



endesa capital finance l.l.c.

Management Report and
Financial Statements 30th June 2011
(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.

On June 28, 2011, the Company has partially amortized the loan with International Endesa B.V. At June 28th, 2011, the nominal debt of the loan is € 181,371,225.

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.

On June 28, 2011, the Company has repurchased and amortized 52,745,151 Preferred capital securities at par value € 25. At June 30, 2011, an amount of 7,254,849 Preferred capital securities remain outstanding.

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, 2011.

1. Operating Results

The net income attributable to common security holders for the period ended June 30, 2011 reached € 23,561,947.60.

The Balance Sheets maintains a similar structure that it showed at the end of 2010

2. Main Activities during 1H 2011

No new preferred capital securities were issued during 1H 2011.

On June 28, 2011, the Company has repurchased and amortized 52,745,151 Preferred capital securities at par value € 25. At June 30, 2011 an amount of 7,254,849 Preferred capital securities remain outstanding

Holders of preferred capital securities received dividends of € 30,000,000 during 1 H 2011.

The company paid € 1.5 million as a liquidity fee.

During the first six months of 2011 the Company continued to grant loans to the Parent.

As of June 30, 2001 the amount granted reached € 181,371,225 as a long term loan and € 13,579,475.61 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

ENDESA CAPITAL FINANCE, LLC
BALANCE SHEET
June 30, 2011

ASSETS

Cash	1,448.33 €
Loan to Endesa BV	181,371,225.00
Deferred Fee Income	(2,345,250.00)
Short-term Investments	0.00
Loan Interest Receivable	40,399.38
Credit Line Interest Receivable	2,674.67
Intercompany Accounts Receivable	0.00
Credit Line EIBV	13,579,475.61

Total assets	192,649,972.99 €
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LIABILITIES AND STOCKHOLDERS' EQUITY

Outside Accounts Payable	6,918.98 €
Intercompany Accounts Payable	961.87
Preferred Dividends Payable	37,580.82
Liquidity fees payable	4,157.08
Guaranty fees payable	0.00

Total liabilities	49,618.75

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	122,803,618.78

Total stockholders' equity	192,600,354.24

Total liabilities and stockholders' equity	192,649,972.99 €
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ENDESA CAPITAL FINANCE, LLC
 STATEMENT OF RETAINED EARNINGS
 For the period ending June 30, 2011

Balance at beginning of year	99,241,671.18 €
Plus net earnings for the period	23,561,947.60

Balance at 6/30/2011	122,803,618.78 €
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ENDESA CAPITAL FINANCE, LLC
 STATEMENT OF EARNINGS
 For the period ending June 30, 2011

	Current Month	Year to Date
Loan interest income	4,877,899.38 €	31,752,899.38 €
Prepayment Fee Income	11,208,345.00	11,208,345.00
Fee income	18,131,250.00	22,806,250.00
Investment income	0.00	2.33
Credit line income	13,423.69	76,286.81
Other income	0.00	0.00
Deferred Revenue	0.00	0.00
Gain/(Loss) on currency exchange	24.54	117.18
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Total income	34,230,942.61	65,843,900.70
Liquidity fees	237,499.92	1,487,499.42
Guaranty fees	0.00	0.00
Miscellaneous expenses	0.00	0.00
Administrative expenses	2,965.01	48,527.86
Issuance related expenses	11,208,345.00	11,208,345.00
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Dividends on preferred shares	4,537,580.82	29,537,580.82
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Net income to common shareholder	18,244,551.86 €	23,561,947.60 €
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