



endesa capital finance l.l.c.

Management Report and  
Financial Statements 30<sup>th</sup> June 2009  
(Unaudited)

## **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 onto 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 (0,50%), provided, however, that the three-month Euribor effective rate 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 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 euros 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%). In March 2009, the Credit Facility was increased to €20,000,000.

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 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 Contragarantía” (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 fee of 0.2% of the outstanding principal amount of the Preferred Capital Securities. In December 2008, the Company entered into a “Contrato de Resolución de Acuerdo de Contragarantía” (the “Guaranty Resolution Agreement”). The Guaranty Resolution Agreement eliminates the guarantee fee payment of 0.2% effective December 28, 2008.

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 six months period ended June 30, 2009.

### **1. Operating Results**

The net income attributable to common security holders for the period ended June 30, 2009 reached €6,461,037.33 in line with previous semesters.

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

### **2. Main Activities during 1H 2009**

No new preferred capital securities were issued during 1H 2009.

Holders of preferred capital securities received dividends of €30,000,000 during 1 H 2009.

The company paid €1.5 million as a liquidity fee.

During 2008 the Company continued to grant loans to the Parent. As of December 31, 2008 the amount granted reached €1,452,408,500 as a long term loan and €9,601,171 as a short-term credit facility.

### **3. Financial Risk Management**

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

### **4. 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 leading of funds.

ENDESA CAPITAL FINANCE, LLC  
BALANCE SHEET  
June 30, 2009

ASSETS

Cash	3,356.19 €
Loan to Endesa BV	1,500,000,000.00
Deferred Fee Income	(41,981,500.00)
Short-term Investments	0.00
Loan Interest Receivable	537,500.00
Credit Line Interest Receivable	5,285.18
Intercompany Accounts Receivable	0.00
Credit Line EIBV	10,462,901.14
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Total assets	1,469,027,542.51 €
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LIABILITIES AND STOCKHOLDERS' EQUITY

Outside Accounts Payable	7,075.14 €
Intercompany Accounts Payable	0.00
Preferred Dividends Payable	500,000.00
Liquidity fees payable	16,659.46
Guaranty fees payable	0.00
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Total liabilities	523,734.60
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Common Capital	91.79
Preferred Shares	
EUR1.5 billion net of issuance costs of 111,574,581.33	1,388,425,418.67
Retained earnings	80,078,297.45
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Total stockholders' equity	1,468,503,807.91
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Total liabilities and stockholders' equity	1,469,027,542.51 €
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ENDESA CAPITAL FINANCE, LLC  
STATEMENT OF EARNINGS  
For the period ending June 30, 2009

	Current Month	Year to Date
Loan interest income	5,375,000.00 €	32,250,000.00 €
Fee income	935,000.00	5,610,000.00
Investment income	0.13	2.16
Credit line income	26,113.24	165,269.33
Other income	0.00	0.00
Deferred Revenue	0.00	0.00
Gain/(Loss) on currency exchange	13.46	213.33
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Total income	6,336,126.83	38,025,484.82
Liquidity fees	249,999.90	1,499,999.40
Guaranty fees	0.00	0.00
Miscellaneous expenses	0.00	0.00
Administrative expenses	1,833.19	64,448.09
Issuance related expenses	0.00	0.00
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Dividends on preferred shares	5,000,000.00	30,000,000.00
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Net income to common shareholder	1,084,293.74 €	6,461,037.33 €
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Francisco Ramírez Millor  
Endesa Capital Finance L.L.C

Gregory F. Lavelle  
Endesa Capital Finance L.L.C