Capital Finance L.L.C.

Management Report 2011

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. The Company recognized loan fee income of €23,546,855 and €11,220,000 representing the accretion of the up-front loan fee for the years ended December 31, 2011 and 2010, respectively. The loan to the parent is presented net of unearned up-front loan fees of €1,604,645 and €25,151,500 as of December 31, 2011 and 2010, respectively.

In June 2011, the Parent repurchased €1,318,628,775 of the outstanding notes. In connection with the repurchase, the Company adjusted in amortization related to the upfront loan fees, which resulted in an additional €12,326,855 in up-front loan fee accretion. The Company also collected an additional €11,208,345 from the Parent, which has been recognized as prepayment fee income for the year ended December 31 ,2011.

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 million short-term credit facility (2009 Credit Facility) to the Parent that modified and superseded the March 26,2003 Credit Facility. At December 31, 2011 and 2010, the Company had a loan receivable of €12,131,632 and € 12,793,918, respectively, from the Parent pursuant to the 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.

On June 2011, the Company repurchased €1,318,628,775 of the preferred capital securities notes. In connection with the repurchase, the Company paid €11,208,345 to third parties as redemption fee. This amount has been recognized in operating expenses for the year .

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, 2011.

2. ***Operating Results***

The net income attributable to common security holders for the period ended December 31, 2011 reached €22,848,777.

3. ***Main Activities during 2011***

No new preferred capital securities were issued during 2011.

On June 2011, the Company repurchased €1,318,628,775 of the preferred capital securities notes.

Holders of preferred capital securities received dividends of € 33,627,424 during 2011.

The Company paid €3 million as a liquidity fee.

During 2011 the Company continued to grant loans to the Parent. As of December 31, 2011 the amount granted reached €179,766,580 as a long term loan and €12,131,632 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.

February 29, 2012

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ENDESA CAPITAL FINANCE, LLC
BALANCE SHEET
December 31, 2011

ASSETS

Cash	422.67 €
Loan to Endesa BV	181,371,225.00
Deferred Fee Income	(1,604,644.80)
Short-term Investments	0.00
Loan Interest Receivable	43,327.57
Credit Line Interest Receivable	5,956.29
Intercompany Accounts Receivable	0.00
Credit Line EIBV	12,131,631.73
Total assets	191,947,918.46 €

LIABILITIES AND STOCKHOLDERS' EQUITY

Outside Accounts Payable	2,801.61 €
Intercompany Accounts Payable	961.87
Preferred Dividends Payable	40,304.72
Liquidity fees payable	16,666.68
Guaranty fees payable	0.00
Total liabilities	60,734.88
Common Capital	91.79
Preferred Shares	
EUR 181,371,225 net of issuance costs of 111,574,581.33	69,796,643.67
Retained earnings	122,090,448.12
Total stockholders' equity	191,887,183.58
Total liabilities and stockholders' equity	191,947,918.46 €

ENDESA CAPITAL FINANCE, LLC
STATEMENT OF RETAINED EARNINGS
For the period ending December 31, 2011

Balance at beginning of year	99,241,671.18 €
Plus net earnings for the period	22,848,776.94
Balance at 12/31/2011	122,090,448.12 €

ENDESA CAPITAL FINANCE, LLC
STATEMENT OF EARNINGS
For the period ending December 31, 2011

	Current Month	Year to Date
Loan interest income	649,913.56 €	35,655,308.93 €
Prepayment Fee Income	123,434.20	11,948,950.20
Fee income	0.00	22,806,250.00
Investment income	0.07	8.96
Credit line income	19,082.29	191,650.06
Other income	0.00	0.00
Deferred Revenue	0.00	0.00
Gain/(Loss) on currency exchange	(324.99)	(1,028.63)
Total income	792,105.13	70,601,139.52
Liquidity fees	499,999.80	3,000,009.02
Guaranty fees	0.00	0.00
Miscellaneous expenses	0.00	0.00
Administrative expenses	6,958.56	376,279.34
Issuance related expenses	0.00	11,208,345.00
Dividends on preferred shares	604,570.75	33,167,729.22
Net income to common shareholder	(319,423.98 €)	22,848,776.94 €