margin (0.10%).On March 24,2009 the Company extended a new €20 millon short-term credit facility (2009 Credit Facility) to the Parent that modified and superseded the March 26,2003 Credit Facility.

Preferred capital securities: On March 28, 2003, the Company completed the issuance of 60,000,000 preferred capital securities and received proceeds of €1.5 billion from the issuance. Preferred capital security holders are entitled to receive dividends at a rate equal to the three-month Euribor effective rate, provided, however, that the three-month Euribor effective rate shall in no event be less than 4.00% or more than 7.00%. Dividends shall be payable quarterly in arrears on March 28, June 28, September 28, and December 28 of each year. The preferred capital securities shall not be redeemed by the Company prior to March 28, 2013, with the exception of certain tax-related events, as defined in the Amended and Restated Limited Liability Company Agreement of Endesa Capital Finance, L.L.C. (the "Agreement"). In the event the preferred capital securities are not redeemed on March 28, 2013, preferred capital security holders are entitled to receive dividends at a rate equal to the three-month Euribor rate plus an effective annual rate of 3.75%. All costs related to this transaction were incurred by the Company and have been charged against the proceeds from issuing the securities.

Liquidity fee: In February 2003, the Company entered into a "Contrato de Liquidez" (the "Liquidity Fee Agreement") with the underwriters, an unrelated party, of its preferred capital securities offering. Pursuant to the Liquidity Fee Agreement, the Company is committed to pay an annual liquidity fee of 0.2% of the outstanding principal amount of the preferred capital securities.

Guaranty fee: In February 2003, the Company entered into a "Acuerdo de Contragarantia" (the "Guaranty Fee Agreement") with Endesa, the guarantor of the Company's preferred capital securities offering and the Company's ultimate parent company. Pursuant to the Guaranty Fee Agreement, the Company is committed to pay an annual guaranty fee of 0.2% of the outstanding principal amount of the Preferred Capital Securities. In December 28th 2008 this fee was removed.

The Company is filing with the CNMV the Financial Statements, balance sheet and income statement, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), for the twelve months period ended December 31, 2009.

2. *Operating Results*

The net income attributable to common security holders for the period ended December 31, 2009 reached €12,856,738. in line with previous years.

The Balance Sheets maintains a similar structure that it showed at the end of 2008.

3. *Main Activities during 2009*

No new preferred capital securities were issued during 2009.

Holders of preferred capital securities received dividends of € 60,000,000 during 2009.

The Company paid €3 million as a liquidity fee.

During 2009 the Company continued to grant loans to the Parent. As of December 31, 2009 the amount granted reached €1,463,628,500 as a long term loan and €11,245,609 as a short-term credit facility.

4. *Financial Risk Management*

The Endesa's Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations.

5. *Future Outlook*

No significant changes are expected in the foreseeable future. Activities of the Company are expected to be those related to the borrowing and lending of funds.

March 25, 2010

Francisco Ramírez Millor
Endesa Capital Finance L.L.C.

Greg Lavelle
Endesa Capital Finance L.L.C.