



endesa

Capital Finance L.L.C.

Management Report and  
Financial Statements June 30<sup>th</sup> 2008  
(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 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 (0.50%), 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 €12,200,000 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%).

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 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 guaranty fee of 0.2% of the outstanding principal amount of the Preferred Capital Securities.

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, 2008.

## **2. Operating Results**

The net income attributable to common security holders for the period ended June 30, 2008 reached €6,491,017.81 in line with previous semesters.

The Balance Sheets maintains a similar structure that it showed at the end of 2007.

## **3. Main Activities during 1H 2008**

No new preferred capital securities were issued during 1H 2008.

Holders of preferred capital securities received dividends of €35,561,250 during 1H 2008.

The Company paid €1.5 million as a liquidity fee.

The Company paid €1.5 million as a guaranty fee.

During 2007 the Company continued to grant loans to the Parent. As of December 31, 2007 the amount granted reached €1,446,798,500 as a long term loan and €8,677,921.32 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.

ENDESA CAPITAL FINANCE, LLC  
BALANCE SHEET  
June 30, 2008

ASSETS

Cash	175.33 €
Loan to Endesa BV	1,500,000,000.00
Deferred Fee Income	(53,201,500.00)
Short-term Investments	0.00
Loan Interest Receivable	681,875.00
Credit Line Interest Receivable	7,907.45
Credit Line EIBV	8,677,921.32
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Total assets	1,456,166,379.10 €
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LIABILITIES AND STOCKHOLDERS' EQUITY

Outside Accounts Payable	5,392.03 €
Intercompany Accounts Payable	0.00
Preferred Dividends Payable	619,375.00
Liquidity fees payable	16,660.66
Guaranty fees payable	16,660.66
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Total liabilities	658,088.35
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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	67,082,780.29
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Total stockholders' equity	1,455,508,290.75
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Total liabilities and stockholders' equity	1,456,166,379.10 €
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ENDESA CAPITAL FINANCE, LLC  
STATEMENT OF EARNINGS  
For the period ending June 30, 2008

	Current Month	Year to Date
Loan interest income	6,327,875.00 €	39,335,000.00 €
Fee income	935,000.00	5,610,000.00
Investment income	(0.02)	0.09
Credit line income	34,737.31	195,541.38
Other income	0.00	0.00
Deferred Revenue	0.00	0.00
Gain/(Loss) on currency exchange	62.33	233.75
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Total income	7,297,674.62	45,140,775.22
Liquidity fees	249,999.90	1,499,999.40
Guaranty fees	249,999.90	1,499,999.40
Miscellaneous expenses	0.00	0.00
Administrative expenses	5,368.61	64,758.61
Issuance related expenses	0.00	0.00
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Dividends on preferred shares	5,871,583.33	35,585,000.00
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Net income to common shareholder	920,722.88 €	6,491,017.81 €
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Madrid July 8, 2008

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