



COMISION NACIONAL DEL MERCADO DE VALORES
Paseo de la Castellana, nº 19
28046 – MADRID

Att.: D^a. Conchita Cabezudo
Subdirectora de Mercados Primarios
Dirección General de Mercados

D. Javier Galán Allué y D. Pedro Corpas Fernández, en nombre y representación de Endesa Capital S.A, Sociedad Unipersonal y, con C.I.F. A-84109636 en su condición de Administradores Mancomunados, con domicilio social en la calle Ribera del Loira, nº 60 -28042 Madrid.

CERTIFICO:

Que el contenido del presente CD-ROM coincide plenamente con el contenido del Folleto de Base del Programa "Euro Medium Term Notes" de Endesa Capital S.A, sociedad unipersonal, con saldo vivo máximo, emitido y no amortizado de cinco mil (5.000) millones de euros y garantizado por Endesa, S.A., aprobado y registrado en los Registros Oficiales de la Comisión Nacional del Mercado de Valores, con fecha 31 de mayo de 2007.

Que autorizo la difusión de dicho archivo a través de su página web <http://www.cnmv.es>, de la Comisión Nacional del Mercado de Valores para su publicación.

Y para que así conste, expide el presente certificado en Madrid, a 31 de mayo de 2007.

ENDESA CAPITAL S.A
P.P.

D. Javier Galán Allué

D. Pedro Corpas Fernández



Endesa Capital, S.A.

(a private company with limited liability incorporated under the laws of The Kingdom of Spain and having its statutory domicile in Madrid)

guaranteed by

Endesa, S.A.

(incorporated with limited liability in the Kingdom of Spain and having its statutory domicile in Madrid)

Euro Medium Term Note Programme (*Folleto de Emisión de Renta Fija*)

This Base Prospectus has been approved by the Spanish *Comisión Nacional del Mercado de Valores* ("**CNMV**"), which is the Spanish competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Spain, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Spain for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. Applications will be made for Notes to be admitted during the period of twelve months after the date hereof to trading on the AIAF Fixed Income Securities Market ("**AIAF**") in Spain. The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. Notes may not be issued under the Programme on an unlisted basis.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

Arranger for the Programme

DEUTSCHE BANK

Dealers

BANC OF AMERICA SECURITIES LIMITED

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

BANESTO

BNP PARIBAS

CAJA MADRID

CITI

DEUTSCHE BANK

DRESDNER KLEINWORT

HSBC

JPMORGAN

SANTANDER

THE ROYAL BANK OF SCOTLAND

31 May 2007

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IMPORTANT NOTICES

Notwithstanding any statements or declarations in this Base Prospectus to the contrary, each of Endesa Capital, S.A. (the “**Issuer**”) and Endesa, S.A. (“**ENDESA**” or the “**Guarantor**”) accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Notes may be issued in dematerialised, book-entry form (“**Book-Entry Notes**”), in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). The Book-Entry Notes, the Bearer Notes and the Registered Notes are collectively referred to in this Base Prospectus as the “**Notes**”. Bearer Notes and Registered Notes are also collectively referred to in this Base Prospectus as the “**Certificated Notes**”.

Each Tranche of Book-Entry Notes will be issued on the terms set out under “Terms and Conditions of the Book-Entry Notes” (the “**Book-Entry Note Conditions**”) as amended and/or supplemented by a document specific to such Tranche called final terms (the “**Book-Entry Note Final Terms**”).

Each Tranche of Bearer Notes and Registered Notes will be issued on the terms set out under “Terms and Conditions of the Certificated Notes” (the “**Certificated Note Conditions**”) and as amended and/or supplemented by a document specific to such Tranche called final terms (the “**Certificated Note Final Terms**”).

The Book-Entry Note Conditions and Certificated Note Conditions are collectively referred to in this Base Prospectus as the “**Conditions**”. The Book-Entry Note Final Terms and Certificated Note Final Terms are collectively referred to herein as the “**Final Terms**”.

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer and the Guarantor have confirmed to the Dealers named under “Subscription and Sale” below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

Neither the Dealers nor any of their respective affiliates have independently verified the information contained in this Base Prospectus. Accordingly, neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty, express or implied, or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by either of the Issuer or the Guarantor in connection with the Programme. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other

information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale" and "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). See "Subscription and Sale". Neither the Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to persons other than U.S. persons as defined in Regulation S and, with respect to Notes in registered form only, within the United States in reliance upon Rule 144A under the Securities Act ("**Rule 144A**") to which "qualified institutional buyers" as defined in, and in reliance on, Rule 144A ("**OIBs**") and in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, the Issuer will furnish upon the request of a holder of Notes or of a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A(d)(4) under the Securities Act, if at the time of such request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**"), or exempt from the reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") or any State securities commission in the United States nor has the SEC or any State securities commission passed upon the accuracy or the adequacy of this Base Prospectus or any Final Terms. Any representations to the contrary are a criminal offence in the United States.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to agreement with the Dealers as defined under "Subscription and Sale" and subject to the approval of the CNMV .

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars and references to "**EUR**" or "**euro**" are to the

single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Under Spanish law, the Issuer is required to appoint a commissioner (*comisario*) (the “**Temporary Commissioner**”) in relation to the Notes. The Temporary Commissioner owes certain obligations to the Syndicate of Holders (as described in the Regulations (as defined in Condition 17 (*Syndicate of Holders and Modification*) of the Book-Entry Notes and Condition 18 (*Syndicate of Holders and Modification*) of the Terms and Conditions of the Certificated Notes, below)). However, prospective investors should note that the Temporary Commissioner will be an individual appointed by the Issuer and such individual may also be an employee or officer of the Issuer or the Guarantor.

In connection with the issue of any Tranche of Notes (other than Notes admitted to trading on AIAF), the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer, the Guarantor and their respective affiliates in the ordinary course of business.

KEY FEATURES OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the relevant Notes set out herein. Words and expressions defined in "Form of Bearer Notes", "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales" or "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	Endesa Capital, S.A.
Guarantor:	Endesa, S.A.
Arranger:	Deutsche Bank AG, London Branch.
Dealers:	Banc of America Securities Limited, Banco Bilbao Vizcaya Argentaria, S.A., Banco Español de Crédito, S.A., Banco Santander Central Hispano, S.A., BNP Paribas, Caja Madrid (Caja de Ahorros y Monte de Piedad de Madrid), Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, HSBC Bank plc, J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.
Fiscal Agent:	The Bank of New York
Spanish Paying Agent:	Banco Bilbao Vizcaya Argentaria, S.A.
Programme Amount:	EUR 5,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes) in aggregate principal amount of Notes outstanding at any one time. The aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to agreement with the Dealers as defined under "Subscription and Sale".
Issuance in Series:	Notes will be issued in series (each, a " Series "). Each Series may comprise one or more tranches (" Tranches " and each, a " Tranche ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in bearer form, Notes in registered form, Notes in book-entry form and Notes in more than one denomination (except in the case of Book-Entry Notes). The Notes of each Tranche will all be subject to identical terms in all respects, <i>provided however that</i> a Tranche may comprise Notes of different denominations (except in the case of Book-Entry Notes).
Form of Notes:	Notes may be issued in dematerialised, book-entry form (" Book-Entry Notes "), in bearer form (" Bearer Notes ") or in registered form (" Registered Notes "). Book-Entry Notes may not be exchanged for Bearer Notes or Registered Notes. Registered Notes may not be exchanged for Book-Entry Notes or Bearer Notes. Book-Entry Notes will be uncertificated and dematerialised and recorded as book entries (<i>anotaciones en cuenta</i>) in the central registry of the Spanish clearance and settlement system managed by the <i>Sociedad de Gestión de los Sistemas de</i>

Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("Iberclear"). See "Summary of Clearance and Settlement Procedures Applicable to Book-Entry Notes".

In respect of Bearer Notes not intended to be issued in new global note form (a "**CGN**"), the Issuer will deliver a Temporary Global Note, which will be deposited on or before the relevant issue date with a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms. Bearer Notes intended to be issued in new global note form (a "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. If so specified in the relevant Final Terms, Bearer Notes will be initially represented by a Temporary Global Note. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form in accordance with its terms. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form in accordance with its terms. Notes in definitive bearer form will, if interest bearing, either have interest coupons attached or have a grid for recording the payment of interest endorsed thereon.

Each Tranche of Registered Notes which is sold outside the United States to persons other than U.S. persons in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be represented by an Unrestricted Global Note Certificate which will be deposited with a custodian for, and registered in the name of a nominee of DTC on its Issue Date for the accounts of Euroclear and/or Clearstream, Luxembourg and/or any other DTC participating clearing system as may be specified in the relevant Final Terms. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the Distribution Compliance Period, beneficial interests in an Unrestricted Global Note Certificate of such Tranche may be held only through Clearstream, Luxembourg or Euroclear. After the expiry of the Distribution Compliance Period, beneficial interest in an Unrestricted Global Note Certificate may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC. Notes of any registered series sold in private transactions to QIBs and subject to the Transfer Restrictions described in "Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales" will, unless otherwise specified in the applicable Final Terms, be represented by a Restricted Global Note Certificate which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Registered Notes represented by an Unrestricted Global Note Certificate or a Restricted Global Note Certificate will trade in DTC's same day fund settlement system and secondary market trading activity in such Notes will therefore settle in immediately available funds. Beneficial interests in an Unrestricted Global Note Certificate and a Restricted Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants, including Clearstream, Luxembourg and Euroclear. Persons holding beneficial interests in Unrestricted or Restricted Global Note Certificates will be entitled or required as the case may be,

under certain circumstances to receive physical delivery of Individual Note Certificates. See “Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales”, below.

Currencies: Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory, central bank, clearing system and/or paying agent requirements. Book-Entry Notes will only be issued in euro until such time as applicable legal, regulatory, central bank, Iberclear and/or Spanish Paying Agent requirements would enable Book-Entry Notes to be issued in other currencies and insofar as the operating system of the Spanish Paying Agent permits the issue of Book-Entry Notes in other currencies. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of Notes: The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer at all times ranking *pari passu* and without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain exceptions provided by mandatory provisions of applicable law).

Status of Guarantee: The obligations of the Guarantor under the Deed of Guarantee will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Guarantor ranking equally with all other present and future unsecured and unsubordinated obligations of the Guarantor save for certain exceptions provided by mandatory provisions of applicable law.

Issue Price: Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities: Any maturity between one month and such maturity as may be elected by the Issuer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

Redemption: Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

Early Redemption: Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Notes-Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the relevant Final Terms.

Interest:

Notes may be interest-bearing or non-interest bearing.

Denominations:

Subject as set out below, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes may not (a) have a minimum denomination of less than EUR 50,000 (or equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. So long as any Bearer Notes are represented by a Temporary Global Note or Permanent Global Note and if so permitted by Spanish law and the relevant clearing system(s), such Notes will be tradeable only in the minimum authorised denomination of EUR 50,000 and higher integral multiples of EUR 1,000, notwithstanding that no Bearer Notes in definitive form will be issued with a denomination above EUR 99,000.

Book-Entry Notes may only be issued in one denomination.

Taxation:

Save as set out herein, all amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes, the Receipts and Coupons and the Guarantee by the Issuer or the Guarantor (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay (subject to certain exceptions) such additional amounts as will result in receipt by the Holder of any Note or Coupon of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 12 (*Taxation*).

No such additional amounts shall be payable in, *inter alia*, the following circumstances (for a complete list of the circumstances in which no such additional amounts shall be payable, see Condition 12 (*Taxation*) of the relevant Notes):

- (i) Under Spanish law, income in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18% in the case of payments to, or to a third party on behalf of: (a) individual holders who are resident in Spain; (b) holders who receive payments through a tax haven (*paraíso fiscal*, as defined in Royal Decree 1080/1991, of 5 July); and (c) (in the case of Certificated Notes which are admitted to listing and trading on a listing authority, stock exchange and/or quotation system in an OECD country other than Spain) a Spanish-resident legal entity subject to Spanish corporation tax or by an individual or legal entity non-resident in Spain, subject to Spanish non-resident income tax, operating in Spain through a permanent establishment to which such Certificated Notes are assigned, if the Spanish Tax Authorities determine that such Certificated Notes do not comply with the exemption requirements specified in Sections 59.q) and s) of Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Regulations in the way that such requirements have been interpreted in

the Reply to a Non Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July, 2004 (the “**Reply**”) or if they change the interpretation held in the Reply, and require a withholding to be made; and

- (ii) Holders of any Notes in respect of whom information regarding their identity and tax residence (which may include a tax residence certificate) is not received by the Guarantor will receive payments subject to Spanish withholding tax currently at the rate of 18%. See Condition 12 (*Taxation*).

Disclosure of identity of Holders:

Under Law 13/1985, the Guarantor, in its capacity as parent company of the Issuer, is obliged to disclose to the Spanish Tax Authorities the identity of certain Holders of the Notes.

The European Clearing Systems and Iberclear are expected to follow certain procedures to facilitate, *inter alia*, the Issue and Paying Agent and (as the case may be) the Spanish Paying Agent in the collection of the details referred to above from Holders of the Notes (see Condition 12 (*Taxation*)). If the European Clearing Systems or (as the case may be) Iberclear are, in the future, unable to facilitate the collection of such information they may decline to allow Notes to be cleared through the relevant European Clearing System or (as the case may be) Iberclear and this may affect the liquidity of such Notes. Provisions have been made for Notes, in such a case, to be represented by definitive Notes.

The European Clearing Systems are, at the date of this Base Prospectus, in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The procedure contained in this Base Prospectus is a summary only and is subject to such discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations.

Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Paying Agents, Iberclear or the European Clearing Systems assume any responsibility therefor.

Governing Law:

The issue of the Book-Entry Notes, including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Book-Entry Notes will be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

The issue of the Certificated Notes, including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Certificated Notes will be governed by Spanish law. Subject as provided above, the terms and

conditions of the Certificated Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

Listing and Trading:

Notes may be admitted to trading on AIAF and/or admitted to regulated market listing, trading and/or quotation by any other listing authority stock exchange and/or quotation system as may be agreed between the Issuer, the Guarantor and the relevant Dealer and specified in the relevant Final Terms. Certificated Notes may not be admitted to trading on AIAF. Unlisted Notes may not be issued under the Programme.

Final Terms:

The Final Terms in respect of each Tranche of Notes will, for the purposes of that Tranche only, supplement the terms and conditions of the relevant Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the terms and conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

Enforcement of Notes:

Holders of Certificated Notes will have the benefit of a Deed of Covenant dated 31 May 2007 (the "**Certificated Notes Deed of Covenant**"). Holders of Book-Entry Notes will have the benefit of a Deed of Covenant dated 31 May 2007 (the "**Book-Entry Notes Deed of Covenant**"), and together with the Certificated Notes Deed of Covenant, the "**Deeds of Covenant**"). All Holders will have the benefit of a Deed of Guarantee dated 31 May 2007 (the "**Guarantee**"). Copies of the Deeds of Covenant and the Guarantee will be available for inspection at the specified office of the Fiscal Agent and (in the case of Notes admitted to trading on AIAF) the Spanish Paying Agent.

Clearing Systems:

Iberclear (in respect of Notes admitted to trading on AIAF). Iberclear has established clearance and settlement links with the European Clearing Systems (as defined below).

Euroclear and Clearstream, Luxembourg (the "**European Clearing Systems**") (in respect of Bearer Notes) and/or (in respect of Registered Notes) DTC and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Japan, the Republic of France, the Federal Republic of Germany and the Kingdom of Spain, see under "Subscription and Sale".

Until certain conditions summarised under "Subscription and Sale" and "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales" have been satisfied, Notes may not be offered, sold, delivered, pledged or otherwise transferred within the United States or to, or for the account or benefit of, a U.S. person and will bear a restrictive legend to that effect. See "Subscription and Sale" and "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales".

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus, and in particular:

1. the audited short form annual financial statements (including the auditor's report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2006 (prepared in accordance with generally accepted accounting standards in Spain, "**Spanish GAAP**"), filed with the CNMV on 24 April 2007 shall be deemed to be incorporated in, and to form part of, the Registration Document of the Issuer. See "Description of the Issuer – 11.1 Historical Financial Information";
2. the audited short form annual financial statements (including the auditor's report thereon and notes thereto) of the Issuer in respect of the year ended 31 December 2005 (prepared in accordance with Spanish GAAP, shall be deemed to be incorporated in, and to form part of, the Registration Document of the Issuer. See "Description of the Issuer – 11.1 Historical Financial Information";
3. the unaudited consolidated quarterly financial statements of the Guarantor as at and for the three month period ended 31 March 2007 (prepared in accordance with International Financial Reporting Standards as adopted by the European Union, "**IFRS-EU**") filed with the CNMV on 4 May 2007 shall be deemed to be incorporated in, and to form part of, the Registration Document of the Guarantor. See "Description of the Guarantor – 11.1 Historical Financial Information";
4. the audited annual financial statements (including the auditor's report thereon and notes thereto) of the Guarantor in respect of the year ended 31 December 2006 (prepared in accordance with IFRS-EU), filed with the CNMV on 3 April 2007 shall be deemed to be incorporated in, and to form part of, the Registration Document of the Guarantor. See "Description of the Guarantor – 10.1 Historical Financial Information"; and
5. the audited annual financial statements (including the auditor's report thereon and notes thereto) of the Guarantor in respect of the year ended 31 December 2005 (prepared in accordance with IFRS-EU), filed with the CNMV on 23 January 2006 shall be deemed to be incorporated in, and to form part of, the Registration Document of the Guarantor. See "Description of the Guarantor – 10.1 Historical Financial Information".

An English translation of each of the documents incorporated by reference is available for inspection during normal business hours at the registered offices of the Issuer and the Guarantor specified below.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following risks:

1. Risks Related to the Issuer

The principal risk factors affecting the Issuer are as follows:

Liquidity Risk

This derives from an excessive concentration of maturities which may endanger, albeit temporarily, the capacity to meet payment commitments.

Market Risk

Possibility of suffering losses in the economic value of transactions contracted as a consequence of unfavorable evolutions in the quotations of financial markets.

Operational Risk

Possibility of suffering losses as a consequence of legal problems, deficiencies in internal control, weak supervision of employees, fraud, misrepresentation of accounts or creative accounting, which factors in many cases are motivated by technological development, the growing complexity of operations, diversification of products, new distribution channels. Operational risk is inherent to all business activities.

Business Risk

Possibility of suffering losses as a consequence of the absence of correlation between the line-items of the assets and liabilities of the Issuer, irrespective of the above-mentioned line items having to be correlative among themselves.

2. Risks Related to the Business and Industry of the Guarantor and its Subsidiaries

The Group (as defined below) operations are subject to extensive government regulation, and its inability to comply with existing regulations or requirements or changes in applicable regulations or requirements may have an adverse effect on the business, financial condition or the results of operations.

The operating subsidiaries of the Group are subject to extensive regulation of tariffs and other aspects of their operations in Spain and in each of the other countries in which they operate. To the best of its knowledge, the Guarantor is in compliance with applicable laws and regulations, it remains subject to a varied and complex body of laws and regulations that both public officials and private parties may seek to enforce. The introduction of new laws or regulations or changes in existing laws or regulations could have a material adverse effect on the business, financial condition or the results of the Guarantor's operations.

In particular, under Spanish law, pursuant to Royal Decree Law 5/2005, if the aggregate costs of the electricity system, as calculated by the Spanish authorities for a given year, exceed the aggregate amount of the electricity tariffs billed to end customers, certain companies, including the Guarantor, must finance this deficit by paying a sum, which is fixed by regulation as being equal to the difference between (i) these overall costs and (ii) the aggregate amount of the tariffs billed to the end customers (such difference being a "tariff deficit"). In the case of the Guarantor, it is required to finance 44.16% of the deficit in 2005 through income from regulated activities.

The tariff deficit exists because certain expenses included in the overall costs, above all the cost of power purchased on the wholesale market, are determined in a competitive market, whereas the government sets the electricity tariffs. Although the Guarantor has the right to complete recovery of the amount financed, this right could be affected by eventual regulatory changes.

Royal Decree Law 3/2006 approved, *inter alia*, the following measures aimed at reducing the tariff deficit on regulated activities:

1. As from 3 March 2006, offers for the sale and acquisition of electrical energy presented simultaneously by subjects, within the same industrial group, in the daily and overnight markets of electricity production are treated as physical bilateral contracts to be settled at a price based on electricity market quotations which shall be objective and transparent. The Royal Decree Law itself provisionally established this price at 42.35 euros/MWh, although the definitive price must be set by the government in accordance with market prices as established by the said Royal Decree Law.
2. a decrease in generation activity revenues in order to take into account the internalisation on the formalisation of wholesale market prices for the rights to emit greenhouse effect gases assigned free of charge in the Assignment Plan (as defined below) which are related to said revenues.

At the date of the audited consolidated financial statements of the Guarantor for the year ended 31 December 2006 (the "2006 Financial Statements"), the the Spanish authorities had not yet determined the definitive price to be applied to sales of electricity from the generator to the distributor treated as physical bilateral contracts, or the amount to be deducted from generation revenues in order to consider the effect of internalisation on electricity prices from the free assignment of the emission rights to greenhouse effect gases.

The 2006 Financial Statements record transactions involving the sale of electricity from the generator to the distributor treated as physical bilateral contracts at the provisional price of €42.35/MWh. The 2006 Financial Statements also reflect a decrease in revenues by €121 million due to the application of the reduction provided by Royal Decree Law 3/2006 in relation to the freely assigned rights to emit greenhouse effect gases.

The amounts stated in the preceding paragraph are based on estimates made by management of the Group on the basis of the information available to them at the date of the 2006 Financial Statements. Management of the Group believes that any potential positive or negative differences between the amounts recorded in the 2006 Financial Statements and the amounts determined by the regulation once published in final form will not be significant.

The Group operations are subject to extensive environmental regulation, and its inability to comply with existing environmental regulations or requirements or changes in applicable environmental regulations or requirements may have a material adverse effect on the business, financial condition and results of operations.

The Group is subject to environmental regulations, which, among other things, require it to perform environmental impact studies on future projects, to obtain regulatory licenses, permits and other approvals and to comply with the requirements of such licenses, permits and regulations. There can be no assurance that:

- these environmental impact studies will be approved by governmental authorities;
- public opposition will not result in delays or modifications to any proposed project; or
- laws or regulations will not change or be interpreted in a manner that increases the costs of compliance or adversely affects the operations or plants or the plans for the companies in which the Guarantor has an investment.

In recent years statutory environmental requirements have become stricter both in Spain and in the E.U. Although the Guarantor has been making investments to comply with this legislation, the future evolution and application thereof may have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

In particular, the Guarantor must comply with the requirements contained in the National Assignment Plan (*Plan Nacional de Asignación*) (the "Assignment Plan"), approved by Royal Decree 1866/2004, whereby the results of operations could be affected either by the price of the emission allowances or by a shortage of allowances in the market.

During 2006 the Guarantor was assigned emission allowances equal to 53 million tons under the Assignment Plan, as well as similar plans approved in France, Italy and Poland. These plans also provide for the assignment free of charge of emission allowances in 2007 for an amount equal to 57 million tons. The emission allowances of the the Group during the year 2006 have

increased to 62 million tons, having itself covered such by means of the assigned emission allowances (53 million tons), and by means of purchase of rights in the market (9 million tons).

As at 31 December 2006, the provision pertaining to issues carried out by the Group during the year then ended amounted to €418 million. Of this amount, management of the Group expects that €334 million will be covered with the issue rights received from the relevant National Assignment Plans and €84 million with the purchases of rights made in the year.

Market forces may affect the price and amount of energy the Guarantor sells.

The Guarantor is exposed to market price and availability risk for the purchase of fuel (including fuel-oil, coal and natural gas) used to generate electricity and the sale of a portion of the electricity that the Guarantor generates. The Guarantor has entered into long-term revolving fuel supply contracts in order to provide for the secure supply of fuel for the generation activities in Spain. The Guarantor has signed several natural gas supply contracts which include "take or pay" clauses. These contracts have been established by considering reasonable hypotheses of the future needs. Significant deviations of the contemplated hypotheses could lead to the obligation to execute purchases of fuel greater than the Guarantor's needs.

Exposure to these risks is managed in the long-term through diversification of contracts, management of the provisioning portfolio through reference to indices which represent an evolution similar or comparable to that of the final electricity prices (generation) or sale prices (marketing) and through contractual clauses that are periodically re-negotiated, the purpose of which is to maintain the economic equilibrium of provisioning. In the short and medium term, fluctuations in the prices of provisioning are managed through specific hedging transactions, generally by means of derivatives. Despite the fact that the Guarantor actively manages these risks, there can be no assurance that this management will eliminate all of the market price risks relating to its fuel requirements or the market availability risk relating to unexpected supply restrictions in certain fuels in certain markets.

In particular, during 2006 oil began the year by exceeding U.S.\$60/bbl, and increased to U.S.\$78.69/bbl in August. Instability in several exporter countries contributed towards this upward pressure and although the price fluctuated throughout the year, by 31 December 2006 it was above \$60/bbl. With regard to coal, at the start of 2006 the spot price of API 4 was U.S.\$42/t and increased (due mainly to a cold wave in Europe and the reduction of coal exports from Russia and Poland) to a high of U.S.\$57/t in March. Prices dropped slightly from March levels, although maintained average levels above U.S.\$50/t until the end of the year. Fleet prices also increased, primarily as a consequence of a lack of supply of spot loadings, which in turn put upward pressure on the price of API 2. As a result, the price of API 2 exceeded U.S.\$70/t during several weeks of the year. The long-term price of gas remained at historically high levels throughout much of 2006, due principally to the high quotations of crude oil and oil products, although the spot price of gas fell significantly during 2006 due primarily to reduced demand and additional sources of supply. The Henry Hub benchmark fell to levels of U.S.\$7/mm btu for the last months of 2006.

In the year ended 31 December 2006, the Guarantor's fuel costs amounted to €3,997 million, an increase of 11.7% from 2005. This increase was a consequence of the generalised increase in cost of commodities on the international markets.

The Group business may be affected by hydrological conditions.

The Guarantor's operations involve hydroelectric generation and, accordingly, the Guarantor and its Latin American affiliates are dependent upon hydrological conditions prevailing from time to time in the broad geographic regions in which the hydroelectric generation facilities are located. If hydrological conditions result in droughts or other conditions that negatively affect the hydroelectric generation business, the results of operations could be materially adversely affected. At the same time, the electricity business is affected by atmospheric conditions such as the average temperatures that influence consumption. Depending on the weather conditions, fluctuations or variations may occur in the margin obtained on this business.

For example, climatic and hydrological conditions affected the level of activity and production mix of the Group's electricity generation businesses of Spain, Portugal and the rest of Europe during the three-month period ended 31 March 2007.

Higher levels of precipitation in Spain in the first three months of 2007 with respect to the same period in 2006 entailed for the Guarantor an increase of 6.5% in hydrological electricity

generation and a reduction of 9.6% in conventional thermal generation on the Iberian peninsula. These variations show the effect of precipitation on the electricity generation mix.

The variation in the mix has an effect on the average fuel cost on the Iberian peninsula which has gone from €16.20/MWh in the first quarter of 2006 to €15.70/MWh in the same period of 2007, a decrease of 3.1%.

On the other hand, hydrological conditions, together with a moderate increase in demand (mainly due to higher temperatures recorded in the first quarter of 2007 with respect to the same period in 2006) led to a 3.7% decrease in aggregate hydroelectric production in the Iberian peninsula, and a 3.9% decrease in the Guarantor's hydroelectric production.

On the other hand, in France and Italy, the principal European countries in which ENDESA does business outside of Spain, the demand for electricity in the first quarter of 2007 fell 8% and 2% respectively, as compared to the same period in 2006. This reduction of electricity consumption occurred as a consequence of the higher temperatures recorded in the said period of 2007. Declines in demand entailed a decrease in ENDESA's generation in France (52.9%) and in Italy (16.6%).

Construction of new facilities may be adversely affected by factors commonly associated with such projects.

The construction of power generation, transmission and distribution facilities can be time-consuming and highly complex. In connection with the development of such facilities, the Guarantor must generally obtain government permits and approvals, enter into land purchase or lease agreements, equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transportation agreements, off-take arrangements and obtain sufficient equity capital and debt financing. Factors that may affect the ability to construct new facilities include:

- delays in obtaining regulatory approvals, including environmental permits;
- shortages or changes in the price of equipment, materials or labour;
- opposition of political and other interest groups;
- adverse changes in the relevant political and regulatory environments;
- adverse weather conditions, which may delay the completion of power plants or substations, or natural disasters, accidents or other unforeseen events; and
- the inability to obtain financing at rates that are satisfactory to it.

Any of these factors may cause delays in completion or commencement of operations of the construction projects and may increase the cost of contemplated projects. If the Guarantor is unable to complete the projects contemplated, the costs incurred in connection with such projects may not be recoverable.

The Guarantor could be subject to environmental and other liability in connection with the operations.

The Guarantor faces environmental risks inherent in the operations, including those relating to the management of waste, spills and emissions of the generation facilities, particularly nuclear power plants. Accordingly, the Guarantor may be subject to claims for environmental and other damages in connection with the power generation, distribution and transmission facilities as well as the coal mining activities.

The Guarantor is also subject to risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials. Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Such limits are consistent with the international treaties ratified by Spain. Spanish law provides that the operator of each nuclear facility is liable for no more than €150.3 million as a result of claims relating to a single nuclear accident. The Guarantor's potential liability relating to the interests in nuclear facilities is fully covered by third-party liability insurance for liabilities up to €150.3 million. The potential liability of the Guarantor with respect to pollution or other damages to third parties or third party assets is similarly insured up to €150 million. If the Guarantor was subject to liability for environmental and other damages in connection with the operations (other than the nuclear operations) for amounts in excess of the insurance coverage, it could have a material adverse effect on the business, financial condition and results of operations.

The liberalisation of the electricity industry in the E.U. has led to increased competition and lower prices.

The liberalisation of the electricity industry in the E.U. (including the countries in which the Guarantor is present, such as Spain, Italy, France and Portugal) has led to increased competition as a result of consolidation and the entry of new market participants in E.U. electricity markets, including the Spanish electricity market. The liberalisation of the electricity industry in the European Union has also led to lower electricity prices in some market segments as a result of the entry of new competitors and cross-border energy suppliers and the establishment of European electricity exchanges, which in turn has led to increased liquidity in the electricity markets. This liberalisation of the electricity market requires that diverse areas of the business develop in a more competitive environment. If the Guarantor is not able to adapt to or manage adequately this competitive market, its business, financial condition or results of operations might be adversely affected.

Public Tender Offer Risk.

On 27 February 2006, the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) authorised the public tender offer (hereinafter, the "Tender Offer") of Gas Natural SDG, S.A. for all of the shares representing the capital stock of the Guarantor. Although Gas Natural ("Gas Natural") withdrew its Tender Offer on 1 February 2007, it had already been enjoined by the Supreme Court as well as by Commercial Court no. 3 of Madrid. Both suspensions were subsequently lifted. As a condition of those suspensions, a bond was required to be posted relating to possible damages or losses that may be incurred by the companies affected by the suspensions. The amount of the bank guarantee posted, as shared by both proceedings, is 1 billion euros, although it must be mentioned that neither the posting of the bond nor its amount will determine the existence or quantity of eventual damages or losses that could be imposed in either of the mentioned proceedings.

On 26 March 2007, Acciona, S.A. ("Acciona") and Enel Energy Europe S.r.L. ("Enel"), entered into a cooperation agreement to launch a joint tender offer for all of the shares of the Guarantor and to implement a joint management project for the Guarantor under the leadership of Acciona pursuant to the terms and conditions set forth in the cooperation agreement.

On 2 April 2007, E.ON, A.G. ("E.ON"), Acciona and Enel entered into an agreement to settle their conflicts and to agree on certain matters relating to the Guarantor. Acciona and Enel have, among other things, undertaken to cause certain assets of the Guarantor to be transferred to E.ON upon condition of Acciona and Enel acquiring control over the Guarantor.

In furtherance of their cooperation agreement, on 11 April 2007, Acciona and Enel announced a joint tender offer, for all of the outstanding ordinary shares and ADS of the Guarantor. The offer consists of €41.30 in cash for each ordinary share and ADS of the Guarantor. The offer is currently awaiting regulatory approvals and authorisations and its completion would be conditioned is conditional on:

- (i) the ordinary share and ADS of the Guarantor tendered in the tender offer, together with any shares already held directly or indirectly by Acciona and Enel, representing more than 50% of the share capital of the Guarantor; and
- (ii) before the end of the tender offer period.
 - (a) the Guarantor's General Shareholders Meeting passing certain resolutions amending articles 32, 37, 38 and 42 of the Guarantor's bylaws, and
 - (b) such resolutions becoming registered with the Madrid Commercial Registry.

The final outcome of the tender offer process existing on 100% of the Guarantor's capital could cause a change in control in the Group (as defined under "Description of the Guarantor – Statutory Auditors"). The financial policy which, as the case may be, the controlling shareholders may adopt could have an impact on the Group's financial position.

Furthermore, in relation thereto, the Guarantor and its subsidiaries have loans or other financial agreements with financial institutions which could be accelerated if Acciona and Enel acquire control of the Guarantor as a result of their bid. Approximately 176 million dollars in bank loans would be subject to prepayment if a change of control at the Guarantor takes place and another 493 million euros in derivative contracts could be called in early if, as a consequence of the change of control, a significant reduction in the Guarantor's rating takes place.

In addition, if the tender offer described above is successful it is possible that the agreement entered into between E.On, Acciona and Enel on 2 April 2007 regarding the transfer of certain of the Guarantor's assets to E.On will be implemented. There can be no assurances that, should such an assignment occur, it would not have a material adverse effect on the Guarantor's solvency or that loans arranged by the Guarantor with the European Investment Bank in the amount of approximately €921 million would not have their maturities accelerated.

Also, as a result of the tender offer processes described above, the Board of Directors, of the Guarantor has taken a series of measures related to the pursuit of the process for which it has been necessary to incur certain expenses. The amount registered from 5 September 2005 of these expenses to date present has increased to €112 million, of which €88 million were registered in the accounts of years 2005 and 2006. Based on the future evolution of the process, these costs could be increased.

As a consequence of the above and for other factors, uncertainty exists as to the definitive result of the process, without it being possible to determine to what extent it could affect both the market price as well as the liquidity of the securities representing the capital stock of the Guarantor and its subsidiaries on the securities markets on which they are admitted to trading, the maintenance of the dividend policy as well as the activity, financial position and/or result of the Guarantor's operations.

Credit rating of the Guarantor may not reflect all risks

The Guarantor has been assigned a rating by Moody's and S&P. There can be no assurances that the rating of the Guarantor may not be affected by any of the risk factors described herein. In particular there can be no assurances that any change in control of the Guarantor will not result in a rating downgrade or the placing of the Guarantor's rating on creditwatch. The rating of the Guarantor may not reflect the potential impact of all risks related to the structure, market and additional factors discussed in this Base Prospectus, and other factors that may affect the Guarantor. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

3. Risks Related to the Latin American Operations

The Latin American subsidiaries are subject to a variety of risks, including economic downturns and political risks.

The operations and investments in Latin America are exposed to various risks inherent in operating and investing in Latin America, including risks relating to the following:

- changes in government regulations and administrative policies;
- imposition of currency restrictions and other restraints on movements of funds;
- changes in the business or political environment in which the Guarantor operates;
- economic downturns, political instability and civil disturbances affecting operations;
- government expropriation of assets;
- exchange rate fluctuations; and
- restrictions on the availability of certain fuels.

In addition, revenues from operations of the Latin American subsidiaries, their market value and the dividends collected from these subsidiaries are exposed to risks in the countries in which they operate, which may materially and adversely affect demand, consumption and exchange rates.

There can be no assurances that any further deterioration in the economic and political environment in Latin America, or other legal or regulatory developments relating to the countries in which the Guarantor operates in Latin America, will not have a material adverse effect on the financial condition and results of operations of the Guarantor or the Group.

4. Operational Risks

The activities of the Guarantor could be subject to human or technological error.

In the course of all the operations of the the Guarantor, direct or indirect losses could be caused by inadequate internal processes, technological flaws, human error or as a result of certain external events. The control and management of these risks, in particular those that affect the

operations of the generation and distribution plants, are based on adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programs supported by quality control systems which minimize the possibility of the occurrence and impact of these risks. A failure of these risk management procedures could have an adverse impact on the business, financial condition and results of operations of the Guarantor.

5. Other Risks

The Group financial condition and results of operations may be adversely affected if the Guarantor does not effectively manage its exposure to interest rate and foreign currency exchange rate risk.

The Guarantor is exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and foreign currency exchange rate fluctuations. Although the Guarantor attempts to manage these risks, there can be no assurances that any such risks will not have a significant impact on the Guarantors business operations and financial condition.

Interest Rate Risk

Variations in interest rates modify the reasonable value of those assets and liabilities that accrue a fixed interest rate as well as the future flows of assets and liabilities referenced against a variable interest rate. The objective of the management of interest rate risk is to achieve an equilibrium in the structure of debt which allows minimizing the cost of debt on a pluri-annual horizon with a reduced volatility on the income statement. Depending upon the estimates of the the Group and the objectives of the debt structure, hedging transactions are carried out by contracting derivatives that mitigate these risks.

Exchange Rate Risk

Exchange rate risks pertain fundamentally to the following transactions:

- Debt denominated in foreign currency contracted by the the Guarantor and affiliate companies;
- Payments to be made on international markets for acquisition of energy materials.; and
- Income and expenses of Latin American subsidiaries in the operating currency of each company and, in certain cases, referenced to the evolution of the U.S. dollar.

In addition, the net assets coming from net investments made in foreign companies whose operating currency is other than the euro are subject to the risk of exchange rate fluctuation in the conversion of the financial statements of said companies in the consolidation process. In order to mitigate the exchange rate risk, the Guarantor has contracted currency swaps and exchange rate insurance. In addition, the Guarantor also attempts to ensure that there is an equilibrium between collections and payments of cash on its assets and liabilities denominated in foreign currency.

Nevertheless, risk management strategies may not be fully effective at the time of limiting exposure to changes in interest rates and exchange rates of foreign currencies, which could adversely affect the financial situation and results.

Liquidity Risk

The Group maintains a liquidity policy consisting of contracting committed credit facilities and short-term financial investments in a sufficient amount to cover needs foreseen for a period which is in function of the situation and expectations of the debt and capital markets.

Credit Risk

Management of the Guarantor believes that its credit risk is not very significant since the average collection period for receivables is very short and cash placements or derivatives contracts are made with highly solvent entities, while a large part of the loans the Guarantor has granted are to personnel and to related companies. Despite this, there can be no assurances that situations will not arise in which, due to financial difficulties or differences in contract interpretation, there may be incidents involving the recovery of accounts receivable.

The Guarantor is party to litigation and other proceedings that may affect the Guarantor.

The Guarantor is subject to legal proceedings regarding its business, including tax and other disputes with regulatory authorities. The Guarantor is also subject to tax audits. Although the Guarantor believes that it has recorded provisions that were reasonable in light of the legal contingencies as of 31 December 2006, there can be no assurances that it will prevail in any of the legal proceedings in which it is involved or may be involved in the future or that any adverse decision would not have a material adverse effect on the business, results of operations and financial condition. (See Section 11.5 – Legal and arbitration Proceedings.)

6. Risk Relating To The Notes

Credit ratings may not reflect all risks.

The security ratings (if any) assigned to Notes issued under the Programme may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of such Notes.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

There is no active trading market for the Notes.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications will be made for the Notes issued under the Programme to be admitted to trading on AIAF, or admitted to listing, trading and/or quotation on another listing authority, stock exchange and/or quotation system, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes. Furthermore, until any application for Notes to be admitted to trading on AIAF, or admitted to listing, trading and/or quotation on another listing authority, stock exchange and/or quotation system, has been approved by the relevant competent authority, the relevant Notes will not be so admitted to trading on AIAF or such other listing authority, stock exchange or quotation system.

Investors whose Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer and the Guarantor will discharge their payment obligations under such Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a

default under the relevant Notes but will have to rely upon their rights under the Certificated Notes Deed of Covenant.

Furthermore, the Issuer and (as the case may be) the Guarantor will discharge their payment obligations under Book-Entry Notes by making payments to Iberclear, which in turn will distribute payments among its participants. Since neither Euroclear nor Clearstream, Luxembourg is an Iberclear participant, payments to Holders of Book-Entry Notes held through Euroclear and/or Clearstream, Luxembourg will be distributed via the respective depositaries of Euroclear and Clearstream, Luxembourg with Iberclear. Such Holders must rely on the procedures of Iberclear, the relevant depositary, Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, any Book-Entry Notes, including any Book-Entry Notes held through Euroclear and/or Clearstream, Luxembourg.

A Holder's interest in a global Bearer Note will not be exchanged for Bearer Notes in definitive form unless the relevant Holder's interest amounts to a Specified Denomination.

In relation to any issue of Bearer Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Bearer Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case a Holder of Bearer Notes in global form who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a Bearer Note in definitive form in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Bearer Notes such that its holding amounts to a Specified Denomination.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer may be substituted in certain circumstances without the consent of Holders of the Notes.

The Terms and Conditions of the Notes provide that the Guarantor or any of its Subsidiaries (as defined in the Terms and Conditions) may, without the consent of Holders of Notes, assume the obligations of the Issuer under or in respect of any Notes in the circumstances described in Condition 14 (*Substitution*). Upon the occurrence of any such substitution according to the terms of Condition 14 (*Substitution*) the principal obligor under the Notes will be a different entity than the Issuer.

7. Risks in Relation to Taxation

Spanish Tax Rules.

Under Spanish law, income and interest in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18 per cent., in the case of: (a) individual holders who are resident in Spain; and (b) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991 of 5th July, 1991). The Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to holders of the Notes. Holders in respect of whom such information is not provided in accordance with procedures described herein to the Guarantor will receive payments subject to Spanish withholding, currently at the rate of 18

per cent. Neither the Issuer nor the Guarantor will gross up payments in respect of any such withholding tax in any of the above cases (see Condition 12 (*Taxation*)).

Offers into Spain are not permitted except in certain limited circumstances, as indicated under "Subscription and Sale – Spain", below. However, in the case of Notes which are admitted to listing and trading on a listing authority, stock exchange and/or quotation system of an OECD country other than Spain, the Spanish tax authorities may determine that the exemption from withholding tax on payments to Holders who are taxpayers of Spanish Corporation Tax (as described in "Taxation – The Kingdom of Spain – 2. Legal Entities with Tax Residency in Spain") does not apply to such Notes. If such a determination was made, the Issuer and (as the case may be) the Guarantor would be required to make a withholding at the applicable rate (at the date of this Base Prospectus, 18 per cent.) on payments of interest under the Notes and no additional amounts would be payable by the Issuer or the Guarantor in such circumstances pursuant to Condition 12 (*Taxation*).

Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and, together with Euroclear, the "**European Clearing Systems**") and (in the case of Notes admitted to trading on AIAF) *la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* ("**Iberclear**") are expected to follow certain procedures to facilitate the Issuer, the Guarantor, the Fiscal Agent and (in the case of Notes admitted to trading on AIAF) the Spanish Paying Agent in the collection of the details referred to above from holders of Notes (other than Registered Notes). If any European Clearing System or (in the case of Notes admitted to trading on AIAF) Iberclear is, in the future, unable to facilitate the collection of such information, it may decline to allow any or all of the relevant Notes to be cleared through such European Clearing System or (as the case may be) Iberclear and this may affect the liquidity of such Notes. Provisions have been made for Bearer Notes, in such a case, to be represented by Definitive Notes (see "Form of Bearer Notes"). The procedures agreed and described in the Agency Agreement may, in the future, be amended to comply with Spanish law and regulations and operational procedures of the European Clearing Systems or (as the case may be) Iberclear.

The procedure described in this Base Prospectus for the provision of information required by Spanish laws and regulations is a summary only and is subject to review and amendment by the European Clearing Systems and Iberclear as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.** None of the Issuer, the Guarantor, the Arranger, the Dealers, the Paying Agents, Iberclear or the European Clearing Systems assume any responsibility therefor.

EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

DESCRIPTION OF THE ISSUER

The information appearing below constitutes the Registration Document of Endesa Capital, S.A. prepared in English in accordance with Annex IX (Minimum disclosure requirements for debt and derivative securities registration document (schedule) – (Debt and derivative securities with a denomination per unit of at least EUR 50,000)) of Commission Regulation (EC) No. 809/2004.

1. PERSONS RESPONSIBLE

Mr. Javier Galan Allué, of legal age, holder of National Identity Card number 5.238.430-L, and Mr. Pedro Corpas Fernández, of legal age, holder of National Identity Card number 50.294-605-E, in their capacity as Joint Administrators of the Issuer, which has its registered offices in Madrid, at c/Ribera del Loira no. 60, holder of Tax Identification Code number A-84109636, accept responsibility for the information contained under the heading “Description of the Issuer” in this Base Prospectus (hereinafter, the “Registration Document”).

Mr. Javier Galan Allué and Mr. Pedro Corpas Fernández, in their capacity as Joint Administrators of the Issuer, declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

The Issuer’s short form annual financial statements for the years ending 31 December 2006 and 31 December 2005 were audited without qualification by Deloitte, S.L., having its registered offices at Plaza de Pablo Ruiz Picasso no. 1, Torre Picasso 28020 Madrid. Deloitte, S.L. is registered with the Official Registry of Account Auditors (*Registro Oficial de Auditores de Cuentas*) under registration number S0962.

Deloitte, S.L. were appointed by virtue of the Issuer’s deed of incorporation for a period of three years. On 17 April 2007, they have been reelected by the Issuer’s single shareholder, Endesa S.A., to audit the Issuer’s annual financial statements for the year ending 31 December 2007.

3. RISK FACTORS

See “Risk Factors”.

4. INFORMATION ABOUT THE ISSUER

The corporate name of the issuer is “Endesa Capital, S.A., Sociedad Unipersonal” (Single Member Company).

The Issuer is registered with the Mercantile Registry of Madrid, under Volume 20623, Book 0, Folio 21, Section 8, Page M-365127, 1st registration entry. The Issuer holds Tax Identification Code number A-84109636.

The Issuer was incorporated for an indefinite time before Madrid Notary Public Emilio Recoder de Casso, on October 5, 2004.

The Issuer is a wholly-owned subsidiary of Endesa S.A. (hereinafter the “Guarantor”), taking the legal form of a stock corporation (*sociedad anónima*) owned by one single shareholder (*unipersonal*), incorporated in accordance with Spanish law under Royal Legislative Decree 1564/1989, of December 22, approving the Spanish Corporations Law (*Ley de Sociedades Anónimas*), as restated and amended.

The Issuer’s registered offices are located at calle Ribera del Loira no. 60, 28042 Madrid, Spain, telephone number 91 213 10 00.

The Issuer’s share capital is 60,200 euros, fully subscribed and paid-in, divided into six hundred two (602) common shares each having a par value of one hundred (100) euros, consecutively numbered from no. 1 through no. 602, both inclusive, all of which issued and fully paid-in.

No recent event relating to the Issuer exists which is important for evaluating its solvency.

5. BUSINESS OVERVIEW

The exclusive corporate purpose of the Issuer is the issuance of ordinary or unsubordinated debt instruments backed by the Guarantor. The purpose shall be implemented subject to compliance in each case with the requisites established by current law in force applicable from time to time.

6. ORGANISATIONAL STRUCTURE

The Issuer belongs to the Endesa Group. Specifically, the Issuer's sole shareholder, holder of 100% of the company's shares, is the Guarantor.

7. TREND INFORMATION

There has been no significant change in the prospects of the Issuer since the date of its latest financial statements pertaining to the fiscal year ending 31 December 2006, as duly audited and published.

8. PROFIT FORECASTS OR ESTIMATES

The Issuer chooses not to include a profit forecast or estimate, inasmuch as this section is not applicable.

9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

As at the registration date of this Registration Document, the management body was formed by:

<u>Name</u>	<u>Business Address</u>	<u>Position</u>	<u>Other positions in group</u>
Javier Galán Allué	C/ Ribera del Loira, 60 28042 Madrid	Joint Administrator	Deputy Director General of Finance
Pedro Corpas Fernández	C/ Ribera del Loira, 60 28042 Madrid	Joint Administrator	Director of Capital Markets

At the date of this Base Prospectus, there are no potential conflicts of interest between any of the persons identified above and their private interests and/or other duties. In accordance with article 127 *ter* of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), during the year ended 31 December 2006 no situations of conflict of interest occurred to which the persons mentioned above were subject.

The Issuer is controlled in its entirety, directly, by Endesa S.A. Consequently, in accordance with Circular 1/2004, of 17 March 2004, of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), the Issuer does not have the obligation to prepare an annual corporate governance report, its remission to the annual corporate governance report for fiscal year 2006 of its controlling company, Endesa S.A., which was approved by its Board of Directors on 14 May 2007, and submitted as a Material Fact (*Hecho Relevante*) to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on 16 May 2007, being sufficient.

Taking into consideration that the administration of the Issuer is entrusted in two joint directors and that its exclusive activity is to provide funding to ENDESA and its consolidated subsidiaries, the Board of Directors of ENDESA has resolved that its Audit Committee assumes the performance of the functions of the Audit Committee of the Issuer.

10. MAJOR SHAREHOLDERS

The Issuer's share capital is held in its entirety by the Guarantor.

11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

11.1 Historical Financial Information

The audited short form annual financial statements (including the auditor's report thereon and notes thereto) of the Issuer in respect of the years ended 31 December 2006 and 31 December 2005 shall be deemed to be incorporated in, and to form part of, this Registration Document. See "Documents Incorporated by Reference".

11.2 Financial statements

The Issuer does not prepare consolidated annual financial statements.

11.3 Auditing of historical annual financial information

See "2. Statutory Auditors".

11.4 Age of latest financial information

The latest audited financial information in respect of the Issuer pertains to the year ended 31 December 2006.

11.5 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer.

11.6 Significant change in the Issuer's financial or trading position

Save as disclosed in this Base Prospectus, since 31 December 2006 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer.

12. MATERIAL CONTRACTS

The Issuer has signed a service contract with the Guarantor dated 1 January 2005, the object of which is the provision by the Issuer in favor of the Guarantor, for and on behalf of the Guarantor, of the services and operations relating to the issuance of bonds and other debt instruments in such a form and manner that they may adhere to the scheme provided by additional provision two of Law 13/1985, of May 25, on investment ratios, equity and reporting obligations of financial intermediaries. By virtue of the above, the Issuer shall present to the Guarantor each year an expense budget of the Issuer for management and administration thereof. The Guarantor, by virtue of the above-mentioned service contract, agrees to pay to the Issuer the expenses and costs incurred by the latter in its management and administration.

13. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Not Applicable.

14. DOCUMENTS ON DISPLAY

- (1) Corporate Bylaws and deed of incorporation of the Issuer, which may be consulted at the registered offices.
- (2) Registration Document of the Guarantor (Annex I of Regulation 809/2004, of the European Commission, of 29 April 2004) registered in the registries of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores; CNMV*) on 16 May 2006 and which may be consulted on the CNMV website: <http://www.cnmv.es>.
- (3) Annual Report of the Guarantor which may be consulted on the website <http://www.endesa.es> and on the CNMV's website <http://www.cnmv.es>.
- (4) Audited annual financial statements of the Issuer for the fiscal years ending 31 December 2006 and 31 December 2005, which may be consulted at the registered offices of the Issuer and on the website of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores; CNMV*).

DESCRIPTION OF THE GUARANTOR

1. PERSONS RESPONSIBLE

- 1.1 Mr. José Luis Palomo Álvarez, of legal age, Tax Identification Number 51.316.595 F, in his capacity as Director of Corporate Finance and Control of ENDESA, S.A. (hereinafter "**ENDESA**" or the "**Guarantor**"), having its registered offices in Madrid, at calle Ribera del Loira, 60, holder of Tax Identification Code Number A-28/023430, accepts responsibility for the information contained under the heading "Description of the Guarantor" in this Base Prospectus by virtue of the powers of attorney granted on 5 May 2000, deed number 1037, as registered with the Mercantile Registry of Madrid on 26 May 2000, under Volume 14779, folio 47, Section 8, Page M-6405, 838th registration entry.
- 1.2 Mr. José Luis Palomo Álvarez, for and on behalf of ENDESA, by virtue of the powers of attorney in effect as mentioned under Section 1.1, above, declares that, having taken all reasonable care to ensure that such is the case, the information contained under the heading "Description of the Guarantor" in this Base Prospectus is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

- 2.1. The consolidated annual financial statements of ENDESA and its consolidated subsidiaries (the "Group") for the years ended 31 December 2006 and 31 December 2005 were audited without qualification by Deloitte, S.L., having its registered offices at Plaza Pablo Ruiz Picasso, s/n, 28020 Madrid. Deloitte, S.L. is registered with the Official Registry of Account Auditors (*Registro Oficial de Auditores de Cuentas*) under registration number S0962.
- 2.2. Deloitte, S.L. did not resign, nor were they removed from their duties during the years ended 31 December 2006 and 31 December 2005.

3. RISK FACTORS

See "Risk Factors".

4. INFORMATION ABOUT ENDESA

The legal name of the Guarantor is ENDESA, S.A. and the commercial name is ENDESA.

ENDESA was incorporated on 18 November 1944 under the name of *Empresa Nacional de Electricidad, S.A.* It changed its name to ENDESA, S.A. by resolution of the Annual General Shareholders' Meeting held on 25 June 1997.

ENDESA is registered with the Mercantile Registry of Madrid, under Volume 323, Folio 1, Page 6405.

ENDESA was incorporated by public deed executed before Madrid Notary Public Rafael López de Haro y Moya.

ENDESA has its registered offices and principal offices in Madrid, calle Ribera del Loira, 60, telephone number (34) 91 213 10 00, Tax Identification Code (CIF) A-28/023430.

ENDESA is a Spanish stock corporation (*sociedad anónima*) and subject to, *inter alia*, the Spanish Corporations Law (*Ley de Sociedades Anónimas*), as restated and amended by Royal Legislative Decree 1564/1989, of December 22. Furthermore, ENDESA's principal business activity is regulated by Law 54/1997, of November 27, on the Electric Sector and regulations in implementation thereof.

With regard to its accounting policies, ENDESA is subject to the provisions of Royal Decree 4371/1998, of March 20, approving the rules of adaptation of the General Chart of Accounts to companies of the electric sector and regulations in implementation thereof. In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, the Group has prepared and published consolidated financial statements in accordance with IFRS-EU for each of the years ended 31 December 2006 and 31 December 2005.

At the date of this Base Prospectus, ENDESA was the subject of a tender offer by Acciona and Enel (see "Risk Factors – Public Tender Offer" and "– Major Shareholders"). The final outcome of the tender offer process existing on 100% of ENDESA's capital could cause a change in control in the Group. The financial policy which, as the case may be, the controlling shareholders may adopt could have an impact on the Group's financial position.

5. BUSINESS OVERVIEW^(*)

ENDESA's corporate purpose is the electricity business in its various industrial and commercial activities, the exploitation of all types of primary energy resources, the provision of industrial services or services linked with its main business, especially gas services, as well as those having a preparatory or complementary nature to ENDESA's primary activities. In addition, ENDESA acts as the parent company of the Group.

The management of the Group is carried out pursuant to the separation of electric activities established in the Law 54/1997, of 27 November, on the Electricity Sector.

The Group carries out activities pertaining to generation, transport, distribution or sale of electricity, directly or through investments in other companies, principally in Spain, Portugal, Italy, France, Poland, Turkey, Greece, Andorra, Chile, Argentina, Peru, Colombia, Brazil and Morocco.

The Group has a significant presence in the regulated and liberalised natural gas markets of Spain and Portugal.

ENDESA's core business of electricity and gas generation, transportation, distribution, marketing and related services, is organised into three main geographic areas:

- Spain and Portugal, which are managed as an integrated market;
- Europe (consisting of Italy, France, Poland, Turkey, Greece and Andorra) and North Africa (namely Morocco);
- Latin America (consisting of Chile, Argentina, Columbia, Peru and Brazil).

Spain and Portugal

At 31 December 2006, ENDESA possessed in Spain a consolidated installed power of 22,893 MW and in the fiscal year on the whole produced a total of 88,482 GWh. ENDESA achieved in said year a market share of 38.1% in generation in ordinary regime, 43.1% in distributed energy, 39.7% in sales to regulated market customers, 55.6% in sales to liberalised market customers and 43.6% in total sales to final customers.

Furthermore, in 2006 the volume of energy supplied to final customers through its grids was 104,383 GWh, with a distribution grid of 298,50 km and a customer base of over 11 million of customers.

With regard to the marketing business, in 2006 total sales reached 33,534 GWh in the liberalised market, in which ENDESA had a total of 1,074,006 customers at 31 December 2006. With regard to the regulated market (in which customers receive their electricity supply in accordance with the pre-set tariffs established by governmental authorities), ENDESA sold 71,599 GWh in 2006.

It also possesses a significant presence in the Spanish natural gas market. In the regulated market, it provided this service to 351,000 users in 2006, with total sales of 6,759 GWh of gas, entailing a market share of 7.2%. With regard to the liberalised market, it marketed 23,697 GWh of gas to its more than 320,000 customers, achieving a market share of 11.6% in 2006.

In Portugal, ENDESA carries on generation activities through its 38.9% stake in Tejo Energia. Furthermore, it has a presence in co-generation and in wind energy. It is the 50% owner of Sociedade Térmica Portuguesa ("**Térmica Portuguesa**"), and 100% owner of ENDESA Finerge ("**Finerge**"). In 2006 the Portuguese Government launched a Wind Power Tender in which the consortium of which ENDESA formed part was awarded 1,200 MW. ENDESA has a 30% participation in this consortium through its holdings of Térmica Portuguesa and Finerge.

ENDESA is present in the Portuguese liberalised market through Sodesa, as the result of a 50% joint venture established by ENDESA with the Portuguese industrial group Sonae.

(*) Source: The information set out under the heading "Business Overview" below has been prepared by ENDESA on the basis of internally produced data and on the basis of publicly available information in respect of other companies and public administrative entities in the electricity sector.

Europe and North Africa

ENDESA's strategy in Europe has been aimed at the acquisition of majority holdings in generation companies, especially in the Mediterranean arch, taking advantage of opportunities arising out of the liberalisation processes being carried out in the European environment, in order to increase its available volumes of energy and access to the various national markets.

The Group has added to its position in the Iberian electric market an important position in the generation business in Italy and France and in the marketing activities in the liberalised markets of the latter and other European countries. The Group is active in the principal wholesale electricity markets in continental Europe, conducts transnational exchanges of electricity and participates in one of the most important generation facilities in Morocco.

At 31 December 2006, the Group's installed capacity in Europe was 9,775 MW, of which 8,968 MW pertained to ENDESA in Italy and 2,807 MW to the French company Snet, which since November 2006 operates under the tradename of ENDESA France ("**ENDESA France**").

The Group's total production in Europe was 35,575 GWh in 2006, of which 25,723 GWh were generated in Italy and 9,852 GWh by ENDESA France.

Total sales amounted to 52,606 GWh, of which 33,584 GWh related to ENDESA in Italy and 19,022 GWh to ENDESA France.

Latin America

ENDESA is Latin America's leading private multinational electric company. It is the largest electric company in Chile, Argentina, Colombia and Peru, and ranks third in Brazil. It supplies electricity in five of the six principal urban areas of the region Buenos Aires (Argentina), Bogotá (Columbia), Santiago de Chile (Chile), Lima (Peru) and Rio de Janeiro (Brazil) and participates in an interconnection project which is intended to join the electrical grids of six Central American countries (Siepac).

The Group's strategy in Latin America is to consolidate a number of businesses that are positioned to take advantage of potential growth opportunities. The Group has controlling interests in companies involved in electricity generation, transport, distribution and commercialisation activities throughout the region. In particular, ENDESA holds 60.62% of Enersis, S.A., the Chilean energy group which provides electricity generation, transport and distribution services, as well as related services, in Argentina, Brazil, Chile, Columbia and Peru.

In total, the electric companies in which ENDESA holds a stake in Latin America possessed 14,317 MW of installed power at 31 December 2006. That year, they produced 62,028 GWh and sold 58,218 GWh to a total of over 11 million customers.

6. ORGANISATIONAL STRUCTURE

The Guarantor is the parent company of a group of companies comprised of Endesa, S.A. and its consolidated subsidiaries. As a consequence of the corporate reorganisation process and the separation of electrical activities in order to adapt to the provisions of Law 54/97, of November 27, on the electric sector, ENDESA'S business activity has been converted into a holding company and, during the years 2004, 2005, and 2006 has centered fundamentally around the management and provision of services to the Group, and not directly carrying out electric business activities.

ENDESA's principal subsidiaries are ENDESA Generación, S.A., Sociedad Unipersonal ("**ENDESA Generación**"), ENDESA Red, S.A., Sociedad Unipersonal ("**ENDESA Red**"), ENDESA Energía, S.A., Sociedad Unipersonal ("**ENDESA Energía**"), ENDESA Europa S.R.L. ("**ENDESA Europa**"), ENDESA Internacional, S.A., Sociedad Unipersonal ("**ENDESA International**") and ENDESA Servicios S.R.L. ("**ENDESA Servicios**")

ENDESA Generación

ENDESA Generación was created on 22 September 1999 in order to concentrate therein ENDESA's generation and mining assets. This company pools together, *inter alia*, the stakes in ENDESA Generación, ENDESA Cogeneración y Renovables, S.A. (ECyR), Gas y Electricidad Generación, S.A. (Gesga) and Unión Eléctrica de Canarias Generación, S.A. (Unelco).

ENDESA Red

ENDESA Red was created on 22 September 1999 as the culmination of the integration process of ENDESA's territorial distribution companies in Spain. This company pools together, *inter alia*, ENDESA Distribución Eléctrica, S.L., ENDESA Operaciones y Servicios Comerciales, S.L. and ENDESA Gas, S.A. The first assumes the regulated activities of transport and distribution of electricity, as well as marketing at tariff. The second implements activities of commercial support to ENDESA's energy companies and, finally, ENDESA Gas, S.A. pools together stakes in companies operating in the regulated natural gas market.

Furthermore, after the partial sale of ENDESA Diversificación, carried out within the frame of the reorganisation implanted by ENDESA in July 2004, ENDESA Red controls the company ENDESA Ingeniería.

ENDESA Energía

ENDESA Energía was created on 3 February 1998 in order to implement marketing activities in the liberalised Spanish electric sector.

Its fundamental activity is the supply of energies and value added services to customers who decide to exercise their right to choose their utility supplier and receive service in the liberalised market.

Furthermore, ENDESA Energía carries out marketing activities in the liberalised markets of Portugal, France, Italy, Germany and Belgium.

ENDESA Europa

ENDESA Europa was created on 21 December 2000 in order to consolidate the Group's presence in Europe. ENDESA Europa carries out the administration and management of ENDESA's holdings in Europe, which at 31 December 2006 consisted of holdings in ENDESA Italia, Ferrara and Teverola (Italy), ENDESA France and Soprolif (France) and ENDESA Trading.

ENDESA Internacional

ENDESA Internacional was created on 26 January 1998 and its purpose is to manage ENDESA's presence in the Latin American market through its controlling interests in a number of companies in the region. The principal investee company of ENDESA Internacional is Enersis, S.A., the control of which it acquired in 1999.

Enersis, S.A. is a holding company located in Chile that holds stakes in electricity generation and distributor companies in five Latin American countries. Its principal investee companies, directly or indirectly, are: ENDESA Chile (generation in Chile with stakes in other generation companies), Chilectra (distributor in Chile with stakes in other Latin American electricity distributor companies), Edesur (distribution in Argentina), Costanera and El Chocón (generation in Argentina), Cien (interconnection between Argentina and Brazil), ENDESA Fortaleza and Cachoeira Dourada (generation in Brazil), Ampla and Coelce (distribution in Brazil), Emgesa (generation in Colombia), Codensa (distribution in Colombia), Edegel (generation in Peru) and Edelnor (distribution in Peru).

ENDESA Servicios

ENDESA Servicios was incorporated on 18 February 1999 in order to integrate the group of support services of each one of ENDESA's investee companies into one single company.

Following the reorganisation implanted by ENDESA in July 2004, this company has as its fundamental activities the definition of corporate purchasing policies, the management of global supplier agreements and of information systems and telecommunications, property management and the carrying out of the corporate strategy for technological development, innovation and knowledge management.

7. TREND INFORMATION

Not applicable.

8. PROFIT FORECASTS OR ESTIMATES

Not applicable.

9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR OFFICERS

Board of Directors

As at the date of this Base Prospectus, the Board of Directors is composed as follows:

Position	Members	Nature⁽¹⁾	Status⁽²⁾	Appointment at the Proposal of
Chairman	Manuel Pizarro Moreno	a)	Executive	—
Chief Executive Officer	Rafael Miranda Robredo	a)	Executive	—
Directors	Alberto Alonso Ureba	b)	Outside independent	—
	Miguel Blesa de la Parra	c)	Outside shareholder	Caja Madrid
	José M. Fernández Cuevas ⁽³⁾	b)	Outside independent	—
	José M. Fernández Norniella	b)	Other outside	—
	Rafael González-Gallarza Morales	b)	Outside independent	—
	Juan Ramón Quintás Seoane	b)	Outside independent	—
	Francisco Javier Ramos Gascón	b)	Outside independent	—
	Alberto Recarte García-Andrade ⁽³⁾	b)	Other outside	—
	Manuel Ríos Navarro	b)	Outside independent	—
	Juan Rosell Lastortras	b)	Other outside	—
Secretary/Non-Director	José Serna Masiá	b)	Outside independent	—
	Salvador Montejo Velilla	—	—	—

(1) Nature:

In accordance with article 37 of ENDESA's Corporate Bylaws, ENDESA has the following types of Directors:

- a) Those professionally and permanently related to ENDESA.
 - b) Those whose tie to ENDESA is circumscribed to their status as Board member, and
 - c) Those whose membership on the Board derives from an equity stake in ENDESA's share capital.
- (2) The definitions of type a) and c) directors of note (2) coincide substantially with the definitions of the Aldama Committee with respect to executive directors and outside shareholder directors. Nevertheless, the definition of type b) directors of ENDESA's Corporate Bylaws defines a broader category of directors than the notion of outside independent director of the Aldama Committee, including both independent directors, as it were, as well as the remaining non-shareholder outside directors.
- (3) Pursuant to the criteria of the Unified Code in Spain, Mr. José M. Fernández Norniella and Mr. Alberto Recarte García-Andrade would be considered to hold owner status.

Executive Committee

As at the date of this Base Prospectus, the Executive Committee is composed as follows:

Position	Member
Chairman	Manuel Pizarro Moreno
Chief Executive Officer	Rafael Miranda Robredo
Members	Alberto Alonso Ureba
	Miguel Blesa de la Parra
	José M ^a Fernández Cuevas
	José Manuel Fernández Norniella
Secretary/Non-Director	Salvador Montejo Velilla

Audit and Compliance Committee

As at the date of this Base Prospectus, the Audit and Compliance Committee is composed as follows:

Position	Members
Chairman	José Serna Masiá
Directors	José María Fernández Cuevas
	Alberto Recarte García-Andrade
	Francisco Javier Ramos Gascón
Secretary/Non-Director	Salvador Montejo Velilla

Appointment and Remuneration Committee

As at the date of this Base Prospectus, the Appointment and Remuneration Committee is composed as follows:

Position	Member
Position	Member
Chairman	Manuel Ríos Navarro
Directors	Juan Ramón Quintás Seoane Rafael González-Gallarza Morales Juan Rosell Lastortras
Secretary/Non-Director	Salvador Montejo Velilla

For the purpose of their position as members of the Board of Directors, of the Executive Committee, the Audit and Compliance Committee and the Appointment and Remuneration Committee of ENDESA, the business address of all members of the above-mentioned bodies is calle Ribera del Loira, 60, 28042 Madrid, Spain.

Profile of Directors

Position	Profile
Manuel Pizarro Moreno Teruel. 1951	Present occupation: Chairman of ENDESA, S.A. (May 2002). Boards of Directors: Vice Chairman of Madrid Stock Exchange (December 1995); Vice Chairman of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (February 2002). Other activities: Academia of Royal Academy of Jurisprudence and Legislation; Academia of Royal Academy of Economic and Financial Sciences; Academia of Aragón Academy of Jurisprudence and Legislation.
Rafael Miranda Robredo Burgos. 1949	Present occupation: Chief Executive Officer de ENDESA, S.A. (1997). Boards of Directors: Chairman of ENDESA Internacional, S.A.; Chairman of ENDESA Europa, S.L.; Vice Chairman of Enersis, S.A. Other activities: Chairman of EURELECTRIC (Union of European Electric Companies); Member of American Management Associations; Member of Social Board of Universidad Autónoma de Madrid; Member of Board of Trustees Fundación ENDESA; Member of Consejo Español del INSEAD; Member of la Fundación Universidad Pontificia de Comillas; Member of Consejo Rector de APD.
Alberto Alonso Ureba Seville. 1953	Present occupation: Practicing attorney; Professor of Commercial Law Universidad Rey Juan Carlos de Madrid. Boards of Directors: Director of Zeltia, S.A.; Director of Lazarejo, S.A.; Director of Neuropharma, S.A. Other activities: Founding member of General Code Standards Commission; Secretary-Founder of "Revista de Sociedades" (Aranzadi); Member of Editorial Committee of the journal "Cuadernos de Derecho y Comercio"; General Coordinator in Spain of McGraw Hill "Legal Sciences".
Miguel Blesa de la Parra Linares (Jaén). 1947	Present occupation: Chairman of Caja Madrid. Boards of Directors: Chairman of the Corporación Financiera Caja Madrid; Chairman of Altae Banco; Chairman of the Fundación Caja Madrid; Vice Chairman of the Confederación Española de Cajas de Ahorro (CECA); Shareholder Vice Chairman of Iberia, L.A.E.; Director of Fomento de Construcciones y Contratas, S.A. Other activities: Chairman of la Fundación General Universidad Complutense; Trustee of the Foundation colección Thyssen Bornemisza; Member of Consejo Rector de APD; Trustee of the Fundación Príncipe de Asturias; Member of Board of Governors IFEMA; Trustee Member of la Comisión de Inversiones Fundación Pro Real Academia Española; Trustee of the Fundación Ayuda a la Drogadicción; Trustee of the Fundación Real Fábrica de Tapices.
José M. Fernández Cuevas La Losa (Segovia). 1936	Present occupation: Industrial engineer and economist. Boards of Directors: Secretary/Non-Director of Cliner, S.A. Other activities: Director of la Fundación ADA; Comptroller of Madrid Professional College of Industrial Engineers; Vice Chairman of Association of Industrial Engineers of Madrid.
José M. Fernández Norniella Oviedo. 1945	Present occupation: Director of Iberia, L.A.E. and Director of Caja Madrid. Boards of Directors: Vice Chairman of Chilectra, S.A.; ex Director of RTVE; ex Director of Enagas, S.A.
Rafael González- Gallarza Morales	Present occupation: Chairman of Prensa Malagueña, S.A. Boards of Directors: Director of Pernod Ricard, Paris; Director of ENDESA Internacional, S.A.

Position	Profile
Madrid. 1934	Other activities: Trustee of the Foundation against Multiple Sclerosis of Madrid.
Juan Ramón Quintás Seoane A Coruña. 1943	Present occupation: Chairman and Director General of Confederación Española de Cajas de Ahorro (CECA); Vice Chairman of la Agrupación Europea de Cajas de Ahorros; Member of the Management Committee of the Savings Bank Deposit Guarantee Fund. Boards of Directors: Director of CASER Grupo Asegurador; Director of LICO Corporación, S.A.; Director of Ahorro Corporación; Vice Chairman Agrupación Europea de Cajas de Ahorro. Other activities: Member of Executive Committee, Management Board and Assembly of CEOE; Member-elect of the Council of State; Member of Academia Galega de Ciencias; Member of Consejo Asesor de la Fundación Reina Sofía, Member of the Board of Trustees of Fundación Carolina.
Francisco Javier Ramos Gascón Madrid. 1936	Present occupation: Notary Public of Madrid. Boards of Directors: Independent Director of Sociedad Rectora de la Bolsa de Madrid, S.A. and member of its Standing Committee; Chairman of Araluz de Inversiones SICAV, S.A.; Director of ENDESA Europa, S.L. Other activities: Chairman of Instituto de Estudios Bursátiles; Director of la Fundación de Estudios de Economía Aplicada (FEDEA); Member of the Board of Trustees of Universidad de Nebrija.
Alberto Recarte García-Andrade Madrid. 1947	Present occupation: Executive Vice Chairman and Chief Executive Officer of CENTUNION, Española de Coordinación Técnica y Financiera, S.A. Boards of Directors: Director of Caja de Madrid; Director of ALTAE Banco, S.A.; Director of la Corporación de Caja de Madrid; Director of ENDESA Europa, S.L.; Chairman of Libertad Digital, S.A. Other activities: Trustee of Fundación Caja de Madrid; Vice Chairman of la Fundación Hispano-Cubana; Member of Board of Trustees of la Fundación de Apoyo a la Historia del Arte Hispánico; Trustee of la Fundación Lázaro Galdiano; Vice Chairman of Club de Exportadores; Member Management Board of Asociación Madrileña de Empresas Familiares.
Manuel Ríos Navarro Valencia. 1958	Present occupation: Vice Chairman and General Manager of Industrias Peleteras, S.A. - INPELSA -. Boards of Directors: Director of ENDESA Internacional, S.A.; Vice Chairman of Industrial Peleteras, S.A.; Director of Rimalo Inversiones SICAV, S.A. Other activities: Vice Chairman Executive Committee of Feria de Valencia; Vice Chairman Fundación Bancaja; Member Governing Board of Cec-Fecur; Member of the Board of Trustees of Fundación Etnor.
Juan Rosell Lastortras Barcelona. 1957	Present occupation: Chairman of OMB, Sistemas Integrados para la Higiene Urbana, S.A.; Chairman of Congost Plastic, S.A.; Director of Corporación Uniland, S.A. Boards of Directors: Director of Inmobiliaria Colonial, S.A.; Director of Sociedad General de Aguas de Barcelona, S.A.; Director of Siemens, S.A.; Director of Applus Servicios Tecnológicos, S.L.; Chairman of Instituto de Logística Iberoamericano; Director of Ecoarome Alimentaria, S.A.; Director of Gilac Industrial, S.L.; Director of Candeplastic, S.L.; Director of Civislar, S.A.; Chairman of Corporación Uniland, S.A.; Director of ENDESA Italia, SpA. Other activities: Chairman of Fomento del Trabajo Nacional; Vice Chairman of la Confederación Española de Organizaciones Empresariales (CEOE); Chairman of Instituto de Logística Internacional; Chairman of Fodere; Trustee of Fundación FC Barcelona; Member of Mont Pelerin Society; Trustee of Fundación CEOE.
José Serna Masía Albacete. 1942	Present occupation: Notary Public of Barcelona, Boards of Directors: Director of ENDESA Europa, S.L.
Salvador Montejo Velilla Madrid. 1958	Present occupation: Secretary General and Secretary of the Board of Directors of ENDESA, S.A. Other activities: Member of the Board of Trustees of Fundación ENDESA and of its Standing Committee, and Member of the Board of Trustees of Fundación Sevillana.

Save as described below, at the date of this Base Prospectus, there are no potential conflicts of interest between any of the persons identified above and their private interests and/or other duties. In accordance with article 127 ter of the Spanish Corporations Law (Ley de Sociedades Anónimas), during year ended 31 December 2006 no situations of conflict of interest occurred to which the members of the Board of Directors of ENDESA were subject.

Notwithstanding the above, Director Juan Ramón Quintás Seoane stated that in Gas Natural's Tender Offer on ENDESA, because both entities have stakes held by savings banks (*cajas de ahorros*), the possibility arose that the savings banks implicated could take an interest in mediation between them as Chairman of the Spanish Confederation of Savings Banks

(Confederación Española de Cajas de Ahorro; CECA). In foreseeing such possibility, he suspended his attendance at meetings of the Board of Directors of ENDESA, S.A. as from when he became aware of such circumstance.

10. MAJOR SHAREHOLDERS

The following has been extracted from information published by the Spanish Securities Market Commission on significant holdings of ENDESA, referring to the persons who, directly or indirectly, have a noteworthy interest in the capital or voting rights of ENDESA.

<i>Company</i>	<i>Number of Direct Shares</i>	<i>Number of Indirect Shares</i>	<i>% of Capital</i>
Caja Madrid	105,197,057	—	9.936
Enel, S.p.A. ⁽¹⁾	—	105,800,000	9.993
Grupo Entrecanales, S.A. ⁽²⁾	—	211,750,424	20.000
Finanzas Dos, S.A. ⁽²⁾	211,750,424	—	20.000
Mediobanca, S.p.A. ⁽³⁾	52,988,949	—	5.005
Union Bank of Switzerland ⁽⁴⁾	83,212,428	608,831	7.917
UBS Global Asset Management (Deutschland) Gmbh	—	ND	0.010
UBS Global Asset Management (UK) Ltda.	—	ND	0.048
The Bank of New York ⁽⁵⁾	108,264,003	—	10.226
Citibank N.A. London ⁽⁶⁾	55,408,232	—	5.233

(1) Enel S.p.A. has declared that the stake in ENDESA owned by Enel Energy Europe, S.r.L., a company wholly-owned by Enel Energy Europe, S.r.L. is held through The Bank of New York in its capacity as global custodial bank, who is acting for the account of Banca Monte dei Paschi who, in turn, is acting as global custodial bank. Furthermore, Enel Energy Europe, S.r.L. has executed several Share Swap agreements with UBS Limited with respect to 74,112,648 shares of ENDESA (equivalent to 7% of its share capital) and Mediobanca with respect to 52,988,949 shares of ENDESA (equivalent to 5.005% of its share capital) by means of the relevant Share Swap agreements dated 1 March and 2 March 2007, and with respect to 31,500,000 shares (equivalent to 2.975% of its share capital), by means of a Share Swap agreement dated 12 March 2007. The purpose of the aforesaid Share Swaps is to hedge the potential risk of fluctuation for Enel Energy Europe, S.r.L. in the event that the market price of the ENDESA share exceeds 39 euros per share, in the event that Enel, S.p.A. should directly or indirectly increase its stake in the said company if it obtains the pertinent authorisations from the Spanish authorities and provided that market conditions so permit. The form of settlement of the Share Swaps is by netting, with an option to Enel Energy Europe, S.r.L. to require settlement by delivery (said option is conditioned, *inter alia*, on obtaining the pertinent authorizations from the Spanish authorities).

(2) Acciona, S.A. has declared that Finanzas Dos, S.A. is wholly-owned by Acciona, S.A. Grupo Entrecanales, S.A. is the owner of 59.541% of the share capital of Acciona, S.A.

(3) Enel, S.p.A. has reported that on 2 March 2007, Enel Energy Europe, S.r.L., a company wholly-controlled by Enel, formalised a Share Swap Transaction with Mediobanca, the underlying asset of which is a maximum of 4,500,000 shares of ENDESA. The form of settlement is by cash settlement, with a conditional right for Enel Energy Europe, S.r.L. to elect physical settlement, conditioned, among other requisites, on Enel obtaining the pertinent administrative authorizations to carry out the purchase. In execution of the said Share Swap Transaction, Enel Energy Europe, S.r.L. has already contracted financial hedging for the total amount of the 4,500,000 shares of ENDESA at an average price of 39 euros per share.

(4) Union Bank of Switzerland has declared that 74,112,648 shares of ENDESA are shares acquired by UBS AG in order to hedge its position deriving from a Share Swap Transaction subscribed with Enel Energy Europe, S.r.L.

(5) The Bank of New York has declared a total position held for the account of its clients of 108,264,003 shares and has reported that nearly the entire position (exactly 105,805,114 shares) is held for the account of the local custodian, Banca Monte dei Paschi, the final beneficiary of these shares being Enel Energy Europe, S.r.L.

(6) Citibank International Plc Sucursal en España has declared that its affiliate Citibank N.A. London customarily acts as nominee for the account of its foreign customers in the securities custody and clearing business and that, specifically, the stake in ENDESA reported on 11 May 2007 pertained to Mediobanca.

On 10 January 2007, Acciona, S.A. reported to the CNMV via a material fact sheet (*hecho relevante*) that its total direct or indirect stake in ENDESA as at that date amounted to 21.03%.

To the extent known to ENDESA, there are no natural persons or legal entities that, directly or indirectly, individually or collectively, exercise control of ENDESA as at the date of this Base Prospectus.

On 26 March 2007, Acciona and Enel entered into a cooperation agreement to launch a joint tenders offer for all of the shares of ENDESA and to implement a joint management project for ENDESA under the leadership of Acciona pursuant to the terms and conditions set forth in such cooperation agreement.

On 2 April 2007, E.ON, Acciona and Enel entered into an agreement to settle their conflicts and to agree on certain matters relating to ENDESA. Acciona and Enel have, among other things, undertaken to cause certain assets of ENDESA to be transferred to E.ON upon the condition of Acciona and Enel acquiring control over ENDESA.

In furtherance of their cooperation agreement, on 11 April 2007, Acciona and Enel announced a joint tender offer for all of the outstanding ordinary shares and ADSs of ENDESA. The offer consists of €41.30 in cash for each ordinary share and ADS of Endesa. The offer is at the date of this Base Prospectus awaiting regulatory approvals and authorisations. Completion of the aforementioned offer is conditional upon (i) the ordinary shares and ADS of ENDESA tendered in the tender offer, together with any shares already held directly or indirectly by Acciona and Enel, representing more than 50% of the share capital of ENDESA; and (ii) before the end of the tender offer period, (a) Endesa's General Shareholders Meeting passing certain resolutions amending articles 32, 37, 38 and 42 of ENDESA's bylaws, and (b) such resolutions becoming registered with the Madrid Commercial Registry.

11. FINANCIAL INFORMATION CONCERNING ENDESA'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

11.1 Historical Financial Information

The audited consolidated annual financial statements (including the auditor's report thereon and notes thereto) of ENDESA in respect of the years ended 31 December 2006 and 31 December 2005 shall be deemed to be incorporated in, and to form part of, this Base Prospectus. In addition, the unaudited consolidated financial statements of ENDESA as at and for the three month period ended 31 March 2007 shall be deemed to be incorporated in, and to form part of, this Registration Document. See "Documents Incorporated by Reference".

11.2 Financial Statements

See 11.1 Historical Financial Information above.

11.3. Auditing of historical annual financial information

See 11.1 Historical Financial Information above.

11.4. Age of latest financial information

The latest audited financial information in respect of ENDESA pertains to the year ended 31 December 2006.

11.5. Legal and arbitration proceedings

Save as described below, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which ENDESA is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of ENDESA or the Group.

As at 31 December 2006, ENDESA had allocated provisions in the amount of €4,442 million, of which €1,994 million relate to meeting future obligations deriving from staff restructuring plans and €808 million to provisions for pension and similar obligations. Of the remaining €1,640 million, €1,284 million pertain to litigation, indemnities and similar pending resolution, and €356 million to the estimated amount in order to meet facility closing costs.

At the date of this Base Prospectus, the principal litigation or arbitration proceedings in which the Group's companies were involved were as follows:

- In 2002, EdF International ("EdF") commenced an action against Endesa Internacional, S.A., Repsol YPF, S.A. and YPF, S.A. before the Arbitration Court of the International Chamber of Commerce, Paris, France. EdF petitioned the court to require Endesa Internacional, S.A. to pay to it \$256 million plus interest, and Repsol YPF Group the sum of \$69 million plus interest, arising out of EdF's purchase of the respective interests of Endesa Internacional and YPF, S.A. in two Argentine companies, Easa and Edenor. Endesa Internacional, S.A., Repsol YPF, S.A. and YPF, S.A. are contesting this claim and have counterclaimed in an amount of \$58 million to Endesa Internacional, S.A. and to YPF S.A. the sum of \$14 million. During the year 2006, the arbitration

proceeding continued its course, the parties having filed their respective Writs of Conclusions. At the date of this Base Prospectus the parties were waiting for the arbitration decision to be made.

- The French subsidiary of ENDESA Europa, ENDESA France, executed with the Ministry of the Treasury of the Republic of Poland on 15 February 2001 a stock purchase agreement for ENDESA "Elektrociepłownia Białystok, S.A." in which, among other commitments, it agreed to invest in tangible and intangible assets of ENDESA or of other Polish energy companies, within an established deadline, which expired on 31 August 2006. The Ministry of the Treasury has requested payment of €24 million by virtue of an alleged breach of certain investments in this amount, although ENDESA France has rejected, for various reasons, both the formal validity as well as the contents of the said claim.
- There were four court proceedings in progress against Endesa Distribución Eléctrica relating to forest fires in Catalonia and a contract dispute relating to the construction electricity facilities in the Canary Islands, the aggregate amount of which (if judgment were rendered against ENDESA Distribución Eléctrica) would reach €61 million.
- ENDESA, S.A. and ENDESA Generación, S.A. have filed suit against Gas Natural SDG, S.A. and Gas Natural Comercializadora, S.A. for formalisation of arbitration for breach of contract of the economic conditions provided by the natural gas supply agreement dated 14 October 1998, detected by the audit firm appointed by the parties, as well as for the refusal to supply to generator plants which, in the judgement of the former were contemplated therein. On the other hand, Gas Natural SDG, S.A. and Gas Natural Comercializadora, S.A. have filed suit against ENDESA, S.A. and ENDESA Generación, S.A. for formalisation of arbitration in order to bring the voidance and/or termination and/or amendment thereof for alteration of conditions of the gas market. Both arbitrations are at the present time in the process of being started by the Arbitration Court and, therefore, the suits which specify and quantify the specific claims of the parties are pending formalisation.
- An appeal is in process, as filed by ENDESA before the Supreme Court of Spain against a judgment of the National Court voiding the Order of 29 October 2002, regulating the Costs of Transition to Competition (hereinafter, "CTC") pertaining to the year 2001, handed down in contentious-administrative appeal number 825/2002 filed by Iberdrola. Management of the Group believes that, in the event that the Court's judgment is confirmed, the enforcement thereof should not have a significant economic effect on ENDESA.
- The Spanish State Auditing Agency issued an adverse report on certain subsidies received by Encasur. If confirmed by the competent authorities, this would carry with it the bringing of a proceeding to repay grants amounting to approximately €37 million.
- Until 31 December 1996, ENDESA and its subsidiaries were taxed for Corporate Income Tax purposes within the Consolidated Tax Group of the state holding company *Sociedad Estatal de Participaciones Industriales* (hereinafter, "SEPI").

The Corporate Income Tax Act establishes that companies that leave the Group assume the right to apply deductions pending use by the Group to the extent to which they contributed to the generation thereof. Therefore, the Finance and Tax Inspectorate has brought Assessments against ENDESA and Unelco recognising the right of these companies to apply in fiscal years 1997 and following the deductions for investments that they generated during fiscal years 1992 through 1996.

Notwithstanding the above, subsequently, and as a consequence of inspection verifications performed against SEPI, the Financial and Tax Inspectorate applied, in the Assessment brought against the SEPI Group pertaining to fiscal year 2006, all or part of the deductions generated in fiscal years 1992 through 1996 by the companies belonging to the Group. On 14 June 2001, the Spanish Finance Minister issued the respective Resolutions declaring the Assessments brought against ENDESA and Unelco which recognised the right of these entities to apply the deductions they generated in the above-mentioned years as damaging.

The contentious-administrative proceedings deriving from the said Resolutions were filed before the National Court, which rejected the Administration's claim. The Attorney for the Government has contested the judgement before the Supreme Court.

On the other hand, the Financial and Tax Inspectorate brought Assessments against ENDESA in which it rejects ENDESA's right to apply the deductions generated in fiscal years 1992 through 1996. The Assessments have all been voided by the Central Economic-Administrative Court.

Finally, the National Court voided SEPI's Assessment for fiscal year 1996 in which the deductions were applied. The National Court's judgement has been appealed before the Supreme Court.

- The reform of the Local Finances Law in Spain, effective from 1 January 2003, modified the air, sub-surface and subsurface charge for occupying the local public domain and included electricity retailers as parties liable to pay this charge, even though electricity retailers do not own the electricity distribution systems occupying the local public domain. Nevertheless, certain town halls are charging ENDESA Energía, S.A. for the official charge pertaining to 2002 and previous years.

Although contradictory judicial rulings exist on the part of the various Superior Courts of Justice on the appropriateness of such charges, the Supreme Court has definitively resolved the problem by holding that the electricity marketing companies are subject to payment of this official charge. The total amount of litigation filed is €6 million, although the maximum risk deriving from this matter amounts to €13 million.

- The Financial and Tax Inspectorate has completed verification of Corporate Income Tax for fiscal years 1998 to 2001 of the Tax Consolidation Group, resulting for fiscal years 1998, 2000 and 2001 a tax payment to deposit of €66 million and interest of €17 million, and for fiscal year 1999 a tax payment to be refunded of €17 million.

The principal concept regularised, which has been contested by ENDESA, S.A., is the application of deductions for investments and for internal double taxation generated during fiscal years 1993 to 1996, which the Tax Administration disputes inasmuch as it understands them to have been applied by the SEPI Group.

- ENDESA's Brazilian subsidiary, Ampla Energía e Servicios, S.A. ("Ampla"), won a claim against the Government of Brazil, in which it was established that Ampla was not required to pay the Contributions for Social Security Financing ("Cofins"). This tax is levied on income obtained from sales of electrical energy. The court confirmed the prior judgement, declaring it firm, and in 1997 the Brazilian Government exercised an "Ação Rescisoria". This is a special proceeding the purpose of which is to review the firm judgment. The amount in dispute amounts to approximately €195 million.

On the other hand, in 2005 the Brazilian Tax Administration served Ampla with a tax assessment of €187 million which has been appealed. The Administration is of the opinion that the special tax scheme, which exonerates from taxation in Brazil interest received by subscribers of an issue of fixed rate notes carried out by Ampla in 1998, is not applicable.

Ampla maintains a number of other litigation proceedings of a tax nature in respect of different taxes and concepts which, in total, amount to approximately €150 million.

- In 2006 the Brazilian Tax Administration questioned the customs duty classification and tax rate at which ENDESA Fortaleza was taxed on the import of elements. The contingency, which affects assets for purposes of the Import Tax and Industrialized Products Tax, amounts to around €41 million. The proceeding is under discussion in the first administrative instance.
- Law 25561, on Public Emergency and Reform of the Regime dated 6 January 2002, enacted by the Argentine authorities, made void certain conditions of the concession agreement of the Group's subsidiary, Edesur. This same provision provided that public services concession contracts be renegotiated within a reasonable period of time in order to adapt them to the new situation.

The absence of renegotiation of the agreement led to the Chilean companies that are shareholders of Edesur, subsidiaries of ENDESA, presenting in 2004 a request for arbitration in accordance with the Treaty for Promotion and Protection of Chilean-Argentine Investments before the International Center for Resolution of Investment-Related Differences ("Ciadi"). The arbitration in defence of the rights of the Edesur shareholders is stayed as at the date the financial statements were drawn up. On 15 February 2006, the parties involved in this arbitration signed an Attestation of Agreement which was finally approved by the Argentine Parliament and ratified by its Executive Branch, establishing the terms and conditions in which Edesur is going to be able to implement its electrical energy distribution activities in the future.

- In October 1997 the Superintendencia of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*) imposed a fine on Edesur, S.A., at that time a wholly-owned subsidiary of ENDESA Internacional, S.A. (today owned by Enersis S.A. and merged with Chilectra S.A.) of UF 100,000 (USD \$3,500,000) for alleged use of privileged information contained in clause six of the Strategic Alliance signed with Enersis in August of the same year.

Edesur filed suit against said fine and, in November 2000, a first instance judgment was handed down, accepting the suit and voiding the fine. The SVS filed an appeal and, on 6 June 2006, the Court of Appeals of Santiago revoked the first instance judgment and, consequently, confirmed the fine. Edesur has filed appeals (as to form and substance) before the Supreme Court, which is expected to be resolved by the Supreme Court in July 2007.

In the event that the Supreme Court does not accept the appeals and maintains the fine applied by SVS, ENDESA believes that the updated amount to be paid would be approximately USD \$10,000,000.

- On 4 April 2006, Commercial Court no. 3 of Madrid resolved at the request of ENDESA, to injunctively stay the Public Tender Offer made by Gas Natural SDG, S.A. on all of the capital stock of ENDESA as well as the effectiveness of the contract between the former and the company Iberdrola, S.A. By ruling dated 15 January 2007, the Provincial Court of Madrid uphold the appeal filed by Gas Natural and revoked the injunctive stay resolved by the above-mentioned Commercial Court no. 3 of Madrid. In accordance with the provisions of the Civil Procedure Act, ENDESA posted a bond for damages which may be caused, as the case may be, to the companies affected by such stay. The amount of the bank guarantee filed is €1 billion, although it should be mentioned that neither the bond nor its amount determine or pre-judge the existence or amount of potential liabilities which may derive from this proceeding.
- By ruling dated 28 April 2006, the Supreme Court resolved to stay the resolution of the Council of Ministers dated 3 February 2006 approving, subject to certain conditions, the concentration resulting from the Tender Offer of Gas Natural on all of the capital stock of ENDESA. On 17 November 2006, ENDESA filed a petition for modification and, subsidiarily, lifting of the injunctive measure and, by ruling dated 15 January 2007, the Supreme Court decided to lift the stay. ENDESA, at the appropriate time, filed an extension to the bond posted before Commercial Court no. 3 of Madrid, for damages which could be caused, as the case may be, to the companies affected by such stay, although it must be mentioned that neither the bond, nor its amount determine or pre-judge the existence or amount of potential liabilities which could derive from this proceeding.

11.6. Significant change in ENDESA's financial or trading position

Save as disclosed in this Base Prospectus, since 31 March 2007 there has been no material adverse change in the prospects of ENDESA or the Group nor any significant change in the financial or trading position of ENDESA or the Group.

12. MATERIAL CONTRACTS

There are no material contracts that have not been entered into in the ordinary course of ENDESA's business which could result in any Group member being under an obligation or entitlement that is material to ENDESA's ability to meet its obligations to holders of the Notes.

13. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Not applicable.

14. DOCUMENTS ON DISPLAY

See "Additional Information in Respect of the Guarantee, 4. Documents on Display".

Madrid, 31 May 2007

By ENDESA, S.A.

Signed: José Luis Palomo Álvarez

INFORMATION IN RESPECT OF THE NOTES

The information appearing below and under the heading "Risk Factors" constitutes the Securities Note prepared in accordance with Annex XIII (Minimum Disclosure Requirements for the Securities Note for debt securities with a denomination per unit of at least EUR 50,000 (Schedule)) of Commission Regulation (EC) No. 809/2004.

Capitalised terms used below and not otherwise defined in this Securities Note have the meanings given to them in the Terms and Conditions of the relevant Notes.

1. PERSONS RESPONSIBLE

Mr. Javier Galan Allué, of legal age, holder of National Identity Card number 5.238.430-L, and Mr. Pedro Corpas Fernández, of legal age, holder of National Identity Card number 50.294-605-E, in their capacity as Joint Administrators of the Issuer, which has its registered offices in Madrid, at c/Ribera del Loira no. 60, holder of Tax Identification Code number A-84109636, accept responsibility for the information contained in this securities note (hereinafter, the "Securities Note").

Mr. Javier Galan Allué and Mr. Pedro Corpas Fernández, in their capacity as Joint Administrators of the Issuer, declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. RISK FACTORS

See "Risk Factors".

3. KEY INFORMATION

Save as described under "Subscription and Sale", so far as the Issuer and the Guarantor are aware, at the date of this Base Prospectus no person involved in the issue of Notes pursuant to the Programme has an interest that is material to the issue, whether a conflicting interest or otherwise.

4. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

4.1 Total amount of securities being admitted to trading.

The maximum aggregate principal amount of Notes which may be outstanding at any one time pursuant to the Programme is EUR 5,000,000,000 (or its equivalent in other currencies).

4.2 A description of the type and the class of the securities being admitted to trading, including the ISIN (international security identification number) or other such security identification code.

The type and the class of Notes issued under the Programme will be set out in the relevant Final Terms.

The ISIN (international security identification number) and/or other relevant security identification codes will also be set out in the Final Terms applicable to each issue of Notes.

4.3 Legislation under which the securities have been created.

The issue of the Book-Entry Notes, including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Book-Entry Notes shall be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes and all matters arising from or connected with the Book-Entry Notes, the Issue and Paying Agency Agreement and the Book-Entry Notes Deed of Covenant are governed by, and shall be construed in accordance with, English law.

The issue of the Certificated Notes, including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Certificated Notes shall be governed by Spanish law. Subject as provided above, the terms and conditions of the

Certificated Notes and all matters arising from or connected with the Certificated Notes, the Issue and Paying Agency Agreement and the Certificated Notes Deed of Covenant are governed by, and shall be construed in accordance with, English law.

4.4 **An indication of whether the securities are in registered or bearer form and whether the securities are in certified or book-entry form. In the latter case, name and address of the entity in charge of keeping records.**

Notes which are admitted to trading on AIAF may be issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) ("**Book-Entry Notes**") and registered with Iberclear as managing entity of the Central Registry, as specified in the Final Terms. The legal name of Iberclear is the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* and its address is Plaza de la Lealtad, 1, 28014 Madrid, Spain.

Notes may also be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), as specified in the Final Terms. Book-Entry Notes may not be exchanged for Bearer Notes or Registered Notes. Registered Notes may not be exchanged for Book-Entry Notes or Bearer Notes.

In respect of global Bearer Notes not intended to be issued in new global note form (a "**CGN**"), the Issuer will deliver a Temporary Global Note, which will be deposited on or before the relevant issue date with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Final Terms. Bearer Notes intended to be issued in new global note form (a "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. If so specified in the relevant Final Terms, Bearer Notes will initially be represented by a Temporary Global Note. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form in accordance with its terms. Each Permanent Global Note will be exchangeable for Notes in definitive bearer form in accordance with its terms. Notes in definitive bearer form will, if interest bearing, either have interest coupons attached or have a grid for recording the payment of interest endorsed thereon.

Each Tranche of Registered Notes which is sold outside the United States to persons other than U.S. persons in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be represented by an Unrestricted Global Note Certificate which will be deposited with a custodian for, and registered in the name of a nominee of DTC on its Issue Date for the accounts of Euroclear and/or Clearstream, Luxembourg and/or any other DTC participating clearing system as may be specified in the relevant Final Terms. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the Distribution Compliance Period, beneficial interests in an Unrestricted Global Note Certificate of such Tranche may be held only through Clearstream, Luxembourg or Euroclear. After the expiry of the Distribution Compliance Period, beneficial interest in an Unrestricted Global Note Certificate may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC.

Notes of any registered Series sold in private transactions to QIBs and subject to the Transfer Restrictions described in "Forms of Registered Notes and Transfer Restrictions Relating to U.S. Sales" will, unless otherwise specified in the applicable Final Terms, be represented by a Restricted Global Note Certificate which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date.

Registered Notes represented by an Unrestricted Global Note Certificate or a Restricted Global Note Certificate will trade in DTC's same day fund settlement system and secondary market trading activity in such Notes will therefore settle in immediately available funds.

Beneficial interests in an Unrestricted Global Note Certificate and a Restricted Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants, including Clearstream, Luxembourg and Euroclear.

Persons holding beneficial interests in Unrestricted or Restricted Global Note Certificates will be entitled or required as the case may be, under certain circumstances to receive physical delivery of Individual Note Certificates. See "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales".

4.5 **Currency of the securities issue.**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

4.6 **Ranking of the securities being admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer.**

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which (unless they qualify by law as subordinated credits under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Insolvency Law**") in the event of the insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among Notes of the same Series and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.

In the event of insolvency (*concurso*) of the Issuer, under the Insolvency Law, claims relating to the Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*creditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*creditos contra la masa*) and credits with a privilege (*creditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders.

It is not clear whether, as a result of the application of article 87.6 of the Insolvency Law the claims against the Issuer arising from the Notes could be classified as subordinated credits of the Issuer. However, even if such claims were classified as subordinated credits, the payment obligations of the Guarantor under the Guarantee will remain as ordinary unsubordinated credits.

4.7 **A description of the rights, including any limitations of these, attached to the securities and procedure for the exercise of said rights.**

Each Tranche of Book-Entry Notes will be issued on the terms set out under "Terms and Conditions of the Book-Entry Notes" (the "**Book-Entry Note Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms (the "**Book-Entry Note Final Terms**").

Each Tranche of Certificated Notes will be issued on the terms set out under "Terms and Conditions of the Certificated Notes" (the "**Certificated Note Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms (the "**Certificated Note Final Terms**").

The Book-Entry Note Conditions and Certificated Note Conditions are collectively referred to herein as the "**Conditions**". The Book-Entry Note Final Terms and Certificated Note Final Terms are collectively referred to herein as the "**Final Terms**".

The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*) and Holders may declare the relevant Notes due and payable in certain circumstances as described in Condition 13 (*Events of Default*). See "Form of Final Terms", "Terms and Conditions of the Certificated Notes" and "Terms and Conditions of the Book-Entry Notes".

4.8 **The nominal interest rate and provisions relating to interest payable:**

Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked. See Condition 7 (*Fixed Rate Book-Entry Note Provisions*), Condition 7 (*Fixed Rate Note Provisions*), Condition 8 (*Floating Rate Book-Entry Note and Index Linked Interest Book-Entry Note Provisions*), Condition 8 (*Floating Rate Note and Index-Linked Interest Note Provisions*), Condition 9 (*Dual Currency Book-Entry Note Provisions*) and Condition 9 (*Dual Currency Note Provisions*).

Unless otherwise specified in the relevant Final Terms, interest will accrue from the relevant Issue Date.

In the case of Book-Entry Notes, claims for principal shall become void within ten years of the appropriate Relevant Date. Claims for interest shall become void within five years of the appropriate Relevant Date. See Condition 15 (*Prescription*).

In the case of Certificated Notes, claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. See Condition 15 (*Prescription*).

In the case of floating rate Notes and index-linked Notes, the relevant rates will be determined by the Calculation Agent in the manner set out in Condition 8 (*Floating Rate Note and Index-Linked Note Provisions*) or as otherwise set out in the relevant Final Terms.

Any market disruption or settlement disruption events that affect the underlying (in the case of index-linked or other structured Notes) will be set out in the relevant Final Terms, if applicable.

Any adjustment rules with relation to events concerning the underlying (in the case of index-linked or other structured Notes) will be set out in the relevant Final Terms, if applicable.

In the case of Notes admitted to trading on AIAF, the Calculation Agent will be Banco Bilbao Vizcaya Argentaria, S.A. (or any successor appointed from time to time) or such other person specified in the relevant Final Terms as the party responsible for calculating rate(s) of interest and interest amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms.

In the case of Notes admitted to listing and trading on a listing authority, stock market and/or quotation system in an OECD country other than Spain, the Calculation Agent will be The Bank of New York (or any successor appointed from time to time) or such other person specified in the relevant Final Terms as the party responsible for calculating rate(s) of interest and interest amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms.

4.9 **Maturity date and arrangements for the amortisation of the loan, including the repayment procedures. Where advance amortisation is contemplated on the initiative of the issuer or of the holder, it must be described, stipulating amortisation terms and conditions.**

Notes may have any maturity between one month and such maturity as may be elected by the Issuer, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

Early redemption will be permitted for taxation reasons as mentioned in the Conditions, but will otherwise be permitted only to the extent specified in the relevant Final Terms.

4.10 **An indication of yield**

The yield and method of calculation will be specified in the relevant Final Terms.

4.11 **Representation of debt security holders including an identification of the organisation representing the investors and provision applying to such representation. Indication of where investors may have access to the contracts relating to these forms of representation.**

The Holders of the Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Notes (the "**Regulations**"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Final Terms or (in circumstances where a Public Deed of Issuance is required by Spanish law in respect of the relevant Notes) to the relevant Public Deed of Issuance. A set of *pro forma* Regulations is included below.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Notes, the temporary Commissioner will call a general meeting of the Syndicate, the duty of which shall be to ratify or oppose the acts of the temporary Commissioner, confirm him in his post or appoint a person to substitute him and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Notes will be contained in the Regulations. Such provisions shall have effect as if incorporated herein.

The Issuer or, as the case may be, the Guarantor may, with the consent of the Fiscal Agent, the Spanish Paying Agent (in the case of Book-Entry Notes only) and the relevant Commissioner, but without the consent of the Holders of the Notes of any Series, amend these Conditions, each of the Deeds of Covenant or the Guarantee insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Conditions, the Guarantee or either of the Deeds of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders.

The Regulations applicable to the Syndicate of Holders of the Notes are set out in three parts below. Part A contains the Syndicate Regulations (in Spanish and in English) applicable to the Syndicate of Holders of Book-Entry Notes. Part B contains the Syndicate Regulations (in Spanish and in English) applicable to the Syndicate of Holders of Bearer Notes. Part C contains the Syndicate Regulations (in Spanish and in English) applicable to the Syndicate of Holders of Registered Notes.

Part A – Book -Entry Note Syndicate Regulations (Spanish Original)

REGLAMENTO DEL SINDICATO DE OBLIGACIONISTAS DE LA EMISIÓN DE OBLIGACIONES [MES/AÑO] [FECHA EMISIÓN], POR IMPORTE TOTAL DE [], REALIZADA POR ENDESA CAPITAL, S.A. Y GARANTIZADA POR ENDESA, S.A.

TITULO I DISPOSICIONES GENERALES

Artículo 1. Constitución.— De conformidad con las prescripciones del Texto Refundido de la Ley de Sociedades Anónimas, aprobado por el Real Decreto Legislativo 1564/1989, de 22 de diciembre (la “**Ley de Sociedades Anónimas**”), y demás disposiciones complementarias, queda constituido el Sindicato de Obligacionistas de Endesa Capital, S.A.-Emisión [mes/año], de [fecha emisión] (el “**Sindicato de Obligacionistas**”), integrado por todos los suscriptores de las obligaciones representadas mediante anotaciones en cuenta a las que se refiere la emisión (la “**Emisión**”), y acordada al amparo de un programa, documentado en un folleto base (“**Folleto Base**”) de fecha [___] de [___] de 200[___], para emitir instrumentos de deuda por Endesa Capital S.A. (el “**Emisor**”) garantizados por Endesa, S.A. (el “**Garante**”), hasta un importe total máximo de cinco mil millones de euros (€5,000,000,000).

Artículo 2. Régimen legal.— El Sindicato de Obligacionistas se rige, en todo lo no previsto en este Reglamento, por la Ley de Sociedades Anónimas y, supletoriamente, por los Estatutos de la Sociedad Emisora.

Artículo 3. Aceptación del Reglamento.— La mera suscripción de una de las obligaciones que integran la Emisión implica también la aceptación expresa por su titular del presente Reglamento, sin perjuicio de las facultades que en orden a su modificación competen al Sindicato de Obligacionistas en el cual queda integrado.

Artículo 4. Objeto.— La finalidad del Sindicato de Obligacionistas es la defensa de los derechos e intereses de los obligacionistas ante el Emisor, de acuerdo con la legislación vigente.

Artículo 5. Domicilio.— El domicilio del Sindicato de Obligacionistas se fija en Madrid, calle de Ribera del Loira, número 60. No obstante, la Asamblea del Sindicato de Obligacionistas podrá celebrarse en cualquier otro lugar de la provincia de Madrid siempre que así se haga constar en el anuncio de convocatoria de la Asamblea.

Artículo 6. Duración.— El Sindicato de Obligacionistas subsistirá durante toda la vigencia de la Emisión, hasta su total cancelación registral, e incluso, cancelada ésta, mientras existan obligaciones pendientes de cumplimiento por parte del Emisor.

TITULO II ÓRGANOS DEL SINDICATO

Artículo 7. Asamblea General de Obligacionistas.— El órgano supremo de representación del Sindicato de Obligacionistas es la Asamblea General de Obligacionistas, con facultad para adoptar los acuerdos necesarios para la mejor defensa del interés general de los obligacionistas y acordar (i) la novación y modificación de las condiciones de la Emisión, con la conformidad del Emisor; (ii) el nombramiento o destitución del Comisario; (iii) la aprobación de los gastos para la defensa de los intereses comunes; (iv) el ejercicio de las acciones judiciales oportunas; y (v) el nombramiento de mandatarios entre los obligacionistas, o terceros, para ejecutar, conjunta o separadamente, los acuerdos de la Asamblea General de Obligacionistas con el fin de realizar cualquier acción, actuación o diligencia judicial o extrajudicial.

Artículo 8. Convocatoria.— La Asamblea General de Obligacionistas podrá ser convocada por el Órgano de Administración del Emisor o del Garante y por el Comisario.

También deberá ser convocada cuando lo soliciten obligacionistas que representen la vigésima parte de las obligaciones en circulación.

La Asamblea General de Obligacionistas se entenderá también válidamente convocada cuando, estando presentes la totalidad de los obligacionistas, acuerden por unanimidad la

celebración de la misma, bastando en tal supuesto comunicar al Emisor y al Garante los acuerdos recaídos, sin necesidad de convocatoria expresa al Órgano de Administración del Emisor.

La convocatoria habrá de hacerse con una antelación mínima de 30 días naturales a la fecha en que haya de celebrarse la Asamblea General de Obligacionistas, mediante un anuncio publicado en un diario editado en idioma inglés de mayor circulación en Europa o en la plaza en cuya Bolsa estén admitidas a negociación las obligaciones. El anuncio, del que se remitirá copia por carta, telefax o correo electrónico al Banco Bilbao Vizcaya Argentaria, S.A. ("Agente de Pagos Español" según se define dicho término en el Folleto Base), al Emisor y al Garante, expresará el lugar, fecha y hora de la reunión, así como el texto completo de todas las propuestas de los acuerdos a tratar. Asimismo, el anuncio deberá indicar que las obligaciones deberán ser bloqueadas a través de una cuenta abierta en una entidad liquidadora, con el fin de poder obtener la tarjeta de asistencia o delegar su representación no más tarde de las 48 horas anteriores la hora fijada para la celebración de la Asamblea General de Obligacionistas.

Cuando la Asamblea General de Obligacionistas haya de tratar o resolver asuntos relativos a la modificación de las condiciones de la Emisión u otros de trascendencia análoga, a juicio del Comisario, deberá ser convocada con una antelación mínima de 30 días a la fecha de su celebración, mediante el anuncio y demás requisitos a los que se refiere el párrafo anterior y mediante un anuncio publicado en el Boletín Oficial del Registro Mercantil y en uno de los diarios de mayor circulación en la provincia de Madrid.

Artículo 9. Derecho de asistencia.— Tendrán derecho a asistir a la Asamblea General de Obligacionistas todos los tenedores de obligaciones que, con al menos cinco (5) días hábiles de antelación al día señalado para su celebración, sean titulares de obligaciones según resulte del registro correspondiente debidamente gestionado por la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("Iberclear"). El Agente de Pagos Español emitirá y facilitará a los tenedores de las obligaciones la correspondiente tarjeta de asistencia fechada que se emitirá en lengua inglesa, en la que se identificarán las obligaciones bloqueadas y se hará constar el derecho del tenedor de dicha tarjeta a asistir y votar en la respectiva Asamblea General de Obligacionistas en relación con las obligaciones bloqueadas.

Las obligaciones bloqueadas quedarán indisponibles para su titular, y no podrán liberarse hasta que se produzca el hecho que suceda con anterioridad de los dos siguientes:

- (i) La finalización de la Asamblea General de Obligacionistas que hubiera motivado la emisión de la correspondiente tarjeta de asistencia; o
- (ii) La devolución de la tarjeta de asistencia al Agente de Pagos Español.

Tendrán también derecho de asistencia a la Asamblea General de Obligacionistas, los Administradores del Emisor, cualquier representante del Garante y el Comisario, por lo que deberá comunicárseles la reunión que se haya de celebrar, salvo que, por encontrarse presentes o representados todos los obligacionistas y celebrarse con carácter de Asamblea Universal, fuese imposible el previo aviso. En tal supuesto, deberá comunicarse a los Administradores del Emisor el acuerdo o acuerdos adoptados, sin perjuicio de su derecho asistir a la Asamblea aun en el caso de no habérseles comunicado la celebración de la misma.

El Comisario, el Emisor o el Garante podrán aprobar la asistencia a la Asamblea General de Obligacionistas de terceras personas tales como expertos y asesores que estimen necesario o conveniente.

Artículo 10. Delegaciones.— Los tenedores de las obligaciones podrán delegar su representación en otra persona, aunque ésta no sea obligacionista, mediante endoso de la tarjeta de asistencia o carta específica para cada Asamblea dirigida al Comisario de Sindicato de Obligacionistas.

En particular, los tenedores podrán delegar su representación en el Agente de Pagos Español que deberá emitir, tras el bloqueo de las obligaciones, un documento redactado en lengua inglesa denominado "**Block Voting Instruction**":

- (a) Acreditando que las obligaciones especificadas en el mismo (las "**obligaciones bloqueadas**") han sido bloqueadas a través de una cuenta abierta en una entidad liquidadora. Las obligaciones bloqueadas no se liberarán sino hasta que se produzca el hecho que suceda con anterioridad de los dos siguientes:
 - (i) La finalización de la Asamblea General de Obligacionistas; o

- (ii) La entrega al mencionado Agente de Pagos Español, no más tarde de 48 horas antes de la hora fijada para la celebración de la asamblea, el recibo de las obligaciones bloqueadas y su notificación por el Agente de Pagos Español al Emisor.
- (b) Acreditando que (A) el titular de cada obligación bloqueada, o una persona debidamente autorizada en su nombre, ha dado instrucciones al Agente de Pagos Español para que los votos atribuidos dicha obligación bloqueada se emitan en un determinado sentido respecto de cada una de las propuestas de acuerdos a tratar en la Asamblea, y (B) que, durante las 48 horas anteriores a la hora de la celebración de la Asamblea, dichas instrucciones de voto no pueden ser modificadas o revocadas;
- (c) Enumerando el número total de las obligaciones bloqueadas, y especificando con relación a cada propuesta de acuerdo, si las instrucciones dadas lo son para votar a favor o en contra del mismo, y
- (d) Autorizando a un individuo o individuos para ejercitar los derechos de voto correspondientes a las obligaciones bloqueadas siguiendo las instrucciones impartidas de conformidad con lo establecido en las letras b) y c) precedentes.

Tanto la tarjeta de asistencia a la que se refiere el Artículo 9 como el *Block Voting Instruction* serán válidos hasta que se produzca la liberación de las obligaciones bloqueadas a las que se refieren. Mientras la tarjeta de asistencia o el *Block Voting Instruction* sean válidos el tenedor (en el caso de la tarjeta de asistencia) o el representante (en el caso del *Block Voting Instruction*) serán considerados a todos los efectos en relación con la Asamblea General de Obligacionistas, como los legítimos tenedores de las obligaciones a las se refieren. No podrán existir simultáneamente respecto de una misma obligación una tarjeta de asistencia y un *Block Voting Instruction*.

Artículo 11. Presidente y Secretario de la Asamblea.— Presidirá la Asamblea el Comisario del Sindicato de Obligacionistas, el cual designará un Secretario que podrá no ser obligacionista.

Artículo 12. Modo de deliberar de la Asamblea.— El Presidente dirigirá las deliberaciones de la Asamblea General de Obligacionistas, de acuerdo con el orden del día, concediendo el uso de la palabra, retirándolo en caso de exigirlo el buen orden de la Asamblea y limitando, en su caso, el número de intervenciones.

Artículo 13. Quórum y adopción de acuerdos.— Cada obligación dará derecho a un voto que se expresará mediante el procedimiento de mano alzada. La Asamblea de Obligacionistas adoptará los acuerdos por mayoría absoluta, con asistencia de las dos terceras partes de las obligaciones en circulación, y vincularán a todos los obligacionistas, incluso a los no asistentes y a los disidentes.

Cuando no se lograre la concurrencia de las dos terceras partes de las obligaciones en circulación, podrá ser nuevamente convocada la Asamblea un mes después de su primera reunión mediante la publicación del anuncio (o anuncios, en su caso) al que se refiere el Artículo 8. En esta segunda reunión de la Asamblea General de Obligacionistas, los acuerdos se adoptarán por mayoría absoluta de las obligaciones en circulación asistentes. Estos acuerdos vincularán a los obligacionistas en la misma forma establecida en el párrafo anterior.

Los acuerdos de la Asamblea General de Obligacionistas podrán sin embargo, ser impugnados por los obligacionistas conforme a lo dispuesto en la Sección Segunda del Capítulo V de la Ley de Sociedades Anónimas.

Artículo 14. Actas.— El acta de cada Asamblea General de Obligacionistas será firmada por el Comisario-Presidente y por quien hubiere actuado de Secretario en la misma, y las copias certificadas que de la misma se expidan las firmará el Comisario.

Artículo 15. Comisario del Sindicato.— El Comisario del Sindicato de Obligacionistas tendrá las facultades que les asignen las leyes, el presente Reglamento, la escritura de la Emisión y las que le atribuya la Asamblea General de Obligacionistas, para ejercitar las acciones y derechos que a la misma correspondan, actuando como órgano de relación entre el Emisor y el Sindicato de Obligacionistas en defensa y representación de los intereses de los obligacionistas.

El Comisario percibirá como retribución anual el importe necesario, en su caso, para completar, junto con la remuneración que viniera percibiendo en cada momento por el desempeño

del mismo cargo en los Sindicatos de Obligacionistas de otras emisiones vigentes del Emisor, la cantidad anual de 18.000 euros

Sustituirá al Comisario, en casos de ausencia o de enfermedad, el obligacionista en quién él delegue, y a falta también de éste, el que posea mayor número de obligaciones, hasta tanto la Asamblea de Obligacionistas acuerde, en su caso, el nuevo nombramiento, sin que dicha sustitución pueda tener más validez que los efectos puramente formales, debiendo, en caso de adoptar algún acuerdo, ratificarse el mismo expresamente por la Asamblea General de Obligacionistas.

La designación como Comisario podrá recaer en una persona jurídica, la cuál habrá de designar a la persona física que haya de actuar como su representante para el ejercicio de las funciones propias del cargo.

TITULO III

DISPOSICIONES FINALES

Artículo 16. Aceptación de los obligacionistas.— La suscripción o adquisición de las obligaciones implica para cada obligacionista su adhesión al Sindicato de Obligacionistas y al presente Reglamento y la ratificación plena (i) de los términos y condiciones recogidos en el Folleto Base y (ii) de cualesquiera documentos, contratos o acuerdos que suplementen, modifiquen o completen los mismos.

Todo ello se entiende sin perjuicio de las facultades que la Ley de Sociedades Anónimas les concede en orden a acordar y modificar el presente Reglamento, así como para adoptar las medidas legales para una adecuada protección de sus intereses.

Artículo 17. Fuero aplicable.— Para cualquier reclamación, conflicto o discrepancia derivada de la interpretación o ejecución del presente Reglamento, tanto el Sindicato de Obligacionistas como el Emisor, con renuncia expresa al fuero que pueda corresponderles, se someten a los Juzgados y Tribunales de Madrid.

Madrid, [día] de [mes] de 2.007

Part A – Book-Entry Notes Syndicate Regulations (Non-Binding English Translation)

The following is a non-binding English translation of the Regulations applicable to each Syndicate of Holders of Book-Entry Notes. In the event of a discrepancy between the non-binding English translation and the Spanish language original version, the Spanish language original version shall prevail.

REGULATIONS OF HOLDERS' SYNDICATE OF THE NOTE ISSUE [date/year] [issue date] IN THE TOTAL AMOUNT OF [] CARRIED OUT BY ENDESA CAPITAL, S.A. AND GUARANTEED BY ENDESA, S.A.

TITLE I

GENERAL PROVISIONS

Article 1. Establishment.— In accordance with the provisions of the Spanish Companies Act ("**Ley de Sociedades Anónimas**"), as amended, as approved by Royal Legislative Decree 1564/1989, of December 22 (the "**Spanish Companies Act**"), and further supplementary provisions, the Holders' Syndicate of Endesa Capital, S.A. – Issue [date/year] [issue date] (the "**Holders' Syndicate**") is hereby established, formed by all subscribers of the debt instruments in book-entry form to which the issue (the "**Issue**"), carried out in accordance with a program refers, as documented in a base prospectus (the "**Base Prospectus**") dated [] in order to issue debt instruments by Endesa Capital S.A. (the "**Issuer**") guaranteed by Endesa, S.A. (the "**Guarantor**"), up to a maximum total amount of five billion euros (€5,000,000,000).

Article 2. Legal Scheme.— The Holders' Syndicate is governed, with regard to everything not provided by these Regulations, by the Spanish Companies Act and, on a subsidiary basis, by the Bylaws of the Issuer Company.

Article 3. Acceptance of Regulations.— The mere subscription of one of the debt instruments forming part of the Issue also implies the express acceptance by the Holder thereof of these Regulations, notwithstanding the powers vested in the Holders' Syndicate of which it forms part with regard to the amendment thereof.

Article 4. Object.— The purpose of the Holders' Syndicate is the defence of the rights and interests of the Holders vis-à-vis the Issuer, in accordance with current law in force.

Article 5. Domicile.— The domicile of the Holders' Syndicate is established in Madrid, at calle de Ribera del Loira, no. 60. Notwithstanding the above, the Assembly of the Holders' Syndicate may be held in any other place in the province of Madrid provided that it is so stated for the record in the official meeting notice of the Assembly.

Article 6. Duration.— The Holders' Syndicate shall subsist during the entire life of the Issue, until the total registration cancellation thereof, and including, once cancelled, as long as there are obligations pending performance on the part of the Issuer.

TITLE II

BODIES OF THE SYNDICATE

Article 7. General Holders' Assembly.— The supreme body of representation of the Holders' Syndicate is the General Holders' Assembly, with the power to adopt the necessary resolutions for the best defence of the general interest of the Holders and resolve (i) the novation and modification of the conditions of the Issue, with the approval of the Issuer; (ii) the appointment or removal of the Commissioner; (iii) the approval of the expenses for defence of the common interests; (iv) the exercise of the appropriate judicial actions; and (v) the appointment of representatives from among the Holders, or third parties, to implement, jointly or severally, the resolutions of the General Holders' Assembly in order to carry out any act, court or out-of-court actions or proceedings.

Article 8. Meeting Notice.— The General Holders' Assembly may be convened by the Management Body of the Issuer or of the Guarantor and by the Commissioner.

It shall also be convened when requested by Holders who represent one-twentieth of the debt instruments outstanding.

The General Holders' Assembly shall also be deemed to be validly convened when, all of the Holders being present, they unanimously decide to hold the meeting. In such event, it shall be sufficient to notify the Issuer and the Guarantor of the resolutions handed down, with no need for an express meeting notice to the Management Body of the Issuer.

The official meeting notice shall be given at least 30 calendar days in advance of the date on which the General Holders' Assembly is to be held, by means of an announcement published in a newspaper published in English having general circulation in Europe or in the district on whose stock exchange the debt instruments are admitted to trading. The announcement, a copy of which shall be sent by letter, fax or e-mail to Banco Bilbao Vizcaya Argentaria, S.A. (the "**Spanish Paying Agent**" as such term is defined in the Base Prospectus), the Issuer and the Guarantor, shall express the place, date and time of the meeting, as well as the full text of all proposed resolutions to be transacted. Furthermore, the announcement shall indicate that the debt instruments must be frozen through an account open at a clearing entity, in order to be able to obtain the attendance card or delegate their representation no later than 48 hours prior to the time set for holding the General Holders' Assembly.

When the General Holders' Assembly is to transact or resolve matters relating to modification of the conditions of the Issue or others of an analogous significance, in the judgement of the Commissioner, it shall be convened at least 30 days in advance of the date it is to be held, by means of the announcement and other requisites referred to in the preceding paragraph and by notice published in the Official Mercantile Registry Bulletin (*Boletín Oficial del Registro Mercantil*) and in one of the most widely distributed newspapers in the province of Madrid.

Article 9. Right to attendance.— All Holders who, at least five (5) business days in advance of the date set for it to be held, are owners of debt instruments according to the corresponding register duly managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**Iberclear**") shall be entitled to attend the General Holders' Assembly. The Spanish Paying Agent shall issue and provide to the Holders the relevant dated attendance card which shall be issued in the English language, which shall identify the debt instruments frozen and will reflect the right of the holder of such card to attend and vote at the respective General Holders' Assembly in relation to the bonds frozen.

The debt instruments so frozen shall remain unavailable to their Holder and may not be released until the earlier of the following two events shall take place:

- (i) The end of the General Holders' Assembly which caused the issuance of the pertinent attendance card; or
- (ii) The return of the attendance card to the Spanish Paying Agent.

The following shall also be entitled to attend the General Holders' Assembly: the Directors of the Issuer, any representative of the Guarantor and the Commissioner, as a consequence of which they shall be notified of the meeting to be held, unless, as a result of all Holders being present or represented and the meeting being held as a general-consent Assembly, prior notice is impossible. In such case, the Directors of the Issuer shall be notified of the resolution or resolutions adopted, without prejudice to their right to attend the Assembly even in the event of not having been informed of the holding thereof.

The Commissioner, the Issuer or the Guarantor may approve the attendance at the General Holders' Assembly of third persons such as experts and advisers they deem necessary or appropriate.

Article 10. Proxies.— The Holders may delegate their proxy to another person, even if the latter is not a bondholder, by endorsing the attendance card or by means of a specific letter for each Assembly addressed to the Commissioner of the Holders' Syndicate.

In particular, the holders may delegate their proxy to the Spanish Paying Agent who must issue, following the freezing of the bonds, a document drafted in the English language entitled "**Block Voting Instruction**":

- (a) Accrediting that the debt instruments specified therein (the “**frozen bonds**”) have been frozen through an account open at a clearing entity. The debt instruments so frozen shall not be released until the early of the following two events has taken place:
 - (i) The end of the General Holders’ Assembly; or
 - (ii) The delivery to the Spanish Paying Agent, no later than 48 hours prior to the time set for holding the assembly, of the receipt for the debt instruments deposited or frozen and the notification thereof by the Paying Agent to the Issuer.
- (b) Accrediting that (A) the owner of each debt instrument frozen, or a person duly authorised on behalf thereof, has given instructions to the Spanish Paying Agent in order that the votes attributed to the said debt instrument frozen shall be cast in a specified way with respect to each one of the proposed resolutions to be transacted at the Assembly, and (B) that, during 48 hours prior to the time the Assembly is to be held, the said voting instructions may not be modified or revoked;
- (c) Enumerating the total number of debt instruments frozen and specifying in relation to each proposed resolution, if the instructions given are to vote for or against the same, and
- (d) Authorising an individual or individuals to exercise the voting rights pertaining to the debt instruments frozen, following the instructions given in accordance with the provisions of letters b) and c), above.

Both the attendance card referred to in Article 9 as well as the Block Voting Instruction shall be valid until the release of the frozen debt instruments to which they refer takes place. As long as the attendance card or Block Voting Instruction are valid, the holder (in the case of an attendance card) or the representative (in the case of a Block Voting Instruction) shall be considered for all purposes in relation to the General Holders’ Assembly, as the legitimate holders of the debt instruments to which they refer. An attendance card and a Block Voting Instruction may not exist simultaneously with respect to the same debt instrument.

Article 11. Chairman and Secretary of the Assembly.— The Commissioner of the Holders’ Syndicate shall chair the Assembly, and he shall appoint a Secretary who need not be a Holder.

Article 12. Form of deliberating of the Assembly.— The Chairman shall direct the deliberations of the General Holders’ Assembly, in accordance with the meeting agenda. He shall grant the floor and withdraw it if required by the proper order of the Assembly, limiting, as the case may be, the number of discussions.

Article 13. Quorum and adoption of resolutions.— Each debt instrument shall give a right to one vote, which shall be expressed by a show of hands. The General Holders’ Assembly shall adopt resolutions by absolute majority, with the attendance of two-thirds of the debt instruments outstanding, and shall bind all Holders, including those not attending and dissenters.

When the attendance of two-thirds of the debt instruments outstanding is not achieved, the Assembly may be once again convened one month after its first meeting, through publication of the announcement (or announcements, as the case may be) referred to under Article 8. At this second meeting of the General Holders’ Assembly, resolutions shall be adopted by absolute majority of the attending debt instruments outstanding. These resolutions shall bind the Holders in the same manner established in the preceding paragraph.

The resolutions of the General Holders’ Assembly may, nevertheless, be contested by the Holders in accordance with the provisions of Section Two, Chapter V, of the Spanish Companies Act.

Article 14. Minutes.— The minutes of each General Holders’ Assembly shall be signed by the Commissioner-Chairman and by whosoever has acted as Secretary. Any certified copies issued shall be signed by the Commissioner.

Article 15. Syndicate Commissioner.— The Commissioner of the Holders’ Syndicate shall have the powers assigned by law, these Regulations, the deed of Issuance and those attributed thereto by the General Holders’ Assembly, in order to exercise the actions and rights to which entitled, acting as liaison between the Issuer and the Holders’ Syndicate in defence and on behalf of the interests of the Holders.

The Commissioner will be entitled to an annual remuneration which will be the amount necessary, as the case may be, to bring the remuneration he/she has been receiving at any given

time for performing the same functions in the Holders' Syndicates of other current issues by the Issuer, up to an annual total of 18,000 euros.

In cases of absence or illness of the Commissioner, the Holder delegated by the latter shall substitute the Commissioner. In the absence of such delegation, the Holder who owns the greatest number of debt instruments shall replace the Commissioner, until the General Holders' Assembly resolves, as the case may be, the new appointment, without such substitution being able to have any further validity than purely formal effects. In the event of adopting a resolution, it must be expressly ratified by the General Holders' Assembly.

The appointment as Commissioner may be made to a legal entity, which shall appoint the natural person to act as its representative for the exercise of the duties inherent to the position.

TITLE III

FINAL PROVISIONS

Article 16. Acceptance of Holders.— The subscription or acquisition of the debt instruments implies for each Holder its adherence to the Holders' Syndicate and these Regulations, and full ratification (i) of the terms and conditions reflected in the Base Prospectus and (ii) of any documents, contracts or agreements which supplement, amend or complete the same.

All of the foregoing is construed without prejudice to the powers which the Spanish Companies Act grants to them in order to resolve and modify these Regulations, as well as to adopt the legal measures for an adequate protection of their interests.

Article 17. Applicable venue.— For any claim, conflict or discrepancy arising out of the interpretation or enforcement of these Regulations, both the Holders' Syndicate and the Issuer, expressly waiving any venue to which they may be entitled, hereby submit to the Courts and Tribunals of Madrid.

Madrid, [*day*] [*month*] 2007

Part B – Bearer Notes Syndicate Regulations (Spanish Original)

REGLAMENTO DEL SINDICATO DE OBLIGACIONISTAS DE LA EMISIÓN DE OBLIGACIONES [mes/año] [fecha emisión], POR IMPORTE TOTAL DE [____] MILLONES DE EUROS, REALIZADA POR ENDESA CAPITAL, S.A. Y GARANTIZADA POR ENDESA, S.A.

TITULO I

DISPOSICIONES GENERALES

Artículo 1. Constitución.— De conformidad con las prescripciones del Texto Refundido de la Ley de Sociedades Anónimas, aprobado por el Real Decreto Legislativo 1564/1989, de 22 de diciembre (la "**Ley de Sociedades Anónimas**"), y demás disposiciones complementarias, queda constituido el Sindicato de Obligacionistas de Endesa Capital, S.A.-Emisión [mes/año], de [fecha emisión] (el "**Sindicato de Obligacionistas**"), integrado por todos los suscriptores de las obligaciones [al portador] a las que se refiere la emisión (la "**Emisión**") formalizada [mediante documento privado/en escritura pública, otorgada ante el Notario de Madrid Don [____], con fecha [__] de [____] de 200[___], y realizada al amparo de un programa, documentado en un folleto informativo internacional (*Base Prospectus*) de fecha [__] de [____] de 200[___], para emitir instrumentos de deuda (*Euro Medium Term Note Programme*, el "**Programa**") por Endesa Capital S.A. (el "**Emisor**") garantizados por Endesa, S.A: (el "**Garante**"), hasta un importe total máximo de cinco mil millones de euros (€ 5.000.000.000).

Artículo 2. Régimen legal.— El Sindicato de Obligacionistas se rige, en todo lo no previsto en este Reglamento, por la Ley de Sociedades Anónimas y, supletoriamente, por los Estatutos de la Sociedad Emisora.

Artículo 3. Aceptación del Reglamento.— La mera suscripción de una de las obligaciones que integran la Emisión implica también la aceptación expresa por su titular del presente Reglamento, sin perjuicio de las facultades que en orden a su modificación competen al Sindicato de Obligacionistas en el cual queda integrado.

Artículo 4. Objeto.— El objeto y la finalidad del Sindicato de Obligacionistas es la defensa de los derechos e intereses de los obligacionistas ante el Emisor, de acuerdo con la legislación vigente.

Artículo 5. Domicilio.— El domicilio del Sindicato de Obligacionistas se fija en Madrid, calle de Ribera del Loira, número 60. No obstante, la Asamblea del Sindicato de Obligacionistas podrá celebrarse en cualquier otro lugar de la provincia de Madrid siempre que así se haga constar en el anuncio de convocatoria de la Asamblea.

Artículo 6. Duración.— El Sindicato de Obligacionistas subsistirá durante toda la vigencia de la Emisión, hasta su total cancelación registral, e incluso, cancelada ésta, mientras existan obligaciones pendientes de cumplimiento por parte del Emisor.

TITULO II

ÓRGANOS DEL SINDICATO

Artículo 7. Asamblea General de Obligacionistas.— El órgano supremo de representación del Sindicato de Obligacionistas es la Asamblea General de Obligacionistas, con facultad para adoptar los acuerdos necesarios para la mejor defensa del interés general de los obligacionistas y acordar (i) la novación y modificación de las condiciones de la Emisión, con la conformidad del Emisor; (ii) el nombramiento o destitución del Comisario; (iii) la aprobación de los gastos para la defensa de los intereses comunes; (iv) el ejercicio de las acciones judiciales oportunas; y (v) el nombramiento de mandatarios entre los obligacionistas, o terceros, para ejecutar, conjunta o separadamente, los acuerdos de la Asamblea General de Obligacionistas con el fin de realizar cualquier acción, actuación o diligencia judicial o extrajudicial.

Artículo 8. Convocatoria.— La Asamblea General de Obligacionistas podrá ser convocada por el Órgano de Administración del Emisor o del Garante y por el Comisario.

También deberá ser convocada cuando lo soliciten obligacionistas que representen la vigésima parte de las obligaciones en circulación.

La Asamblea General de Obligacionistas se entenderá también válidamente convocada cuando, estando presentes la totalidad de los obligacionistas, acuerden por unanimidad la celebración de la misma, bastando en tal supuesto comunicar al Emisor y al Garante los acuerdos recaídos, sin necesidad de convocatoria expresa al Órgano de Administración del Emisor.

La convocatoria habrá de hacerse con una antelación mínima de 30 días naturales a la fecha en que haya de celebrarse la Asamblea General de Obligacionistas, mediante un anuncio publicado en un diario editado en idioma inglés de mayor circulación en Europa o en la plaza en cuya Bolsa estén admitidas a negociación las obligaciones. El anuncio, del que se remitirá copia por carta, telefax o correo electrónico a los Agentes de Pago (*Paying Agents*, según se define dicho término en el *Base Prospectus*), al Emisor y al Garante, expresará el lugar, fecha y hora de la reunión, así como el texto completo de todas las propuestas de los acuerdos a tratar. Asimismo, el anuncio deberá indicar que las obligaciones podrán ser depositadas ante cualquier Agente de Pago (o a su orden), con el fin de poder obtener la tarjeta de asistencia o delegar su representación no más tarde de las 48 horas anteriores la hora fijada para la celebración de la Asamblea General de Obligacionistas.

Cuando la Asamblea General de Obligacionistas haya de tratar o resolver asuntos relativos a la modificación de las condiciones de la Emisión u otros de trascendencia análoga, a juicio del Comisario, deberá ser convocada con una antelación mínima de 30 días a la fecha de su celebración, mediante el anuncio y demás requisitos a los que se refiere el párrafo anterior y mediante un anuncio publicado en el Boletín Oficial del Registro Mercantil y en uno de los diarios de mayor circulación en la provincia de Madrid.

Artículo 9. Derecho de asistencia.— Tendrán derecho a asistir a la Asamblea General de Obligacionistas todos los tenedores de obligaciones que, con al menos 48 horas de antelación a la hora señalada para su celebración, depositen sus títulos ante cualquier Agente de Pagos (*Paying Agent*) o los bloqueen a través de una cuenta abierta en una entidad liquidadora. El Agente de Pagos (*Paying Agent*) emitirá y facilitará a los tenedores de las obligaciones la correspondiente tarjeta de asistencia fechada que se emitirá en lengua inglesa, en la que se identificarán las obligaciones depositadas o bloqueadas y se hará constar el derecho del tenedor de dicha tarjeta a asistir y votar en la respectiva Asamblea General de Obligacionistas en relación con las obligaciones depositadas.

Las obligaciones así depositadas o bloqueadas quedarán indisponibles para su titular, y no podrán liberarse hasta que se produzca el hecho que suceda con anterioridad de los dos siguientes:

- (i) La finalización de la Asamblea General de Obligacionistas que hubiera motivado la emisión de la correspondiente tarjeta de asistencia; o
- (ii) La devolución de la tarjeta de asistencia al Agente de Pagos que la hubiera expedido.

Tendrán también derecho de asistencia a la Asamblea General de Obligacionistas, los Administradores del Emisor, cualquier representante del Garante y el Comisario, por lo que deberá comunicárseles la reunión que se haya de celebrar, salvo que, por encontrarse presentes o

representados todos los obligacionistas y celebrarse con carácter de Asamblea Universal, fuese imposible el previo aviso. En tal supuesto, deberá comunicarse a los Administradores del Emisor el acuerdo o acuerdos adoptados, sin perjuicio de su derecho asistir a la Asamblea aun en el caso de no haberseles comunicado la celebración de la misma.

El Comisario, el Emisor o el Garante podrán aprobar la asistencia a la Asamblea General de Obligacionistas de terceras personas tales como expertos y asesores que estimen necesario o conveniente.

Artículo 10. Delegaciones.— Los tenedores de las obligaciones podrán delegar su representación en otra persona, aunque ésta no sea obligacionista, mediante endoso de la tarjeta de asistencia o carta específica para cada Asamblea dirigida al Comisario de Sindicato de Obligacionistas.

En particular, los tenedores podrán delegar su representación en cualquier Agente de Pagos (*Paying Agent*, según se define dicho término en el *Base Prospectus*) que deberá emitir, tras el depósito de las obligaciones, un documento redactado en lengua inglesa denominado "**Block Voting Instruction**":

- (a) Acreditando que las obligaciones especificadas en el mismo (las "**obligaciones depositadas**") han sido depositadas ante dicho Agente de Pagos (o a su orden en una entidad bancaria u otra entidad depositaria) o bloqueadas a través de una cuenta abierta en una entidad liquidadora. Las obligaciones depositadas no se liberarán sino hasta que se produzca el hecho que suceda con anterioridad de los dos siguientes:
 - (i) La finalización de la Asamblea General de Obligacionistas; o
 - (ii) La entrega al mencionado Agente de Pagos, no más tarde de 48 horas antes de la hora fijada para la celebración de la asamblea, el recibo de las obligaciones depositadas o bloqueadas y su notificación por el Agente de Pagos al Emisor.
- (b) Acreditando que (A) el depositante de cada obligación depositada, o una persona debidamente autorizada en su nombre, ha dado instrucciones al Agente de Pagos para que los votos atribuidos dicha obligación depositada se emitan en un determinado sentido respecto de cada una de las propuestas de acuerdos a tratar en la Asamblea, y (B) que, durante las 48 horas anteriores a la hora de la celebración de la Asamblea, dichas instrucciones de voto no pueden ser modificadas o revocadas;
- (c) Enumerando el número total de las obligaciones depositadas, incluyendo los números de los certificados si las obligaciones están ya representadas mediante títulos definitivos, y especificando con relación a cada propuesta de acuerdo, si las instrucciones dadas lo son para votar a favor o en contra del mismo, y
- (d) Autorizando a un individuo o individuos para ejercer los derechos de voto correspondientes a las obligaciones depositadas siguiendo las instrucciones impartidas de conformidad con lo establecido en las letras b) y c) precedentes.

Tanto la tarjeta de asistencia a la que se refiere el Artículo 9 como el *Block Voting Instruction* serán válidos hasta que se produzca la liberación de las obligaciones depositadas a las que se refieren. Mientras la tarjeta de asistencia o el *Block Voting Instruction* sean válidos el tenedor (en el caso de la tarjeta de asistencia) o el representante (en el caso del *Block Voting Instruction*) serán considerados a todos los efectos en relación con la Asamblea General de Obligacionistas, como los legítimos tenedores de las obligaciones a las se refieren. No podrán existir simultáneamente respecto de una misma obligación una tarjeta de asistencia y un *Block Voting Instruction*.

Artículo 11. Presidente y Secretario de la Asamblea.— Presidirá la Asamblea el Comisario del Sindicato de Obligacionistas, el cual designará un Secretario que podrá no ser obligacionista.

Artículo 12. Modo de deliberar de la Asamblea.— El Presidente dirigirá las deliberaciones de la Asamblea General de Obligacionistas, de acuerdo con el orden del día, concediendo el uso de la palabra, retirándolo en caso de exigirlo el buen orden de la Asamblea y limitando, en su caso, el número de intervenciones.

Artículo 13. Quórum y adopción de acuerdos.— Cada obligación dará derecho a un voto que se expresará mediante el procedimiento de mano alzada. La Asamblea de Obligacionistas adoptará los acuerdos por mayoría absoluta, con asistencia de las dos terceras partes de las

obligaciones en circulación, y vincularán a todos los obligacionistas, incluso a los no asistentes y a los disidentes.

Cuando no se lograre la concurrencia de las dos terceras partes de las obligaciones en circulación, podrá ser nuevamente convocada la Asamblea un mes después de su primera reunión mediante la publicación del anuncio (o anuncios, en su caso) al que se refiere el Artículo 8 . En esta segunda reunión de la Asamblea General de Obligacionistas, los acuerdos se adoptarán por mayoría absoluta de las obligaciones en circulación asistentes. Estos acuerdos vincularán a los obligacionistas en la misma forma establecida en el párrafo anterior.

Los acuerdos de la Asamblea General de Obligacionistas podrán sin embargo, ser impugnados por los obligacionistas conforme a lo dispuesto en la Sección Segunda del Capítulo V de la Ley de Sociedades Anónimas.

Artículo 14. Actas.— El acta de cada Asamblea General de Obligacionistas será firmada por el Comisario-Presidente y por quien hubiere actuado de Secretario en la misma, y las copias certificadas que de la misma se expidan las firmará el Comisario.

Artículo 15. Comisario del Sindicato.— El Comisario del Sindicato de Obligacionistas tendrá las facultades que les asignen las leyes, el presente Reglamento, la escritura de la Emisión y las que le atribuya la Asamblea General de Obligacionistas, para ejercitar las acciones y derechos que a la misma correspondan, actuando como órgano de relación entre el Emisor y el Sindicato de Obligacionistas en defensa y representación de los intereses de los obligacionistas.

El Comisario tendrá derecho a una retribución anual de 6,000 euros.

Sustituirá al Comisario, en casos de ausencia o de enfermedad, el obligacionista en quién él delegue, y a falta también de éste, el que posea mayor número de obligaciones, hasta tanto la Asamblea de Obligacionistas acuerde, en su caso, el nuevo nombramiento, sin que dicha sustitución pueda tener más validez que los efectos puramente formales, debiendo, en caso de adoptar algún acuerdo, ratificarse el mismo expresamente por la Asamblea General de Obligacionistas.

La designación como Comisario podrá recaer en una persona jurídica, la cuál habrá de designar a la persona física que haya de actuar como su representante para el ejercicio de las funciones propias del cargo.

TITULO III

DISPOSICIONES FINALES

Artículo 16. Aceptación de los obligacionistas.— La suscripción o adquisición de las obligaciones implica para cada obligacionista su adhesión al Sindicato de Obligacionistas y al presente Reglamento y la ratificación plena (i) de los términos y condiciones (*Terms and Conditions*) recogidos en el documento informativo internacional (*Base Prospectus*) relativo al Programa en el que se ampara la Emisión, (ii) de la escritura de la Emisión, y (iii) de cualesquiera documentos, contratos o acuerdos que suplementen, modifiquen o completen los mismos.

Todo ello se entiende sin perjuicio de las facultades que la Ley de Sociedades Anónimas les concede en orden a acordar y modificar el presente Reglamento, así como para adoptar las medidas legales para una adecuada protección de sus intereses.

Artículo 17. Fuero aplicable.— Para cualquier reclamación, conflicto o discrepancia derivada de la interpretación o ejecución del presente Reglamento, tanto el Sindicato de Obligacionistas como el Emisor, con renuncia expresa al fuero que pueda corresponderles, se someten a los Juzgados y Tribunales de Madrid.

Madrid, [día] de [mes] de 2.00[_]

Part B – Bearer Notes Syndicate Regulations (Non-Binding English Translation)

The following is a non-binding English translation of the Regulations applicable to each Syndicate of Holders of Bearer Notes. In the event of a discrepancy between the non-binding English translation and the Spanish language original version, the Spanish language original version shall prevail.

REGULATIONS OF HOLDERS' SYNDICATE OF THE NOTE ISSUE OF [month/year] [issue date] IN THE TOTAL AMOUNT OF [] MILLION EUROS, CARRIED OUT BY ENDESA CAPITAL, S.A. AND GUARANTEED BY ENDESA, S.A.

TITLE I

GENERAL PROVISIONS

Article 1. Establishment.— In accordance with the provisions of the Spanish Companies Act ("**Ley de Sociedades Anónimas**"), as amended, as approved by Royal Legislative Decree 1564/1989, of December 22 (the "**Spanish Companies Act**"), and further supplementary provisions, the Holders' Syndicate of Endesa Capital, S.A. – Issue [month/year], of [issue date] (the "**Holder's Syndicate**") is hereby established, formed by all subscribers of the [bearer] debt instruments to which the issue (the "**Issue**") formalised by [private document/public deed executed before Madrid Notary Public [], on [] [], 200[] refers], and carried out in accordance with a programme, as documented in an international information document (*Base Prospectus*) dated [] [], 200[], in order to issue debt instruments (*Euro Medium Term Note Programme*; the "**Programme**") by Endesa Capital S.A. (the "**Issuer**") guaranteed by Endesa, S.A. (the "**Guarantor**"), up to a maximum total amount of five billion euros (€5,000,000,000).

Article 2. Legal Scheme.— The Holders' Syndicate is governed, with regard to everything not provided by these Regulations, by the Spanish Companies Act and, on a subsidiary basis, by the Bylaws of the Issuer Company.

Article 3. Acceptance of Regulations.— The mere subscription of one of the debt instruments forming part of the Issue also implies the express acceptance by the Holder thereof of these Regulations, notwithstanding the powers vested in the Holders' Syndicate of which it forms part with regard to the amendment thereof.

Article 4. Object.— The object and purpose of the Holders' Syndicate is the defence of the rights and interests of the Holders vis-à-vis the Issuer, in accordance with current law in force.

Article 5. Domicile.— The domicile of the Holders' Syndicate is established in Madrid, at calle de Ribera del Loira, no. 60. Notwithstanding the above, the Assembly of the Holders' Syndicate may be held in any other place in the province of Madrid provided that it is so stated for the record in the official meeting notice of the Assembly.

Article 6. Duration.— The Holders' Syndicate shall subsist during the entire life of the Issue, until the total registration cancellation thereof, and including, once cancelled, as long as there are obligations pending performance on the part of the Issuer.

TITLE II

BODIES OF THE SYNDICATE

Article 7. General Holders' Assembly.— The supreme body of representation of the Holders' Syndicate is the General Holders' Assembly, with the power to adopt the necessary resolutions for the best defense of the general interest of the Holders and resolve (i) the novation and modification of the conditions of the Issue, with the approval of the Issuer; (ii) the appointment or removal of the Commissioner; (iii) the approval of the expenses for defense of the common interests; (iv) the exercise of the appropriate judicial actions; and (v) the appointment of representatives from among the Holders, or third parties, to implement, jointly or severally, the resolutions of the General Holders' Assembly in order to carry out any act, action or judicial or extrajudicial diligence.

Article 8. Meeting Notice.— The General Holders' Assembly may be convened by the Management Body of the Issuer or of the Guarantor and by the Commissioner.

It shall also be convened when requested by Holders who represent one-twentieth of the debt instruments outstanding.

The General Holders' Assembly shall also be deemed to be validly convened when, all of the Holders being present, they unanimously decide to hold the meeting. In such event, it shall be sufficient to notify the Issuer and the Guarantor of the resolutions handed down, with no need for an express meeting notice to the Management Body of the Issuer.

The official meeting notice shall be given at least 30 calendar days in advance of the date on which the General Holders' Assembly is to be held, by means of an announcement published in a newspaper published in English having general circulation in Europe or in the district on whose stock exchange the debt instruments are admitted to trading. The announcement, a copy of which shall be sent by letter, fax or e-mail to the Paying Agents (as such term is defined in the *Base Prospectus*), the Issuer and the Guarantor, shall express the place, date and time of the meeting, as well as the full text of all proposed resolutions to be transacted. Furthermore, the announcement shall indicate that the debt instruments may be deposited with any Paying Agent (or to the order thereof), in order to be able to obtain the attendance card or delegate their representation not later than 48 hours prior to the time set for holding the General Holders' Assembly.

When the General Holders' Assembly is to transact or resolve matters relating to modification of the conditions of the Issue or others of an analogous significance, in the judgement of the Commissioner, it shall be convened at least 30 days in advance of the date it is to be held, by means of the announcement and other requisites referred to in the preceding paragraph and by notice published in the Official Mercantile Registry Bulletin (*Boletín Oficial del Registro Mercantil*) and in one of the newspapers having general circulation in the province of Madrid.

Article 9. Right to attendance.— All Holders who, at least 48 hours in advance of the time set for it to be held, deposit their debt instruments with any Paying Agent or freeze them through an account open at a clearing entity shall be entitled to attend the General Holders' Assembly. The Paying Agent shall issue and provide to the Holders the relevant dated attendance card which shall be issued in the English language, which shall identify the debt instruments deposited or frozen and will reflect the right of the holder of such card to attend and vote at the respective General Holders' Assembly in relation to the bonds deposited.

The debt instruments so deposited or frozen shall remain unavailable to their Holder and may not be released until the earlier of the following two events shall take place:

- (i) The end of the General Holders' Assembly which caused the issuance of the pertinent attendance card; or
- (ii) The return of the attendance card to the Paying Agent who issued it.

The following shall also be entitled to attend the General Holders' Assembly: the Directors of the Issuer, any representative of the Guarantor and the Commissioner, as a consequence of which they shall be notified of the meeting to be held, unless, as a result of all Holders being present or represented and the meeting being held as a general-consent Assembly, prior notice is impossible. In such case, the Directors of the Issuer shall be notified of the resolution or resolutions adopted,

without prejudice to their right to attend the Assembly even in the event of not having been informed of the holding thereof.

The Commissioner, the Issuer or the Guarantor may approve the attendance at the General Holders' Assembly of third persons such as experts and advisers they deem necessary or appropriate.

Article 10. Proxies.— The Holders may delegate their proxy to another person, even if the latter is not a bondholder, by endorsing the attendance card or by means of a specific letter for each Assembly addressed to the Commissioner of the Holders' Syndicate.

In particular, the holders may delegate their proxy to any Paying Agent (as such term is defined in the *Base Prospectus*) who must issue, following the deposit of the bonds, a document drafted in the English language entitled "**Block Voting Instruction**":

- (a) Accrediting that the debt instruments specified therein (the "**deposited bonds**") have been deposited with the said Paying Agent (or to the order thereof at a bank or other custodial entity) or frozen through an account open at a clearing entity. The debt instruments so deposited shall not be released until the early of the following two events has taken place:
 - (i) The end of the General Holders' Assembly; or
 - (ii) The delivery to the above-mentioned Paying Agent, not later than 48 hours prior to the time set for holding the assembly, of the receipt for the debt instruments deposited or frozen and the notification thereof by the Paying Agent to the Issuer.
- (b) Accrediting that (A) the depositor of each debt instrument deposited, or a person duly authorised on behalf thereof, has given instructions to the Paying Agent in order that the votes attributed to the said debt instrument deposited shall be cast in a specified way with respect to each one of the proposed resolutions to be transacted at the Assembly, and (B) that, during 48 hours prior to the time the Assembly is to be held, the said voting instructions may not be modified or revoked;
- (c) Enumerating the total number of debt instruments deposited, including the certificate numbers if the debt instruments are already represented by definitive certificates, and specifying in relation to each proposed resolution, if the instructions given are to vote for or against the same, and
- (d) Authorising an individual or individuals to exercise the voting rights pertaining to the debt instruments deposited, following the instructions given in accordance with the provisions of letters b) and c), above.

Both the attendance card referred to in Article 9 as well as the Block Voting Instruction shall be valid until the release of the deposited debt instruments to which they refer takes place. As long as the attendance card or Block Voting Instruction are valid, the holder (in the case of an attendance card) or the representative (in the case of a Block Voting Instruction) shall be considered for all purposes in relation to the General Holders' Assembly, as the legitimate holders of the debt instruments to which they refer. An attendance card and a Block Voting Instruction may not exist simultaneously with respect to the same debt instrument.

Article 11. Chairman and Secretary of the Assembly.— The Commissioner of the Holders' Syndicate shall chair the Assembly, and he shall appoint a Secretary who need not be a Holder.

Article 12. Form of deliberating of the Assembly.— The Chairman shall direct the deliberations of the General Holders' Assembly, in accordance with the meeting agenda. He shall grant the floor and withdraw it if required by the proper order of the Assembly, limiting, as the case may be, the number of discussions.

Article 13. Quorum and adoption of resolutions.— Each debt instrument shall give a right to one vote, which shall be expressed by a show of hands. The General Holders' Assembly shall adopt resolutions by absolute majority, with the attendance of two-thirds of the debt instruments outstanding, and shall bind all Holders, including those not attending and dissenters.

When the attendance of two-thirds of the debt instruments outstanding is not achieved, the Assembly may be once again convened one month after its first meeting, through publication of the announcement (or announcements, as the case may be) referred to under Article 8. At this second meeting of the General Holders' Assembly, resolutions shall be adopted by absolute

majority of the attending debt instruments outstanding. These resolutions shall bind the Holders in the same manner established in the preceding paragraph.

The resolutions of the General Holders' Assembly may, nevertheless, be contested by the Holders in accordance with the provisions of Section Two, Chapter V, of the Spanish Companies Act.

Article 14. Minutes.— The minutes of each General Holders' Assembly shall be signed by the Commissioner-Chairman and by whosoever has acted as Secretary. Any certified copies thereof issued shall be signed by the Commissioner.

Article 15. Syndicate Commissioner.— The Commissioner of the Holders' Syndicate shall have the powers assigned by law, these Regulations, the deed of Issuance and those attributed thereto by the General Holders' Assembly, in order to exercise the actions and rights to which entitled, acting as liaison between the Issuer and the Holders' Syndicate in defense and on behalf of the interests of the Holders.

The Commissioner will be entitled to an annual remuneration of Eur 6,000.

In cases of absence or illness of the Commissioner, the Holder delegated by the latter shall substitute the Commissioner. In the absence of such delegation, the Holder who owns the greatest number of debt instruments shall replace the Commissioner, until the General Holders' Assembly resolves, as the case may be, the new appointment, without such substitution being able to have any further validity than purely formal effects. In the event of adopting a resolution, it must be expressly ratified by the General Holders' Assembly.

The appointment as Commissioner may be made to a legal entity, which shall appoint the natural person to act as its representative for the exercise of the duties inherent to the position.

TITLE III

FINAL PROVISIONS

Article 16. Acceptance of Holders.— The subscription or acquisition of the debt instruments implies for each Holder its adherence to the Holders' Syndicate and these Regulations, and full ratification (i) of the terms and conditions reflected in the Base Prospectus relating to the Programme in which the Issue is covered, (ii) of the deed of Issuance, and (iii) any documents, contracts or agreements which supplement, amend or complete the same.

All of the foregoing is construed without prejudice to the powers which the Spanish Companies Act grants to them in order to resolve and modify these Regulations, as well as to adopt the legal measures for an adequate protection of their interests.

Article 17. Applicable venue.— For any claim, conflict or discrepancy arising out of the interpretation or enforcement of these Regulations, both the Holders' Syndicate and the Issuer, expressly waiving any venue to which they may be entitled, hereby submit to the Courts and Tribunals of Madrid.

Madrid, [date]

Part C – Registered Notes Syndicate Regulations (Spanish Original)

REGLAMENTO DEL SINDICATO DE OBLIGACIONISTAS DE LA EMISION DE OBLIGACIONES [mes/año] [fecha emisión], POR IMPORTE TOTAL DE [____] MILLONES DE EUROS, REALIZADA POR ENDESA CAPITAL, S.A. y GARANTIZADA POR ENDESA, S.A.

TITULO I

DISPOSICIONES GENERALES

Artículo 1. Constitución.— De conformidad con las prescripciones del Texto Refundido de la Ley de Sociedades Anónimas, aprobado por el Real Decreto Legislativo 1564/1989, de 22 de diciembre (la "**Ley de Sociedades Anónimas**"), y demás disposiciones complementarias, queda constituido el Sindicato de Obligacionistas de Endesa Capital, S.A.—Emisión [mes/año], de [fecha emisión] (el "**Sindicato de Obligacionistas**"), integrado por todos los suscriptores de las obligaciones [nominativas] a las que se refiere la emisión (la "**Emisión**") formalizada en escritura pública, otorgada ante el Notario de Madrid Don [____], con fecha [__] de [____] de 200[___], y realizada al amparo de un programa, documentado en un folleto informativo internacional (*Base Prospectus*) de fecha [__] de [____] de 200[___], para emitir instrumentos de deuda (*Euro Medium Term Note Programme*, el "**Programa**") por Endesa Capital S.A. (el "**Emisor**") garantizados por Endesa, S.A. (el "**Garante**"), hasta un importe total máximo de cinco mil millones de euros (€ 5.000.000.000).

Artículo 2. Régimen legal.— El Sindicato de Obligacionistas se rige, en todo lo no previsto en este Reglamento, por la Ley de Sociedades Anónimas y, supletoriamente, por los Estatutos de la Sociedad Emisora.

Artículo 3. Aceptación del Reglamento.— La mera suscripción de una de las obligaciones que integran la Emisión implica también la aceptación expresa por su titular del presente Reglamento, sin perjuicio de las facultades que en orden a su modificación competen al Sindicato de Obligacionistas en el cual queda integrado.

Artículo 4. Objeto.— El objeto y la finalidad del Sindicato de Obligacionistas es la defensa de los derechos e intereses de los obligacionistas ante el Emisor, de acuerdo con la legislación vigente.

Artículo 5. Domicilio.— El domicilio del Sindicato de Obligacionistas se fija en Madrid, calle de Ribera del Loira, número 60. No obstante, la Asamblea del Sindicato de Obligacionistas podrá celebrarse en cualquier otro lugar de la provincia de Madrid siempre que así se haga constar en el anuncio de convocatoria de la Asamblea.

Artículo 6. Duración.— El Sindicato de Obligacionistas subsistirá durante toda la vigencia de la Emisión, hasta su total cancelación registral, e incluso, cancelada ésta, mientras existan obligaciones pendientes de cumplimiento por parte del Emisor.

TITULO II

ÓRGANOS DEL SINDICATO

Artículo 7. Asamblea General de Obligacionistas.— El órgano supremo de representación del Sindicato de Obligacionistas es la Asamblea General de Obligacionistas, con facultad para adoptar los acuerdos necesarios para la mejor defensa del interés general de los obligacionistas y acordar (i) la novación y modificación de las condiciones de la Emisión, con la conformidad del Emisor; (ii) el nombramiento o destitución del Comisario; (iii) la aprobación de los gastos para la defensa de los intereses comunes; (iv) el ejercicio de las acciones judiciales oportunas; y (v) el nombramiento de mandatarios entre los obligacionistas, o terceros, para ejecutar, conjunta o separadamente, los acuerdos de la Asamblea General de Obligacionistas con el fin de realizar cualquier acción, actuación o diligencia judicial o extrajudicial.

Artículo 8. Convocatoria.— La Asamblea General de Obligacionistas podrá ser convocada por el Órgano de Administración del Emisor o del Garante y por el Comisario.

También deberá ser convocada cuando lo soliciten obligacionistas que representen la vigésima parte de las obligaciones en circulación.

La Asamblea General de Obligacionistas se entenderá también válidamente convocada cuando, estando presentes la totalidad de los obligacionistas, acuerden por unanimidad la celebración de la misma, bastando en tal supuesto comunicar al Emisor y al Garante los acuerdos recaídos, sin necesidad de convocatoria expresa al Órgano de Administración del Emisor.

La convocatoria habrá de hacerse con una antelación mínima de 30 días naturales a la fecha en que haya de celebrarse la Asamblea General de Obligacionistas, y se notificará a los obligacionistas y a la entidad encargada del registro (*Registrar*, según se define dicho término en el *Base Prospectus*), mediante correo urgente (*first class mail*) o (en el caso de envíos internacionales) correo aéreo (*air mail*) a las respectivas direcciones que figuren en los registros de la entidad encargada del registro (*Registrar*). En los casos de titularidad conjunta, la notificación se remitirá a la dirección del sujeto que figure como primer titular en los registros de la entidad encargada del registro (*Registrar*). La notificación se considerará válidamente efectuada el cuarto día laborable posterior a la fecha de envío o, en el caso de envío internacionales, el quinto día laboral. La convocatoria de la Asamblea General de Obligacionistas, que se comunicará por carta, telefax o correo electrónico al Emisor y al Garante, expresará el lugar, fecha y hora de la reunión, así como el texto completo de todas las propuestas de los acuerdos a tratar. Asimismo, la notificación deberá indicar que las obligaciones podrán ser bloqueadas ante cualquiera de los servicios de compensación a los efectos de poder designar representante, mediante un documento redactado en lengua inglesa denominado *Block Voting Instruction*, no más tarde de las 48 horas anteriores la hora fijada para la celebración de la Asamblea General de Obligacionistas

Cuando la Asamblea General de Obligacionistas haya de tratar o resolver asuntos relativos a la modificación de las condiciones de la Emisión u otros de trascendencia análoga, a juicio del Comisario, deberá ser convocada con una antelación mínima de 30 días a la fecha de su celebración, mediante la notificación y demás requisitos a los que se refiere el párrafo anterior, y mediante un anuncio publicado en el Boletín Oficial del Registro Mercantil y en uno de los diarios de mayor circulación en la provincia de Madrid.

Artículo 9. Derecho de asistencia.— Tendrán derecho a asistir a la Asamblea General de Obligacionistas los titulares obligaciones que, con al menos 48 horas de antelación a la hora señalada para su celebración, soliciten a la entidad encargada del registro (*Registrar*) el bloqueo de sus títulos a través de la correspondiente cuenta abierta en cualquiera de los servicios de compensación.

Los titulares de las obligaciones podrán solicitar que la entidad encargada del registro (*Registrar*) emita y les facilite el documento denominado *Block Voting Instruction* así como el modelo de poder de representación redactado en lengua inglesa, una vez que la entidad encargada del registro (*Registrar*) haya recibido las correspondientes instrucciones escritas, no más tarde de las 48 horas anteriores la hora fijada para la celebración de la Asamblea General de Obligacionistas.

Tendrán también derecho de asistencia a la Asamblea General de Obligacionistas, los Administradores del Emisor, cualquier representante del Garante y el Comisario, por lo que deberá comunicárseles la reunión que se haya de celebrar, salvo que, por encontrarse presentes o representados todos los obligacionistas y celebrarse con carácter de Asamblea Universal, fuese imposible el previo aviso. En tal supuesto, deberá comunicarse a los Administradores del Emisor el acuerdo o acuerdos adoptados, sin perjuicio de su derecho asistir a la Asamblea aun en el caso de no haberseles comunicado la celebración de la misma.

El Comisario, el Emisor o el Garante podrán aprobar la asistencia a la Asamblea General de Obligacionistas de terceras personas tales como expertos y asesores que estimen necesario o conveniente.

Artículo 10. Delegaciones.— Los titulares de las obligaciones podrán delegar su representación en otra persona mediante el procedimiento de *Block Voting Instruction* (según se detalla a continuación), con el correspondiente envío de instrucciones escritas a la entidad encargada del registro (*Registrar*), o mediante la firma y envío del correspondiente poder a la entidad encargada del registro (*Registrar*), en ambos casos, no más tarde de las 48 horas anteriores la hora fijada para la celebración de la Asamblea General de Obligacionistas.

La entidad encargada del registro (*Registrar*) deberá emitir, previo bloqueo de las obligaciones, un documento redactado en lengua inglesa denominado "**Block Voting Instruction**":

- (a) Acreditando
 - (i) que ciertas obligaciones especificadas en el mismo (las "**Obligaciones Bloqueadas**") han sido bloqueadas a través de la correspondiente cuenta abierta en cualquiera de los servicios de compensación y no se liberarán sino hasta la finalización de la Asamblea General de Obligacionistas; y que los titulares de las Obligaciones Bloqueadas, o una persona debidamente autorizada en su nombre, han dado instrucciones a la entidad encargada del registro (*Registrar*) para que los votos atribuidos a dichas Obligaciones Bloqueadas se emitan en un determinado sentido respecto de cada una de las propuestas de acuerdos a tratar en la Asamblea, y/o
 - (ii) que los titulares de ciertas obligaciones especificadas en el mismo (los "**Instrumentos**") han dado instrucciones a la entidad encargada del registro (*Registrar*) para que los votos atribuidos a dichos Instrumentos se emitan en un determinado sentido respecto de cada una de las propuestas de acuerdos a tratar en la Asamblea,
- y, en ambos casos, que durante las 48 horas anteriores a la hora de la celebración de la Asamblea, dichas instrucciones de voto no pueden ser modificadas o revocadas;
- (b) Indicando la cantidad total de principal correspondiente a las Obligaciones Bloqueadas y a los Instrumentos, y especificando con relación a cada propuesta de acuerdo, si las instrucciones dadas lo son para votar a favor o en contra, y
 - (c) Autorizando al sujeto o sujetos designados para ejercitar los derechos de voto correspondientes a las Obligaciones Bloqueadas y a los Instrumentos, siguiendo las instrucciones indicadas.

El *Block Voting Instruction* será válido hasta que se produzca la liberación de las Obligaciones Bloqueadas a las que se refiere. No podrán existir simultáneamente respecto de una misma obligación un poder de representación y un *Block Voting Instruction*.

Artículo 11. Presidente y Secretario de la Asamblea.— Presidirá la Asamblea el Comisario del Sindicato de Obligacionistas, el cual designará un Secretario que podrá ser o no obligacionista.

Artículo 12. Modo de deliberar de la Asamblea.— El Presidente dirigirá las deliberaciones de la Asamblea General de Obligacionistas, de acuerdo con el orden del día, concediendo el uso de la palabra, retirándolo en caso de exigirlo el buen orden de la Asamblea y limitando, en su caso, el número de intervenciones.

Artículo 13. Quórum y adopción de acuerdos.— Cada obligación dará derecho a un voto que se expresará mediante el procedimiento de mano alzada. La Asamblea de Obligacionistas adoptará los acuerdos por mayoría absoluta, con asistencia de las dos terceras partes de las obligaciones en circulación, y vincularán a todos los obligacionistas, incluso a los no asistentes y a los disidentes.

Cuando no se logre la concurrencia de las dos terceras partes de las obligaciones en circulación, podrá ser nuevamente convocada la Asamblea un mes después de su primera reunión mediante la publicación del anuncio al que se refiere el párrafo último del Artículo 8. En esta segunda reunión de la Asamblea General de Obligacionistas, los acuerdos se adoptarán por mayoría absoluta de las obligaciones en circulación asistentes. Estos acuerdos vincularán a los obligacionistas en la misma forma establecida en el párrafo anterior.

Los acuerdos de la Asamblea General de Obligacionistas podrán sin embargo, ser impugnados por los obligacionistas conforme a lo dispuesto en la Sección Segunda del Capítulo V de la Ley de Sociedades Anónimas.

Artículo 14. Actas.— El acta de cada Asamblea General de Obligacionistas será firmada por el Comisario-Presidente y por quien hubiere actuado de Secretario en la misma, y las copias certificadas que de la misma se expidan las firmará el Comisario.

Artículo 15. Comisario del Sindicato.— El Comisario del Sindicato de Obligacionistas tendrá las facultades que les asignen las leyes, el presente Reglamento, la escritura de la Emisión y las que le atribuya la Asamblea General de Obligacionistas, para ejercitar las acciones y derechos que

a la misma correspondan, actuando como órgano de relación entre el Emisor y el Sindicato de Obligacionistas en defensa y representación de los intereses de los obligacionistas.

El Comisario tendrá derecho a una retribución anual de 6,000 euros.

Sustituirá al Comisario, en casos de ausencia o de enfermedad, el obligacionista en quién él delegue, y a falta también de éste, el que posea mayor número de obligaciones, hasta tanto la Asamblea de Obligacionistas acuerde, en su caso, el nuevo nombramiento, sin que dicha sustitución pueda tener más validez que los efectos puramente formales, debiendo, en caso de adoptar algún acuerdo, ratificarse el mismo expresamente por la Asamblea General de Obligacionistas.

La designación como Comisario podrá recaer en una persona jurídica, la cuál habrá de designar a la persona física que haya de actuar como su representante para el ejercicio de las funciones propias del cargo.

TITULO III

DISPOSICIONES FINALES

Artículo 16. Aceptación de los obligacionistas.— La suscripción o adquisición de las obligaciones implica para cada obligacionista su adhesión al Sindicato de Obligacionistas y al presente Reglamento y la ratificación plena (i) de los términos y condiciones (*Terms and Conditions*) recogidos en el documento informativo internacional (*Base Prospectus*) relativo al Programa en el que se ampara la Emisión, (ii) de la escritura de la Emisión, y (iii) de cualesquiera documentos, contratos o acuerdos que suplementen, modifiquen o completen los mismos.

Todo ello se entiende sin perjuicio de las facultades que la Ley de Sociedades Anónimas les concede en orden a acordar y modificar el presente Reglamento, así como para adoptar las medidas legales para una adecuada protección de sus intereses.

Artículo 17. Fuero aplicable.— Para cualquier reclamación, conflicto o discrepancia derivada de la interpretación o ejecución del presente Reglamento, tanto el Sindicato de Obligacionistas como el Emisor, con renuncia expresa al fuero que pueda corresponderles, se someten a los Juzgados y Tribunales de Madrid.

Madrid, [**día**] de [**mes**] de 2.00[]

Part C – Registered Notes Syndicate Regulations (Non-Binding English Translation)

The following is a non-binding English translation of the Syndicate Regulations applicable to each Syndicate of Holders of Registered Notes. In the event of a discrepancy between the non-binding English translation and the Spanish language original version, the Spanish language original version shall prevail.

REGULATIONS OF HOLDERS' SYNDICATE OF THE INSTRUMENT ISSUE OF [month/year] [issue date] IN THE TOTAL AMOUNT OF [___] MILLION EUROS, CARRIED OUT BY ENDESA CAPITAL, S.A. AND GUARANTEED BY ENDESA, S.A.

TITLE I

GENERAL PROVISIONS

Article 1. Establishment.— In accordance with the provisions of the Spanish Companies Act ("**Ley de Sociedades Anónimas**"), as amended, as approved by Royal Legislative Decree 1564/1989, of December 22 (the "**Spanish Companies Act**"), and further supplementary provisions, the Holders' Syndicate of Endesa Capital, S.A. – Issue [month/year], of [issue date] (the "**Holders' Syndicate**") is hereby established, formed by all subscribers of the [registered] debt instruments to which the issue (the "**Issue**") formalised by public deed executed before Madrid Notary Public [___], on [___] [___], 200[___] refers, and carried out in accordance with a programme, as documented in an international information document (*Base Prospectus*) dated [___] [___], 200[___], in order to issue debt instruments (*Euro Medium Term Note Programme*; the "**Programme**") by Endesa Capital S.A. (the "**Issuer**") guaranteed by Endesa, S.A. (the "**Guarantor**"), up to a maximum total amount of five billion euros (€5,000,000,000).

Article 2. Legal Scheme.— The Holders' Syndicate is governed, with regard to everything not provided by these Regulations, by the Spanish Companies Act and, on a subsidiary basis, by the Bylaws of the Issuer Company.

Article 3. Acceptance of Regulations.— The mere subscription of one of the debt instruments forming part of the Issue also implies the express acceptance by the Holder thereof of these Regulations, notwithstanding the powers vested in the Holders' Syndicate of which it forms part with regard to the amendment thereof.

Article 4. Object.— The object and purpose of the Holders' Syndicate is the defense of the rights and interests of the Holders vis-à-vis the Issuer, in accordance with current law in force.

Article 5. Domicile.— The domicile of the Holders' Syndicate is established in Madrid, at calle de Ribera del Loira, no. 60. Notwithstanding the above, the Assembly of the Holders' Syndicate may be held in any other place in the province of Madrid provided that it is so stated for the record in the official meeting notice of the Assembly.

Article 6. Duration.— The Holders' Syndicate shall subsist during the entire life of the Issue, until the total registration cancellation thereof, and including, once cancelled, as long as there are obligations pending performance on the part of the Issuer.

TITLE II

BODIES OF THE SYNDICATE

Article 7. General Bondholders' Assembly.— The supreme body of representation of the Holders' Syndicate is the General Holders' Assembly, with the power to adopt the necessary resolutions for the best defense of the general interest of the Holders and resolve (i) the novation and modification of the conditions of the Issue, with the approval of the Issuer; (ii) the appointment or removal of the Commissioner; (iii) the approval of the expenses for defense of the common interests; (iv) the exercise of the appropriate judicial actions; and (v) the appointment of representatives from among the Holders, or third parties, to implement, jointly or severally, the resolutions of the General Holders' Assembly in order to carry out any act, action or judicial or extrajudicial diligence.

Article 8. Meeting Notice.— The General Holders’ Assembly may be convened by the Management Body of the Issuer or of the Guarantor and by the Commissioner.

It shall also be convened when requested by Holders who represent one-twentieth of the debt instruments outstanding.

The General Holders’ Assembly shall also be deemed to be validly convened when, all of the Holders being present, they unanimously decide to hold the meeting. In such event, it shall be sufficient to notify the Issuer and the Guarantor of the resolutions handed down, with no need for an express meeting notice to the Management Body of the Issuer.

The official meeting notice shall be given at least 30 calendar days in advance of the date on which the General Holders’ Assembly is to be held, and shall be notified to the Holders and to the Registrar (as such term is defined in the *Base Prospectus*), by first class mail or (in the case of international correspondence) by airmail to the respective addresses which appear in the records of the Registrar. In cases of joint tenancy, the notice shall be sent to the address of the subject who appears as first holder in the records of the Registrar. The notice shall be deemed to be validly given on the fourth business day following the date it is sent or, in the case of international correspondence, on the fifth business day. The notice of the General Holders’ Assembly, which shall be given by letter, fax or e-mail to the Issuer and the Guarantor, shall express the place, date and time of the meeting, as well as the full text of all proposed resolutions to be transacted. Furthermore, the notice shall indicate that the debt instruments may be blocked before any of the clearing services for the purpose of being able to appoint a proxy, by means of a document drawn up in English known as a Block Voting Instruction, not later than 48 hours prior to the time set for holding the General Holders’ Assembly.

When the General Holders’ Assembly is to transact or resolve matters relating to modification of the conditions of the Issue or others of an analogous significance, in the judgement of the Commissioner, it shall be convened at least 30 days in advance of the date it is to be held, by means of the notice and other requisites referred to in the preceding paragraph and by notice published in the Official Mercantile Registry Bulletin (*Boletín Oficial del Registro Mercantil*) and in one of the newspapers having general circulation in the province of Madrid.

Article 9. Right to attendance.— Holders who, at least 48 hours in advance of the time set for it to be held, request that the Registrar block their debt instruments through the pertinent account open at any of the clearing services, shall be entitled to attend the General Holders’ Assembly.

The Holders may request that the Registrar issue and furnish to them the document known as a Block Voting Instruction as well as the standard form proxy drawn up in English, once the Registrar has received the pertinent written instructions, not later than 48 hours prior to the time set for holding the General Holders’ Assembly.

The following shall also be entitled to attend the General Holders’ Assembly: the Directors of the Issuer, any representative of the Guarantor and the Commissioner, as a consequence of which they shall be notified of the meeting to be held, unless, as a result of all Holders being present or represented and the meeting being held as a general-consent Assembly, prior notice is impossible. In such case, the Directors of the Issuer shall be notified of the resolution or resolutions adopted, without prejudice to their right to attend the Assembly even in the event of not having been informed of the holding thereof.

The Commissioner, the Issuer or the Guarantor may approve the attendance at the General Holders’ Assembly of third persons such as experts and advisers they deem necessary or appropriate.

Article 10. Proxies.— The Holders may delegate their proxy to another person through the procedure of a Block Voting Instruction (as detailed below), by sending written instructions to the Registrar, or by signing and sending the pertinent proxy to the Registrar, in both cases, not later than 48 hours prior to the time set for holding the General Holders’ Assembly.

The Registrar shall issue, subject to blocking of the debt instruments, a document drafted in the English language entitled “**Block Voting Instruction**”:

- (a) Accrediting:
- (i) that certain debt instruments specified therein (the “**Blocked Bonds**”) have been blocked through the pertinent account open at any of the clearing services and shall not be released until the completion of the General Holders’ Assembly; and that the holders of the Blocked Bonds, or a person duly authorised on their behalf, have given instructions to the Registrar for the votes attributed to the said Blocked Bonds to be cast in a certain sense with respect to each one of the proposed resolutions to be transacted at the Assembly, and/or
 - (ii) that the Holders of certain debt instruments specified therein (the “**Instruments**”) have given instructions to the Registrar for the votes attributed to such Instruments to be cast in a certain sense with respect to each one of the proposed resolutions to be transacted at the Assembly,

and, in both cases, that during the 48 hours prior to the time for holding the Assembly, the said voting instructions may not be modified or revoked;

- (b) Indicating the total amount of principal pertaining to the Blocked Bonds and to the Instruments, and specifying in relation to each proposed resolution, whether the instructions given are to vote for or against, and
- (c) Authorising the subject or subjects appointed to exercise the voting rights pertaining to the Blocked Bonds and to the Instruments, following the instructions indicated.

The Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it refers takes place. Both a proxy and a Block Voting Instruction may not exist simultaneously with respect to the same debt instruments.

Article 11. Chairman and Secretary of the Assembly.— The Commissioner of the Holders’ Syndicate shall chair the Assembly, and he shall appoint a Secretary who need not be a Holder.

Article 12. Form of deliberating of the Assembly.— The Chairman shall direct the deliberations of the General Holders’ Assembly, in accordance with the meeting agenda. He shall grant the floor and withdraw it if required by the proper order of the Assembly, limiting, as the case may be, the number of discussions.

Article 13. Quorum and adoption of resolutions.— Each debt instrument shall give a right to one vote, which shall be expressed by a show of hands. The General Holders’ Assembly shall adopt resolutions by absolute majority, with the attendance of two-thirds of the debt instruments outstanding, and shall bind all Holders, including those not attending and dissenters.

When the attendance of two-thirds of the debt instruments outstanding is not achieved, the Assembly may be once again convened one month after its first meeting, through publication of the announcement referred to in Article 8, last paragraph. At this second meeting of the General Holders’ Assembly, resolutions shall be adopted by absolute majority of the attending debt instruments outstanding. These resolutions shall bind the Holders in the same manner established in the preceding paragraph.

The resolutions of the General Holders’ Assembly may, nevertheless, be contested by the Holders in accordance with the provisions of Section Two, Chapter V, of the Spanish Companies Act.

Article 14. Minutes.— The minutes of each General Holders’ Assembly shall be signed by the Commissioner-Chairman and by whosoever has acted as Secretary. Any certified copies thereof issued shall be signed by the Commissioner.

Article 15. Syndicate Commissioner.— The Commissioner of the Holders’ Syndicate shall have the powers assigned by law, these Regulations, the deed of Issuance and those attributed thereto by the General Holders’ Assembly, in order to exercise the actions and rights to which entitled, acting as liaison between the Issuer and the Holders’ Syndicate in defense and on behalf of the interests of the Holders.

The Commissioner will be entitled to an annual remuneration of Eur 6,000.

In cases of absence or illness of the Commissioner, the Holder delegated by the latter shall substitute the Commissioner. In the absence of such delegation, the Holder who owns the greatest number of debt instruments shall replace the Commissioner, until the General Holders’ Assembly resolves, as the case may be, the new appointment, without such substitution being

able to have any further validity than purely formal effects. In the event of adopting a resolution, it must be expressly ratified by the General Holders' Assembly.

The appointment as Commissioner may be made to a legal entity, which shall appoint the natural person to act as its representative for the exercise of the duties inherent to the position.

TITLE III

FINAL PROVISIONS

Article 16. Acceptance of Holders.— The subscription or acquisition of the bonds implies for each bondholder its adherence to the Holders' Syndicate and these Regulations, and full ratification (i) of the terms and conditions reflected in the *Base Prospectus* relating to the Programme in which the Issue is covered, (ii) of the deed of Issuance, and (iii) any documents, contracts or agreements which supplement, amend or complete the same.

All of the foregoing is construed without prejudice to the powers which the Spanish Companies Act grants to them in order to resolve and modify these Regulations, as well as to adopt the legal measures for an adequate protection of their interests.

Article 17. Applicable venue.— For any claim, conflict or discrepancy arising out of the interpretation or enforcement of these Regulations, both the Holders' Syndicate and the Issuer, expressly waiving any venue to which they may be entitled, hereby submit to the Courts and Tribunals of Madrid.

Madrid, [date]

4.12 A statement of the resolution, authorisations and approvals by virtue of which the securities have been created and/or issued.

The update of the Programme was authorised by a resolution of the shareholders' of the Issuer on 23 April 2007 and by a resolution of the Joint Directors of the Issuer dated 23 April 2007. The giving of the guarantee by the Guarantor was authorised by the Executive Committee of the Guarantor on 30 November 2006. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Deed of Guarantee.

4.13 The issue date of the securities

The issue date of each Tranche of Notes will be set out in the relevant Final Terms.

4.14 A description of any restrictions on the free transferability of the securities.

See "Form of Registered Notes and Transfer Restrictions Relating to U.S. Sales" and "Subscription and Sale".

5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

5.1 Indication of the market where the securities will be traded and for which prospectus has been published. If known, give the earliest dates on which the securities will be admitted to trading.

Application will be made for Notes issued pursuant to the Programme to be admitted to trading on the AIAF Fixed Income Securities Market ("**AIAF**") or to be admitted to regulated market listing, trading and/or quotation on another listing authority, stock exchange and/or quotation system. Notes issued pursuant to the Programme will only be issued on the basis that they will be admitted to listing, trading and/or quotation on either AIAF or such other listing authority, stock exchange and/or quotation as the Issuer, the Guarantor and the relevant Dealer(s) may agree.

The listing of the Notes will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on AIAF in Spain will be so admitted to trading upon submission to the *Comisión Nacional del Mercado de Valores* ("**CNMV**") of the relevant Final Terms and any other information required by the CNMV and AIAF, subject to the issue of the relevant Notes.

However, Notes may be issued pursuant to the Programme which will not be admitted to trading on AIAF, but will instead be admitted to regulated market listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer, the Guarantor and the relevant Dealer(s) may agree.

Notes may not be issued under the Programme on an unlisted basis.

5.2 Name and address of any paying agents and depository agents in each country.

The names and addresses (at the date of this Base Prospectus) of each of the Fiscal Agent, Principal Registrar, First Alternative Registrar, Spanish Paying Agent and any other paying agents are set out in the final pages of this Base Prospectus.

6. EXPENSE OF THE ADMISSION TO TRADING

An estimate of the total expenses related to the admission to trading.

An estimate of the total expenses related to the admission to trading in respect of each Tranche of Notes will be set out in the relevant Final Terms.

7. ADDITIONAL INFORMATION

7.1 If advisors are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.

The legal advisers and capacities in which they act in respect of the Notes are set out in the final pages of this Base Prospectus.

7.2 An indication of other information in the Securities Note which has been audited or reviewed by auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.

No such information is included in the Securities Note.

- 7.3 **Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Securities Note.**

No such information is included in the Securities Note.

- 7.4 **Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.**

No such information is included in the Securities Note.

- 7.5 **Credit ratings assigned to an issuer or its debt securities at the request or with the co-operation of the issuer in the rating process.**

Each Tranche of Notes may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Madrid, 31 May 2007

By: **ENDESA Capital, S.A.**

Signed: Javier Galán Allué

Pedro Corpas Fernández

ADDITIONAL INFORMATION IN RESPECT OF THE GUARANTEE

The information appearing below has been prepared in English in accordance with Annex VI (Minimum disclosure requirements for guarantees (Additional building block) of Commission Regulation (EC) No. 809/2004.

1. Nature of the Guarantee

The Guarantor has in a deed of guarantee dated 31 May 2007 (the “**Deed of Guarantee**”) unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Book-Entry Notes and the Certificated Notes.

This Guarantee of the Book-Entry Notes and the Certificated Notes constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*) of the relevant Notes) unsecured obligations of the Guarantor which (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) in the event of the insolvency (*concurso*) of the Guarantor will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.

The Guarantor has undertaken not to raise to a public document or a deed or instrument witnessed by a Public Notary (*escritura pública, póliza o efecto intervenido por Notario Público*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under the Deed of Guarantee are also so raised at the expense of the Guarantor.

2. Scope of the Guarantee

The obligations of the Guarantor pursuant to the Deed of Guarantee have been undertaken by the Guarantor as principal obligor and not merely as surety.

The obligations of the Guarantor under the Deed of Guarantee are expressed to be continuing obligations and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer’s obligations under or in respect of any Note or the Deeds of Covenant. Such obligations are expressed to continue in full force and effect until all sums due from the Issuer in respect of the Notes and under the Deeds of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

The Guarantor has undertaken in the Deed of Guarantee to comply with and be bound by those provisions of the Book-Entry Note Conditions and by those provisions of the Certificated Note Conditions which relate to it or which are expressed to relate to it.

The Deed of Guarantee provides that any Notes issued under the Programme on or after the date of the Deed of Guarantee shall have the benefit of the Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

In addition, the Deed of Guarantee is expressed to take effect as a deed poll for the benefit of the Holders of the Notes, the Book-Entry Account Holders and the Relevant Account Holders from time to time (each as defined in the Deed of Guarantee).

The complete text of the Deed of Guarantee has been set out under “The Deed of Guarantee”, below. The information appearing under the heading “The Deed of Guarantee” below shall be deemed to be incorporated in, and to form part of, this paragraph 2.

3. Information to be disclosed about the guarantor

See “Description of the Guarantor”.

4. Documents on display

Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Spanish Paying Agent (in the case of Book-Entry Notes) at Vía de los Poblados s/n, 2a Planta, 28033 Madrid or the Fiscal Agent (in the case of Certificated Notes) at One Canada Square, London E14 5AL for 12 months from the date of this Base Prospectus:

- (a) the constitutive documents (*estatutos*) of the Issuer;
- (b) the constitutive documents (*estatutos*) of the Guarantor;
- (c) the audited unconsolidated financial statements of the Issuer for the years ended 31 December 2006 and 2005;
- (d) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2006 and 2005 and the unaudited consolidated financial statements of the Guarantor for the three months ended 31 March 2007;
- (e) the Agency Agreement;
- (f) the Deed of Guarantee;
- (g) the Deeds of Covenant; and
- (h) the Dealer Agreement.

THE DEED OF GUARANTEE

The following is the text of the Deed of Guarantee pursuant to which, upon execution (expected to take place on or around the date of this Base Prospectus), Endesa, S.A. will guarantee the payment of all sums expressed to be payable from time to time by the Issuer to the Holders of the Notes, to the Book-Entry Account Holders under the Book-Entry Notes Deed of Covenant and to the Account Holders under the Certificated Notes Deed of Covenant. A copy of the Deed of Guarantee is available for inspection during normal business hours at the Specified Offices of the Spanish Paying Agent and the Fiscal Agent (see "Additional Information in Respect of the Guarantee, 3. Documents and Display"):

"THIS GUARANTEE is issued on the 31 May 2007

BY

Endesa, S.A. (the "**Guarantor**") **IN FAVOUR OF** the Holders of the Notes, the Book-Entry Account Holders and the Relevant Account Holders referred to herein.

WHEREAS

- (a) Endesa Capital, S.A. (the "**Issuer**") and the Guarantor have established a programme (the "**Programme**") for the issuance of debt instruments ("**Notes**"), in connection with which Programme they have entered into, *inter alia*, an amended and restated issue and paying agency agreement (as amended, supplemented or restated from time to time, the "**Issue and Paying Agency Agreement**") of even date herewith and made between the Issuer, the Guarantor, The Bank of New York in its capacities as fiscal agent (the "**Fiscal Agent**" which expression shall include any successor to The Bank of New York in its capacity as such) and in its capacity as principal registrar, Banco Bilbao Vizcaya Argentaria, S.A. in its capacity as Spanish Paying Agent (the "Spanish Paying Agent" which expression shall include any successor to Banco Bilbao Vizcaya Argentaria, S.A. in its capacity as such) and the other parties named therein, and the Issuer has executed and delivered a deed of covenant in respect of Book-Entry Notes (the "**Book-Entry Notes Deed of Covenant**") and a deed of covenant in respect of Certificated Notes (the "**Certificated Notes Deed of Covenant**", and together with the Book-Entry Notes Deed of Covenant, the "**Deeds of Covenant**"), each of even date herewith.
- (b) The Guarantor has agreed, upon the terms set out herein, to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of Notes issued under the Programme.

NOW THIS DEED WITNESSES as follows:

1. INTERPRETATION

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the terms and conditions of the Notes or the Deeds of Covenant have the same meanings in this Guarantee.

2. GUARANTEE AND INDEMNITY

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

- (a) to the Holder of each Note the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Note as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the relevant Note for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Note and which the Issuer has failed to pay; and
- (b) to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith in the manner and currency prescribed by the terms and conditions of the relevant Notes for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights and which the Issuer has failed to pay.

2.2 The Guarantor undertakes to the Holder of each Note, to each Book-Entry Account Holder and to each Relevant Account Holder that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Note or the Deeds of Covenant (or any provision thereof) being or becoming void, unenforceable or otherwise invalid under any applicable law), then, notwithstanding that the same may have been known to such Holder, Book-Entry Account Holder or Relevant Account Holder, the Guarantor will, forthwith upon demand by such Holder, Book-Entry Account Holder or Relevant Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by such Note or (as the case may be) the Deeds of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

3. PRESERVATION OF RIGHTS

3.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

3.2 The obligations of the Guarantor hereunder shall be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Note or the Deeds of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Notes and under the Deeds of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

3.3 Neither the obligations expressed to be assumed by the Guarantor herein nor the rights, powers and remedies conferred upon the Holders of Notes, the Book-Entry Account Holders and the Relevant Account Holders by this Guarantee or by law shall be discharged, impaired or otherwise affected by:

- (a) the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership;
- (b) any of the obligations of the Issuer under or in respect of any of the Notes or the Deeds of Covenant being or becoming illegal, invalid or unenforceable;
- (c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Notes or the Deeds of Covenant;
- (d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Notes or the Deeds of Covenant or any security or other guarantee or indemnity in respect thereof; or
- (e) any other act, event or omission which, but for this Clause 3.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders of the Notes, the Book-Entry Account Holders the Relevant Account Holders or any of them by this Guarantee or by law.

3.4 Any settlement or discharge between the Guarantor and the Holders of the Notes, the Book-Entry Account Holders, the Relevant Account Holders or any of them shall be conditional upon no payment to the Holders of the Notes, the Book-Entry Account Holders, the Relevant Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders of the Notes, the Book-Entry Account Holders and the Relevant Account Holders shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

3.5 No Holder of a Note, Book-Entry Account Holder or Relevant Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Guarantee or by law:

- (a) to make any demand of the Issuer, other than the presentation of the relevant Note or Certificate (in the case of Book-Entry Account Holders);

- (b) to take any action or obtain judgment in any court against the Issuer; or
 - (c) to make or file any claim or proof in a winding up or dissolution of the Issuer, and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Note, presentment, demand, protest and notice of dishonour.
- 3.6 The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Notes or under the Deeds of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any right which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:
- (a) to be indemnified by the Issuer;
 - (b) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Notes or the Deeds of Covenant;
 - (c) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Notes or the Deeds of Covenant by any Holder of a Note or Book-Entry Account Holder or Relevant Account Holder; or
 - (d) to be subrogated to the rights of any Holder of a Note or Book-Entry Account Holder or Relevant Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Guarantee.

4. STATUS AND NEGATIVE PLEDGE

- 4.1 The Guarantor undertakes that its obligations hereunder will at all times constitute direct, unconditional, unsubordinated and (subject to the provisions of 4.3) unsecured obligations of the Guarantor which (unless they qualify by law as subordinated credits under Article 92 of Law 22/2003) in the event of the insolvency (*concurso*) of the Guarantor will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under Law 22/2003.
- 4.2 The Guarantor hereby undertakes not to raise to a public document or a deed or instrument witnessed by a Public Notary (*escritura pública, póliza o efecto intervenido por Notario Público*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under this Guarantee are also so raised at the expense of the Guarantor.
- 4.3 The Guarantor undertakes not to secure any External Indebtedness of the Guarantor by any mortgage, pledge, lien or other charge upon any of its present or future revenues, properties or assets unless the benefit of such security is extended equally and rateably to all amounts payable under the Notes or, as the case may be, this Guarantee or such other security is given as shall be approved by a Resolution of the Syndicate of the Holders of Notes. As used in this Clause 4 "**External Indebtedness**" means any obligation for the payment of borrowed money (i) which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which, in any of the above cases, is or are, or is or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed, dealt in or traded in if the terms of the issue thereof expressly so provide) and (ii) where more than 50 per cent. of such indebtedness is initially owed to persons outside the Kingdom of Spain. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression "**obligations for the payment of borrowed money**" as used in this definition of External Indebtedness does not include obligations of the Issuer or the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in the Kingdom of Spain need not, and are not, reflected in the balance sheet of the Issuer or the Guarantor, as the case may be.

5. DELIVERY

A duly executed original of this Guarantee shall be delivered promptly after execution to each depository for each Clearing System, to the Fiscal Agent and to the Spanish Paying Agent and such originals shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in all Notes then outstanding from time to time occurs and no further Notes can be issued under the Programme. A certified copy of this Guarantee may be obtained by the relevant Commissioner or any Holder of a Note or any Book-Entry Account Holder or any Relevant Account Holder from the Fiscal Agent and (in the case of Notes admitted to trading on AIAF) the Spanish Paying Agent at its specified office at the expense of the relevant Commissioner or such Holder, Book-Entry Account Holder or Relevant Account Holder. Any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 12 below) upon the basis described in the relevant Deed of Covenant (in the case of a Book-Entry Account Holder or Relevant Account Holder) and a copy of this Guarantee certified as being a true copy by a duly authorised officer of any depository, the Fiscal Agent or (in the case of Notes admitted to trading on AIAF) the Spanish Paying Agent without the need for production in any court of the actual records described in the Deeds of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders of Notes, Book-Entry Account Holders and Relevant Account Holders. This Clause shall not limit any right of any Holder or a Note, Book-Entry Account Holder or Relevant Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

6. CONTRACTUAL CURRENCY

If any sum due from the Guarantor under this Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under this Guarantee or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Guarantee, the Guarantor shall indemnify each Holder of each Note, Book-Entry Account Holder and each Relevant Account Holder on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Holder, Book-Entry Account Holder or Relevant Account Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

7. TERMS AND CONDITIONS OF THE NOTES

The Guarantor hereby undertakes to comply with and be bound by those provisions of the terms and conditions of the Book-Entry Notes and by those provisions of the terms and conditions of the Certificated Notes which relate to it or which are expressed to relate to it.

8. BENEFIT OF GUARANTEE

- 8.1 Any Notes issued under the Programme on or after the date of this Guarantee shall have the benefit of this Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).
- 8.2 This Guarantee shall take effect as a deed poll for the benefit of the Holders of the Notes, the Book-Entry Account Holders and the Relevant Account Holders from time to time.
- 8.3 Subject to 8.1, above, the obligations expressed to be assumed by the Guarantor herein shall enure for the benefit of each Holder of a Note, Book-Entry Account Holder and Relevant Account Holder, and each Holder of a Note, each Book-Entry Account Holder and each Relevant Account Holder shall be entitled severally to enforce such obligations against the Guarantor.

8.4 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder.

9. PARTIAL INVALIDITY

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

10. MODIFICATION

This Deed may be modified by the Guarantor in respect of the Notes of any Series with the prior approval of a resolution of the Syndicate of the Holders of the Notes of such Series.

11. NOTICES

11.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Address: Ribera del Loira, 60
28042 Madrid

Telex: 22917 ENE

Fax: +34 91 213 1574

Attention: Capital Markets Director

or to such other address, telex number or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders of the Notes in the manner prescribed for the giving of notices in connection with the Notes.

11.2 Every communication sent in accordance with Clause 11.1 shall be effective upon receipt by the Guarantor; and provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

12. LAW AND JURISDICTION

12.1 Governing law

This Guarantee and all matters arising from or connected with it is governed by, and shall be construed in accordance with, English law.

12.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Guarantee (including a dispute regarding the existence, validity or termination of this Agreement) or the consequences of its nullity.

12.3 Appropriate forum

The Guarantor agrees for the benefit of the Holders of the Notes, the Book-Entry Account Holders and the Relevant Account Holders that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

12.4 Rights of the Holders to take proceedings outside England

Clause 12.2 (*English courts*) is for the benefit of any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder only. As a result, nothing in this Clause 12 (*Law and jurisdiction*) prevents any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder may take concurrent Proceedings in any number of jurisdictions.

12.5 Process agent

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Endesa Power Trading Limited, 22 Bedford Row, London WC1R 4JS or, if different, its registered office for the time being or at any address of the Guarantor in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder of a Note, Book-Entry Account Holder or Relevant Account Holder to serve process in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been executed as a deed by the Guarantor and is intended to be and is hereby delivered on the date first above written.

EXECUTED as a deed)
by **ENDESA, S.A.**)
acting by)“

FORM OF BEARER NOTES

Each Tranche of Notes in bearer form will initially be in the form of either a temporary Global Note (the "**Temporary Global Note**"), without interest coupons, or a permanent Global Note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the Issue Date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms;
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease

business or in fact does so or announces its intention to withdraw its acceptance of the Notes for clearance and settlement through its system or in fact does so or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes and/or Registered Notes

If the relevant Final Terms specify the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes”, “Temporary Global Note exchangeable for Registered Notes” or “Temporary Global Note exchangeable for a combination of Definitive Notes and Registered Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes, Registered Notes or for a combination of Definitive Notes and Registered Notes (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the relevant Final Terms) not earlier than 40 days after the Issue Date (except in respect of exchanges for Registered Notes) of the relevant Tranche of the Notes. An exchange for Registered Notes may be made at any time or from such date as may be specified in the relevant Final Terms, in each case, without any requirement for certification.

If the relevant Final Terms specify the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes”, “Temporary Global Note exchangeable for Registered Notes” or “Temporary Global Note exchangeable for a combination of Definitive Notes and Registered Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes, Registered Notes or for a combination of Definitive Notes and Registered Notes (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the relevant Final Terms) not earlier than 40 days after the Issue Date (except in respect of exchanges for Registered Notes) of the relevant Tranche of the Notes upon certification (except in respect of exchanges for Registered Notes) as to non-U.S. beneficial ownership. Interest payments in respect of the Notes so exchanged (except in respect of exchanges for Registered Notes) cannot be collected without such certification of non-U.S. beneficial ownership. An exchange for Registered Notes may be made at any time or from such date as may be specified in the relevant Final Terms, in each case, without any requirement for certification.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes and/or Registered Notes

If the relevant Final Terms specify the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, “Permanent Global Note exchangeable for Registered Notes” or “Permanent Global Note exchangeable for a combination of Definitive Notes and Registered Notes” then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes, Registered Notes or for a combination of Definitive Notes and Registered Notes (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the relevant Final Terms):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or in fact does so or announces its intention to withdraw its acceptance of the Notes for clearance and settlement through its system or in fact does so or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” herein and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Bearer Notes while in Global Form”.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

FORM OF REGISTERED NOTES AND TRANSFER RESTRICTIONS RELATING TO U.S. SALES

The following information relates to the form, transfer and delivery of Notes in registered form. Because of the following restrictions, purchasers of Registered Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Registered Notes.

Form of Notes

Notes in registered form will not have interest coupons attached. Registered Notes which are offered and sold outside the United States in reliance on Regulation S (“Unrestricted Notes”) will be represented by interests in a global registered Note Certificate (the “**Unrestricted Global Note Certificate**”). The Unrestricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date of the relevant Tranche with the Bank of New York (the “**DTC Custodian**”) as custodian for DTC. Up to and including the fortieth day after the later of the commencement of the offering and such Issue Date, beneficial interests in the Unrestricted Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg.

Registered Notes which are offered and sold in the United States in reliance on Rule 144A (“**Restricted Notes**”) will be represented by interests in a global registered Note Certificate (the “**Restricted Global Note Certificate**”) and together with the Unrestricted Global Note Certificate, the “**Global Note Certificates**”). The Restricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date of the relevant Tranche with the DTC Custodian as custodian for DTC. Interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg. Individual Note Certificates (“**Individual Note Certificates**”) evidencing holdings of Registered Notes will only be available in certain limited circumstances as described below under “– Exchange of Interests in Global Note Certificates for Individual Note Certificates”. The Restricted Global Note Certificate (and any Individual Note Certificates issued in exchange thereof) will be subject to certain restrictions on transfer as described below under “– Transfer Restrictions”.

Transfer Restrictions

On or prior to the fortieth day after the Issue Date, Notes represented by an interest in the Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in the Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 11 (Form of Transfer Certificate) to the Issue and Paying Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described below under “– Exchange of Interests in Global Note Certificates for Individual Note Certificates”.

Each purchaser of Registered Notes offered outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period (as defined by Regulation S), by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented and agreed as follows:

- (a) the purchaser is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and (A) it is not a U.S. person and it is located outside the United States within the meaning of Regulation S and (B) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (b) the purchaser understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (A) in accordance with Rule 144A under the Securities Act to a

person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

- (c) the purchaser understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”

- (d) the purchaser understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foreign acknowledgements, representations and agreements; and
- (e) the purchaser understands that Notes in registered form offered in reliance on Regulation S will be represented by an Unrestricted Global Certificate. Prior to the expiration of the distribution compliance period (as defined by Regulation S), before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate of the same Series, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Issue and Paying Agency Agreement) as to compliance with applicable securities laws.

Notes represented by an interest in the Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest through the Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 11 (Form of Transfer Certificate) to the Issue and Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Transfer restrictions will terminate three years after the Issue Date provided that any Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective affiliates have been cancelled in accordance with Condition 10(h) (*Redemption and Purchase – Cancellation*).

Any interest in either the Restricted Global Note Certificate or the Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the other Global Note Certificate will, upon transfer, cease to be an interest in such Global Note Certificate and become an interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note Certificate.

Registered Notes will be offered and sold in the United States only to QIBs within the meaning of and in reliance on Rule 144A.

Each purchaser of Registered Notes offered pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of such a QIB and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledged or otherwise transfer any of the Notes such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rules 903 and 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (iv) to the Issuer, in each of cases (i) through (iv) in

accordance with any applicable securities law of any State of the United States, and that (B) the purchaser will, and each subsequent Holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above; and

- (c) the purchaser understands that the Restricted Global Note Certificate and any Restricted Individual Note Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.”

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate bearing the above legend, or upon specific request for removal of the legend, the Issuer will deliver only Individual Note Certificates that bear such legend (“**Restricted Individual Note Certificates**”) or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate three years after the Issue Date provided that any Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective affiliates have been cancelled in accordance with Condition 10(h) (*Redemption and Purchase – Cancellation*).

Exchange of Interests in Global Note Certificates for Individual Note Certificates

Registration of title to Notes initially represented by the Global Note Certificates in a name other than DTC or a successor depository or one of their respective nominees will not be permitted unless (a) such depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the relevant Global Note Certificate or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be depository) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs or (c) (in the case of the Unrestricted Global Note Certificate only) Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to permanently cease business or in fact does so or announces its intention to withdraw its acceptance of the Notes for clearance and settlement through its system or in fact does so.

In such circumstances, the Issuer shall procure the delivery of Individual Note Certificates in exchange for the Unrestricted Global Note Certificate and/or the Restricted Global Note Certificate. A person having an interest in a Global Note Certificate must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (a) such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and

address of each person in which the Individual Note Certificates are to be registered and the principal amount of each such person's holding) and (b) (in the case of the Restricted Global Note Certificate only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out above under “– Transfer Restrictions”. Such transfer restrictions will terminate three years after the Issue Date, provided that any Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective affiliates have been cancelled in accordance with Condition 10(h) (*Redemption and Purchase – Cancellation*).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued within five business days to the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time relating to the Notes and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the due date for their delivery in exchange for interests in a Global Note Certificate or (b) any of the Notes represented by a Global Note Certificate has become due and payable in accordance with the Terms and Conditions of the relevant Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered Holder of such Global Note Certificate in accordance with its terms on the due date for payment, then such Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered Holder will have no further rights under such Global Note Certificate (but without prejudice to the rights which the Holder of the Notes represented by such Global Note Certificate or others may have under the Certificated Notes Deed of Covenant executed by the Issuer). Under the Certificated Notes Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Notes represented by a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Note Certificate became void, they had been the registered Holders of Notes represented by Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or (as the case may be) Clearstream, Luxembourg.

The Registrar will not register the transfer of or exchange of interests in a Global Note Certificate for Individual Note Certificates (i) for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes, (ii) during the period 15 days before any date on which Registered Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(c) (*Redemption at the option of the Issuer*), or (iii) after any such Registered Note has been called for redemption.

DTC Book-Entry Ownership of Global Note Certificates

The Issuer has applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Unrestricted Notes. The Unrestricted Notes will have a CINS number, a common code and an ISIN. The Issuer has also applied to DTC for acceptance in its book-entry settlement system of the Restricted Notes. The Restricted Notes will have a CUSIP number.

The DTC Custodian and DTC will record electronically the principal amount of the Notes represented by the Unrestricted Global Note Certificate and the Restricted Global Note Certificate held within the DTC system. Up to and including the fortieth day after the later of the commencement of the offering and the Issue Date, investors may hold their interests in the

Unrestricted Global Note Certificate only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in the Unrestricted Global Note Certificate on behalf of their account holders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositories, which in turn will hold such interests in the Unrestricted Global Note Certificate in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Restricted Global Note Certificate directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC.

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate registered in the name of DTC's nominee will be made to or to the order of its nominee as the registered Holder of such Global Note Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of the relevant Global Note Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of interests in such Global Note Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Guarantor, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Global Note Certificate is lodged with DTC or its custodian, Notes represented by Individual Note Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfers of Interests in Global Note Certificates

Transfers of interests in Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

The laws of some States of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Subscription and Sale", cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg or (as the case may be) Euroclear by its respective depository. However, such crossmarket transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash

received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "Subscription and Sale".

The Issuer understands that DTC will take any action permitted to be taken by a Holder of Notes (including, without limitation, the presentation of Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Note Certificates are credited, and only in respect of such portion of the aggregate principal amount of the Global Note Certificates as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Note Certificates for Individual Note Certificates (which will, in the case of Restricted Notes, bear the legend set out above under "– Transfer Restrictions").

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Guarantor, the Registrar nor any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

TERMS AND CONDITIONS OF THE NOTES

Part A – Terms and Conditions of the Book – Entry Notes

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be applicable to Notes issued in dematerialised, book-entry form and admitted to trading on AIAF.

1. Introduction

- (a) **Programme:** Endesa Capital, S.A. (the “**Issuer**”) has established a programme (the “**Programme**”) for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (the “**Notes**”) guaranteed by Endesa, S.A. (the “**Guarantor**”). Notes issued pursuant to the Programme may be in dematerialised, book-entry form (*anotaciones en cuenta*) (“**Book-Entry Notes**”).
- (b) **Final Terms:** Book-Entry Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Book-Entry Notes. Each Tranche is the subject of Final Terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Book-Entry Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Deed of Covenant:** The Book-Entry Notes have the benefit of a deed of covenant dated 31 May 2007 executed by the Issuer (the “**Deed of Covenant**”) to which these terms and conditions will be affixed. In the Deed of Covenant, the Issuer has covenanted in favour of each Holder that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.
- (d) **Issue and Paying Agency Agreement:** The Book-Entry Notes are the subject of an amended and restated issue and paying agency agreement dated 31 May 2007 (as amended or supplemented from time to time, the “**Issue and Paying Agency Agreement**”) between the Issuer, the Guarantor, the Bank of New York as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Book-Entry Notes), The Bank of New York (acting through its offices in New York City) as principal registrar, The Bank of New York (Luxembourg) S.A. as first alternative registrar, Banco Bilbao Vizcaya Argentaria, S.A. as paying agent in Spain (the “**Spanish Paying Agent**”) and the other paying agent named therein (together with the Fiscal Agent and the Spanish Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Book-Entry Notes).
- (e) **Deed of Guarantee:** The Book-Entry Notes are the subject of a deed of guarantee dated 31 May 2007 (the “**Deed of Guarantee**”) entered into by the Guarantor.
- (f) **The Book-Entry Notes:** All subsequent references in these Conditions to “Book-Entry Notes” are to the Book-Entry Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Holders during normal business hours at the Specified Office of the Fiscal Agent and the Spanish Paying Agent, the initial Specified Offices of which are set out below.
- (g) **Summaries:** Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The holders of the Book-Entry Notes (the “**Holder**”) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement and the Deed of Guarantee applicable to them. Copies of the Issue and Paying Agency Agreement and the Deed of Guarantee are available for inspection by Holders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.
- (h) **Third Parties:** No person shall have any right to enforce any term or condition of the Book-Entry Notes under the Contracts (Rights of Third Parties) Act 1999.

2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:
- "Accrual Yield"** has the meaning given in the relevant Final Terms;
- "Additional Business Centre(s)"** means the city or cities specified as such in the relevant Final Terms;
- "Additional Financial Centre(s)"** means the city or cities specified as such in the relevant Final Terms;
- "AIAF"** means the AIAF Fixed Income Securities Market, the Spanish market for trading in fixed income securities issued by industrial companies, financial institutions and regional public bodies;
- "Agents"** means the Paying Agents and any Calculation Agent and **"Agent"** means any one of the Agents;
- "Business Day"** means:
- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
 - (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in Madrid, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;
- "Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:
- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
 - (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
 - (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
 - (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
 - (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Spanish Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Central Registry" means the central registry of the Spanish clearance and settlement system managed by Iberclear;

"Commissioner" means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades Anónimas*) of the Syndicate of Holders of the Book-Entry Notes;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if **"30E/360"** or **"Eurobond Basis"** is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

"Early Redemption Amount (Tax)" means, in respect of any Book-Entry Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Early Termination Amount” means, in respect of any Book-Entry Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“External Indebtedness” means any Relevant Indebtedness where more than 50 per cent. of such indebtedness is initially owed to persons outside the Kingdom of Spain;

“Final Redemption Amount” means, in respect of any Book-Entry Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Fixed Coupon Amount” has the meaning given in the relevant Final Terms;

“Iberclear” means *la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*, the Spanish central securities depository responsible for both the Central Registry and the clearing and settlement of, *inter alia*, fixed income securities trading on AIAF;

“Iberclear Members” means each of the member entities from time to time of Iberclear, and **“Iberclear Member”** means any one of them;

“Interest Amount” means, in relation to a Book-Entry Note and an Interest Period, the amount of interest payable in respect of that Book-Entry Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Book-Entry Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“ISDA Definitions” means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Book-Entry Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“Optional Redemption Amount (Call)” means, in respect of any Book-Entry Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Amount (Put)” means, in respect of any Book-Entry Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Payment Business Day” means:

- (i) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Holder wanting to exercise a right to redeem a Book-Entry Note at the option of the Holder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Holder upon deposit of a duly completed Put Option Notice and the relevant Certificate with the Spanish Paying Agent by any Holder wanting to exercise a right to redeem a Book-Entry Note at the option of the Holder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Book-Entry Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regular Period” means:

- (i) in the case of Book-Entry Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Book-Entry Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Book-Entry Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Spanish Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Indebtedness**" means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which, in any of the above cases, is or are, or is or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed, dealt in or traded in if the terms of the issue thereof expressly so provide). For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression "obligations for the payment of borrowed money" as used in this definition of Relevant Indebtedness does not include obligations of the Issuer or the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in the Kingdom of Spain need not, and are not, reflected in the balance sheet of the Issuer or the Guarantor, as the case may be.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Issue and Paying Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**");

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Syndicate**" means the syndicate (*sindicato de obligacionistas*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades Anónimas*);

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; and

"**Treaty**" means the Treaty establishing the European Communities, as amended.

- (b) **Interpretation:** In these Conditions:
- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Book-Entry Note and any other amount in the nature of principal payable pursuant to these Conditions;
 - (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
 - (iii) references to Book-Entry Notes being “outstanding” shall be construed in accordance with the Issue and Paying Agency Agreement; and
 - (iv) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Book-Entry Notes.

3. Form, Title and Transfers

- (a) **Form:** Book-Entry Notes will be issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) and will be registered with Iberclear as managing entity of the Central Registry.
- (b) **Title:** Title to the Book-Entry Notes will be evidenced by book entries and each person shown in the Central Registry and in the registries maintained by the Iberclear Members as having an interest in the Book-Entry Notes shall be (except as required by Spanish law) considered the holder of the principal amount of Book-Entry Notes recorded therein, and the term “**Holder**” shall be construed accordingly.
- (c) **Certificates of title:** One or more certificates (each, a “**Certificate**”) attesting to the relevant Holder’s holding of Book-Entry Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member’s or, as the case may be, Iberclear’s procedures) to such Holder upon such Holder’s request.
- (d) **Transfers of Book-Entry Notes:** Book-Entry Notes may be transferred and title to the Book-Entry Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the Central Registry or, as the case may be, the registry maintained by the relevant Iberclear Member. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Book-Entry Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

4. Status of the Book-Entry Notes

The Book-Entry Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which (unless they qualify by law as subordinated credits under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the “**Insolvency Law**”)) in the event of the insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among Book-Entry Notes of the same Series and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.

In the event of insolvency (*concurso*) of the Issuer, under the Insolvency Law, claims relating to the Book-Entry Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders.

It is not clear whether, as a result of the application of article 87.6 of the Insolvency Law the claims against the Issuer arising from the Book-Entry Notes could be classified as subordinated credits of the Issuer. However, even if such claims were classified as subordinated credits, the payment obligations of the Guarantor under the Guarantee will remain as ordinary unsubordinated credits.

5. Guarantee

- (a) **Guarantee of the Book-Entry Notes:** The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Book-Entry Notes.
- (b) **Status of the Guarantee:** This Guarantee of the Book-Entry Notes constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Guarantor which (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) in the event of the insolvency (*concurso*) of the Guarantor will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.
- (c) **Public documents or deeds:** The Guarantor has undertaken not to raise to a public document or a deed or Instrument witnessed by a Public Notary (*escritura pública, póliza o efecto intervenido por Notario Público*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under the Deed of Guarantee are also so raised at the expense of the Guarantor.

6. Negative Pledge

So long as any Book-Entry Note remains outstanding:

- (a) neither the Issuer nor the Guarantor shall secure any External Indebtedness of the Issuer or, as the case may be, the Guarantor by any mortgage, pledge, lien or other charge upon any of its present or future revenues, properties or assets unless the benefit of such security is extended equally and rateably to all amounts payable under the Book-Entry Notes or, as the case may be, the Deed of Guarantee or such other security is given as shall be approved by a resolution of the relevant Syndicate of the Holders of Book-Entry Notes; and
- (b) the Guarantor shall not raise to a public document or a deed or instrument witnessed by a Public Notary (*escritura pública, póliza o efecto intervenido por Notario Público*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under the Deed of Guarantee have been so raised at the expense of the Guarantor.

7. Fixed Rate Book-Entry Note Provisions

- (a) **Application:** This Condition 7 (*Fixed Rate Book-Entry Note Provisions*) is applicable to the Book-Entry Notes only if the Fixed Rate Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Book-Entry Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Book-Entry Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Book-Entry Note up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Spanish Paying Agent has notified the Holders that it has received all sums due in respect of the Book-Entry Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) **Fixed Coupon Amount.** The amount of interest payable in respect of each Book-Entry Note for any Interest Period shall be the relevant Fixed Coupon Amount.
- (d) **Calculation of Interest Amount.** The amount of interest payable in respect of each Book-Entry Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the principal amount of such Book-Entry Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8. Floating Rate Book-Entry Note and Index-Linked Interest Book-Entry Note Provisions

- (a) **Application:** This Condition 8 (*Floating Rate Book-Entry Note and Index-Linked Interest Book-Entry Note Provisions*) is applicable to the Book-Entry Notes only if the Floating Rate Book-Entry Note Provisions or the Index-Linked Interest Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest.** The Book-Entry Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Book-Entry Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Book-Entry Note up to that day are received by or on behalf of the relevant Holders and (ii) the day which is seven days after the Spanish Paying Agent has notified the Holders that it has received all sums due in respect of the Book-Entry Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Book-Entry Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Book-Entry Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Book-Entry Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Book-Entry Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Index-Linked Interest:** If the Index-Linked Interest Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Book-Entry Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Book-Entry Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Book-Entry Note during such Interest Period, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Calculation of other amounts:** If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Book-Entry Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest

Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

- (j) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Dual Currency Book-Entry Note Provisions

- (a) **Application:** This Condition 9 (*Dual Currency Book-Entry Note Provisions*) is applicable to the Book-Entry Notes only if the Dual Currency Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Book-Entry Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).
- (b) **Redemption for tax reasons:** The Book-Entry Notes may be redeemed at the option of the Issuer in whole, but not in part:
- (i) at any time (if neither the Floating Rate Book-Entry Note Provisions or the Index-Linked Interest Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Book-Entry Note Provisions or the Index-Linked Interest Book-Entry Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Book-Entry Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantor has or (if a demand was made under the Deed of Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or, as the case may be, the Deed of Guarantee as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Book-Entry Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Book-Entry Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Book-Entry Notes were then due or (as the case may be) a demand under the Deed of Guarantee of the Book-Entry Notes were then made; or
- (2) where the Book-Entry Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Book-Entry Notes were then due or (as the case may be) a demand under the Deed of Guarantee of the Book-Entry Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or, as the case may be, the Guarantor shall deliver or procure that there is delivered to the Spanish Paying Agent (1) a certificate signed by one director of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Book-Entry Notes in accordance with this Condition 10(b).

- (c) **Redemption at the option of the Issuer:** If the Call Option is specified in the relevant Final Terms as being applicable, the Book-Entry Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Book-Entry Notes or, as the case may be, the Book-Entry Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) **Partial redemption:** If the Book-Entry Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), each Book-Entry Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Book-Entry Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Book-Entry Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) **Redemption at the option of Holders:** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Book-Entry Note redeem such Book-Entry Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Book-Entry Note must, not less than forty-five days before the relevant Optional Redemption Date (Put), deposit with the Spanish Paying Agent the relevant Certificate, and a duly completed Put Option Notice in the form obtainable from the Spanish Paying Agent. The Spanish Paying Agent shall deliver a duly completed Put Option Receipt to the relevant Holder. No Put Option Notice, once delivered in accordance with this Condition 10(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), the Book-Entry Note to which the relevant Put Option Notice relate becomes immediately due and payable or, on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Spanish Paying Agent shall mail notification thereof to the relevant Holder at such address as may have been given

by such Holder in the relevant Put Option Notice and shall return to the relevant Holder the relevant Put Option Notice and Certificate against surrender of the relevant Put Option Receipt.

- (f) **No other redemption:** The Issuer shall not be entitled to redeem the Book-Entry Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) **Purchase:** The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Book-Entry Notes in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Holders of Book-Entry Notes alike.
- (h) **Cancellation:** All Book-Entry Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

11. Payments

- (a) **Principal and Interest:** Payments in respect of the Book-Entry Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in the currency in which the payment is due (or, if that currency is euro, any other account to which euro may be credited or transferred) details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at the close of business on the Business Day on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Book-Entry Notes. None of the Issuer, the Guarantor, the Spanish Paying Agent or any of the Dealers will have any responsibility or liability for the records relating to payments made in respect of the Book-Entry Notes.
- (b) **Payments subject to fiscal laws:** All payments in respect of the Book-Entry Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (c) **Payments on business days:** If the due date for payment of any amount in respect of any Book-Entry Note is not a Payment Business Day, the Holder shall not be entitled to payment in the relevant place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of such delay.

12. Taxation

- (a) **Gross up:** All payments of principal and interest in respect of the Book-Entry Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Book-Entry Note:
 - (i) to, or to a third party on behalf of, individuals resident in the Kingdom of Spain or to holders who receive payments through a tax haven (as defined in Royal Decree 1080/1991 of 5 July); or
 - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; or

- (iii) where such withholding or deduction is imposed because the Issuer or the Guarantor has not received in due time the information related to non-resident Holders required to comply with Spanish Law 13/1985 of 25 May as amended by Law 19/2003 of 4 July 2003 ("**Law 19/2003**") and any implementing, or other related, laws or regulations, and in particular, where the Issuer or the Guarantor does not receive from the Holder of the relevant Book-Entry Note information (which may include a tax residence certificate) concerning such Holder's identity and tax residence.

A list of the tax havens referred to in paragraph (i) of Condition 12 as at 31 May 2007 is set out under the heading "Taxation – The Kingdom of Spain" of the Base Prospectus.

- (b) **Taxing jurisdiction:** If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

13. Events of Default

- (a) The following events or circumstances as modified by, and/or such other events as may be specified in, the Final Terms (each an "**Event of Default**") shall be acceleration events in relation to the Book-Entry Notes of any Series, namely:
 - (i) **Non-payment:** default is made in the payment of any amount (including principal, interest or other amounts) due in respect of the Book-Entry Notes of the relevant Series or any of them on the due date for payment thereof and such default continues for a period of 14 days; or
 - (ii) **Breach of other obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Book-Entry Notes of the relevant Series, the Issue and Paying Agency Agreement or (in the case of the Guarantor) the Deed of Guarantee and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been delivered to the Issuer or the Guarantor at the specified office of the Fiscal Agent and the Spanish Paying Agent by the relevant Commissioner or failing which by the Holder of any such Book-Entry Note; or
 - (iii) **Cross-default of Issuer or the Guarantor:** (1) any Relevant Indebtedness in excess of €50,000,000 of the Issuer or the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period, (2) any such Relevant Indebtedness in excess of €50,000,000 becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or the Guarantor or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness or (3) the Issuer or the Guarantor fails to pay when due any amount in excess of €50,000,000 payable by it under any guarantee of any Relevant Indebtedness; or
 - (iv) **Unsatisfied judgment:** a judgment or order for the payment of any amount is rendered against the Issuer or the Guarantor and continues unsatisfied and unstayed for a period of 90 days after the day thereof or, if later, the date therein specified for payment; or
 - (v) **Security enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor which is material in the context of the issue and offering of the Book-Entry Notes becomes enforceable and any step is taken to enforce it (including the taking of possession by or the appointment of a receiver, administrative receiver, manager or other similar person); or
 - (vi) **Insolvency etc:** (1) the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (2) an administrator or liquidator of the Issuer or the Guarantor or the whole or any part of the undertaking, assets and revenues of the Issuer or the Guarantor is appointed (or application for any such appointment is

- made by the Issuer or the Guarantor), (3) the Guarantor shall declare a moratorium on or in respect of its indebtedness or any part thereof or the Issuer or the Guarantor shall cause a meeting of its creditors (or any class or group thereof) to be convened or shall propose or make any arrangement or composition with or any assignment for the benefit of its creditors (or any class or group thereof) or shall become unable to pay, or shall admit in writing its inability to pay, or shall stop or suspend or threaten to stop or suspend payment of, its debts as they fall due or shall otherwise become insolvent or (4) the Issuer or the Guarantor ceases or threatens to cease to carry on all or any substantial part of its business; or
- (vii) **Winding up etc.**: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor unless it is part of a solvent restructuring, reorganisation (including *fusion or escision*) or other corporate reorganisation undertaken by the Guarantor or the Issuer which has previously been approved by a resolution of the Syndicate of Holders; or
 - (viii) **Analogous event.** any event occurs which under the laws of the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (v) to above (including, but not limited the bankruptcy (*concurso*) of the Issuer or the Guarantor; or
 - (ix) **Failure to take action etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order (1) to enable the Issuer or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Book-Entry Notes, the Deed of Covenant, the Deed of Guarantee or the Issue and Paying Agency Agreement, (2) to ensure that those obligations are legal, valid, binding and enforceable and (3) to make the Book-Entry Notes, the Deed of Covenant, the Deed of Guarantee and the Issue and Paying Agency Agreement admissible in evidence in the courts of the Kingdom of Spain is not taken, fulfilled or done; or
 - (x) **Unlawfulness.** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Book-Entry Notes, the Deed of Covenant, the Deed of Guarantee or the Issue and Paying Agency Agreement; or
 - (xi) **Deed of Guarantee not in force.** the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
 - (xii) **Government intervention.** (1) all or any substantial part of the undertaking, assets and revenues of the Issuer or the Guarantor is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (2) the Issuer or the Guarantor is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
 - (xiii) **Controlling shareholder.** the Guarantor ceases to own 100 per cent., directly or indirectly, of the issued share capital of the Issuer or any Substitute Debtor (as defined in Condition 14 (*Substitution*) below, except where any such change in ownership of the Issuer's (or Substitute Debtor's) issued share capital would not and does not result in Law 19/2003 ceasing to apply to the Guarantor, the Issuer or any Substitute Debtor.
- (b) If any Event of Default shall occur in relation to any Series of Book-Entry Notes, the relevant Commissioner, acting upon a resolution of the relevant Syndicate in respect of all the Book-Entry Notes of a relevant series, or any Holder of a Book-Entry Note of the relevant Series in respect of such Book-Entry Note and *provided that* such Holder does not contravene the resolution of the relevant Syndicate (if any) may, by written notice to the Issuer, at the specified office of the Fiscal Agent and the Spanish Paying Agent, declare that all of the Book-Entry Notes of the relevant Series (in the case of the relevant Commissioner) or such Book-Entry Note (in the case of any Holder) and (if the Book-Entry Note is interest-bearing) all interest then accrued but unpaid on such Book-Entry Notes or Book-Entry Note shall (when permitted by the applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at their or its Early Termination Amount, together with all interest (if any)

accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Book-Entry Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Book-Entry Notes of the relevant Series shall have been cured.

14. Substitution

The Guarantor or any of its Subsidiaries (as defined below) (each a “**Substitute Debtor**”) may, without the consent of the Holders of any Book-Entry Notes, assume the obligations of the Issuer (or any previous Substitute Debtor) under and in respect of any Book-Entry Notes upon:

- (a) **Deed poll:** the execution of a deed poll (the “**Deed Poll**”) by the Substitute Debtor, the Commissioner and (if the Substitute Debtor is not the Guarantor) the Guarantor in a form which gives full effect to such assumption and which includes (without limitation):
 - (i) a covenant by the Substitute Debtor in favour of the Holders of the Book-Entry Notes to be bound by these Terms and Conditions, the Deed of Covenant and the Issue and Paying Agency Agreement as if it had been named herein and therein as the principal debtor in place of the Issuer;
 - (ii) a warranty and representation (A) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Deed Poll and under any other documents required to give full effect to the substitution, (B) that all such approvals and consents are in full force and effect, and (c) that the obligations assumed by the Substituted Debtor are valid and binding in accordance with their respective terms and enforceable by each Holder of the Book-Entry Notes; and
 - (iii) a covenant by the Substitute Debtor and (if the Substitute Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Holder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such Holder as a result of any substitution pursuant to this Condition 14 and which would not have been so incurred or levied had such substitution not been made (and, without limiting the generality of the foregoing, any and all taxes or duties which are imposed on any such Holder by any political sub-division or taxing authority of any country in which such Holder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made); and
 - (iv) an acknowledgment of the right of all Holders of the Book-Entry Notes to the production of the Deed Poll.
- (b) **Deed of Guarantee:** if the Substitute Debtor is not the Guarantor, the execution of a deed of guarantee (the “**Guarantee**”) by the Guarantor pursuant to which it undertakes to guarantee the performance of the obligations of the Substitute Debtor under the Deed Poll, the Terms and Conditions of the Book-Entry Notes and any other documents required to give full effect to the substitution.
- (c) **Legal opinion:** the delivery by the Issuer to the Spanish Paying Agent and to the Commissioner of an opinion of independent legal advisers of recognised standing to the effect that:
 - (i) the Deed Poll constitutes legal, valid, binding and enforceable obligations of the Substitute Debtor and, if the Substitute Debtor is not the Guarantor, the Guarantor;
 - (ii) the Book-Entry Notes constitute legal, valid, binding and enforceable obligations of the Substitute Debtor; and
 - (iii) if the Substitute Debtor is not the Guarantor, the Guarantee constitutes legal, valid, binding and enforceable obligations of the Guarantor in respect of all sums from time to time payable by the Substitute Debtor in respect of the Book-Entry Notes.

- (d) **Ratings confirmation:** confirmation in writing by at least two ratings agencies of recognised international standing that the substitution of the Issuer with the Substituted Debtor will not result in a downgrading of the then current credit rating by such ratings agencies of the Book-Entry Notes issued by the Issuer.
- (e) **Compliance with other requirements:** compliance by the Substitute Debtor and the Guarantor with the requirements of any listing authority, stock exchange and/or quotation system on which the Book-Entry Notes may, from time to time, be listed, traded and/or quoted, as well as with any other legal and/or regulatory requirements as may be necessary to give full effect to the substitution.

Upon the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Book-Entry Notes, and *provided that* immediately after giving effect to such assumption, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, the Issuer shall be released from such obligations and, thereafter, all references in these Conditions to the Issuer shall be deemed to be references to the Substitute Debtor.

The Deed Poll shall be deposited with and held by the Spanish Paying Agent until all the obligations of the Issuer under and in respect of the relevant Book-Entry Notes have been discharged in full. Notice of the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Book-Entry Notes shall promptly be given to the Holders of the relevant Book-Entry Notes by the Substitute Debtor.

For the purposes of this Condition 14 (*Substitution*) only, the term "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person; and
- (iii) who is an entity incorporated under the laws of, and with its registered office in, the Kingdom of Spain or another territory in the European Union which is not a tax haven (*paraíso fiscal*, as described in Royal Decree 1080/1991, of 5 July), and
- (iv) 100 per cent. (or such lesser amount as would not and does not result in Law 19/2003 ceasing to apply to the Guarantor and such second Person) of whose issued share capital is owned, directly or indirectly, by the Guarantor.

15. Prescription

Claims for principal shall become void within ten years of the appropriate Relevant Date. Claims for interest shall become void within five years of the appropriate Relevant Date.

16. Agents

In acting under the Issue and Paying Agency Agreement and in connection with the Book-Entry Notes, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders. The initial Paying Agents and their initial Specified Offices are listed below.

The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Fiscal Agent, Spanish Paying Agent or Calculation Agent and additional or successor Paying Agents; *provided, however, that*:

- (a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent and a Spanish Paying Agent; and
- (b) a Paying Agent (which may be the Fiscal Agent) with a Specified Office in a continental European city; and

- (c) the Issuer and the Guarantor will ensure that they maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (d) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (e) if and for so long as the Book-Entry Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer and the Guarantor to the Holders.

17. Syndicate of Holders and Modification

- (a) **Syndicate of Holders:** The Holders of the Book-Entry Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Book-Entry Notes (the "**Regulations**"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Final Terms. A set of *pro forma* Regulations is included in "Information in Respect of the Notes – 4.11 (*Representation of debt security holders including an identification of the organisation representing the investors and provision applying to such representation. Indication of where investors may have access to the contracts relating to these forms of representation*)".

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Book-Entry Notes, the temporary Commissioner will call a general meeting of the Syndicate, the duty of which shall be to ratify or oppose the acts of the temporary Commissioner, confirm him in his post or appoint a person to substitute him and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Book-Entry Notes will be contained in the Regulations. Such provisions shall have effect as if incorporated herein.

- (b) **Modification:** The Issuer or, as the case may be, the Guarantor may, with the consent of the Fiscal Agent, the Spanish Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Book-Entry Notes of any Series, amend these Conditions, the Deed of Covenant or the Deed of Guarantee insofar as they may apply to such Book-Entry Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Conditions, the Deed of Guarantee or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders.

18. Further Issues (fungible Book-Entry Notes)

The Issuer may from time to time, without the consent of the Holders, create and issue further Book-Entry Notes having the same terms and conditions as the Book-Entry Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Book-Entry Notes.

19. Notices

- (a) **To Holders:** Notices to the Holders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and (in the case of Book-Entry Notes admitted to trading on AIAF) if published in a leading newspaper having general circulation in Spain (which is expected to be *Expansión*) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe and (in the case of Book-Entry Notes admitted to trading on AIAF) in a leading Spanish language daily newspaper having general circulation in Spain. In addition, notices may be given by:

- (i) delivery to Holders by registered mail to the addresses appearing in the relevant registries maintained by Iberclear or, as the case may be, the relevant Iberclear Member; or
- (ii) any other means which comply with Spanish law and the rules applicable to the giving of notices to investors.

The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange or competent listing authority on which the Book-Entry Notes are listed. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

- (b) **To Commissioners:** Copies of any notice given to any Holders of the Book-Entry Notes will also be given to the Commissioner of the Syndicate of Holders of the Book-Entry Notes of the relevant Series.

20. Currency Indemnity

If any sum due from the Issuer in respect of the Book-Entry Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Book-Entry Notes, the Issuer shall indemnify each Holder, on the written demand of such Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent or the Spanish Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all euro amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (d) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (e) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Book-Entry Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

23. Governing Law and Jurisdiction

- (a) **Governing law:** The issue of the Book-Entry Notes, including their legal nature (*obligaciones*), the status of the Book-Entry Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate

resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Book-Entry Notes shall be governed by Spanish law. Subject as provided above, the terms and conditions of the Book-Entry Notes and all matters arising from or connected with the Book-Entry Notes, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law.

- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Book-Entry Notes.
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Holders to take proceedings outside England:** Condition 23(b) (*English courts*) is for the benefit of the Holders only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Process agent:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Endesa Power Trading Limited, 22 Bedford Row, London WC1R 4JS or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such a person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Holder addressed and delivered to the Issuer or to the Specified Office of the Spanish Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Spanish Paying Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law.

Part B – Terms and Conditions of the Certificated Notes

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will apply to the Certificated Notes. The terms and conditions applicable to any Bearer Note in global form will differ from those terms and conditions which would apply to the Bearer Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Bearer Notes while in Global Form" below.

1. Introduction

- (a) **Programme:** Endesa Capital, S.A. (the "**Issuer**") has established a programme (the "**Programme**") for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Endesa, S.A. (the "**Guarantor**"). Notes issued pursuant to the Programme may be in bearer form or in registered form (collectively, "**Certificated Notes**").
- (b) **Final Terms:** Certificated Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Certificated Notes. Each Tranche is the subject of Final Terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Certificated Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Public Deed of Issuance:** each Tranche of Certificated Notes which is admitted to listing and trading on a listing authority, stock exchange and/or quotation system in an OECD country other than Spain will be (if required by Spanish law) constituted by virtue of a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public and to be registered with the Mercantile Registry (*Registro Mercantil*) of Madrid on or prior to the Issue Date.
- (d) **Issue and Paying Agency Agreement:** The Certificated Notes are the subject of an amended and restated issue and paying agency agreement dated 31 May 2007 (as amended or supplemented from time to time, the "**Issue and Paying Agency Agreement**") between the Issuer, the Guarantor, the Bank of New York as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Certificated Notes), The Bank of New York (acting through its offices in New York City) as principal registrar (the "**Principal Registrar**", which expression includes any successor principal registrar appointed from time to time), The Bank of New York (Luxembourg) S.A. as first alternative registrar (the "**First Alternative Registrar**", which expression includes any successor first alternative registrar appointed from time to time, and together with the Principal Registrar, the "**Registrar**"), Banco Bilbao Vizcaya Argentaria, S.A. as paying agent in Spain (the "**Spanish Paying Agent**") and the other paying agent named therein (together with the Fiscal Agent and the Spanish Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Certificated Notes).
- (e) **Deed of Covenant:** Certificated Notes in global form have the benefit of a deed of covenant dated 31 May 2007 executed by the Issuer (the "**Deed of Covenant**") to which these terms and conditions will be affixed. Pursuant to the Deed of Covenant persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Certificated Note in global form will acquire (in the event such Certificated Note in global form becomes void in accordance with its terms) directly against the Issuer all those rights to which they would have been entitled if, immediately before such Certificated Note in global form became void, they had been the holders of Notes in definitive form in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.
- (f) **Deed of Guarantee:** The Certificated Notes are the subject of a deed of guarantee dated 31 May 2007 (the "**Deed of Guarantee**") entered into by the Guarantor.

- (g) **The Certificated Notes:** All subsequent references in these Conditions to "**Certificated Notes**" are to the Certificated Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Holders during normal business hours at the Specified Office of the Fiscal Agent or (as the case may be) the Registrar, the initial Specified Offices of which are set out below.
- (h) **Summaries:** Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The holders of the Certificated Notes (the "**Holders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement and the Deed of Guarantee applicable to them. Copies of the Issue and Paying Agency Agreement and the Deed of Guarantee are available for inspection by Holders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:
- "**Accrual Yield**" has the meaning given in the relevant Final Terms;
- "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
- "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
- "**Agents**" means the Paying Agents, the Registrar, the Transfer Agent and any Calculation Agent and "Agent" means any one of the Agents;
- "**Authorised Denomination**" means, in the case of a Restricted Note, U.S.\$250,000 (or its equivalent rounded upwards as specified in the relevant Final Terms) and higher integral multiples of U.S.\$1,000, or the higher denomination or denominations specified in the applicable Final Terms;
- "**Bearer Notes**" means any Certificated Notes issued in bearer form;
- "**Business Day**" means:
- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;
- "**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:
- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

- (iv) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
- (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Commissioner” means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades Anonimas*) of the Syndicate of Holders of the Certificated Notes;

“Coupon Sheet” means, in respect of a Bearer Note, a coupon sheet relating to the Bearer Note;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), **such day count fraction as may be specified in these Conditions or the relevant Final Terms and:**

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **“Actual/365”** or **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;

- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “Eurobond Basis” is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

“**Early Redemption Amount (Tax)**” means, in respect of any Certificated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Certificated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**External Indebtedness**” means any Relevant Indebtedness where more than 50 per cent. of such indebtedness is initially owed to persons outside the Kingdom of Spain;

“**Final Redemption Amount**” means, in respect of any Certificated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Interest Amount**” means, in relation to a Certificated Note and an Interest Period, the amount of interest payable in respect of that Certificated Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Certificated Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Certificated Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Optional Redemption Amount (Call)" means, in respect of any Certificated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Certificated Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Holder wanting to exercise a right to redeem a Certificated Note at the option of the Holder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Holder upon deposit of a Bearer Note or Note Certificate with such Paying Agent by any Holder wanting to exercise a right to redeem a Certificated Note at the option of the Holder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Certificated Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Registered Notes” means any Certificated Notes issued in registered form;

“Registrar” means, in relation to any Series comprising Registered Notes, the Principal Registrar or the First Alternative Registrar, as specified in the Final Terms;

“Regular Period” means:

- (i) in the case of Certificated Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Certificated Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Certificated Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

“Relevant Indebtedness” means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which, in any of the above cases, is or are, or is or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed, dealt in or traded in if the terms of the issue thereof expressly so provide). For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer or the Guarantor, the expression “obligations for the payment of borrowed money” as used in this definition of Relevant Indebtedness does not include obligations of the Issuer or the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in the Kingdom of Spain need not, and are not, reflected in the balance sheet of the Issuer or the Guarantor, as the case may be.

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Issue and Paying Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"Syndicate" means the syndicate (*sindicato de obligacionistas*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades Anonimas*);

"Talon" means a talon for further Coupons;

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; and

"Treaty" means the Treaty establishing the European Communities, as amended.

(b) **Interpretation:** In these Conditions:

- (i) if Talons are specified in the relevant Final Terms as being attached to the Bearer Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (ii) if Talons are not specified in the relevant Final Terms as being attached to the Bearer Notes at the time of issue, references to Talons are not applicable;
- (iii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Certificated Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (iv) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (v) references to Certificated Notes being "outstanding" shall be construed in accordance with the Issue and Paying Agency Agreement; and
- (vi) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Certificated Notes.

3. Form Denomination and Title

- (a) **General:** Certificated Notes will be issued in bearer form or in registered form, as specified in the Final Terms. Registered Notes may not be exchanged for Bearer Notes.

- (b) **Form and Denomination of Bearer Notes:** Certificated Notes issued in bearer form will be in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (c) **Title to Bearer Notes:** Title to the Bearer Notes and the Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Bearer Note under the Contracts (Rights of Third Parties) Act 1999.
- (d) **Form and Denomination of Registered Notes:** Certificated Notes issued in registered form will be in the minimum denomination specified in the Final Terms which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorised Denomination and, in the case of Registered Notes having a maturity of 183 days or less, the Specified Denomination shall be at least U.S.\$250,000 (or the equivalent in any other currency or currencies). Any minimum authorised denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Registered Note shall be such as applied on or prior to the date of issue of such Registered Note.
- (e) **Register:** The Registrar will maintain a register (the "**Register**") in respect of the Registered Notes in accordance with the provisions of the Issue and Paying Agency Agreement. In these Conditions, the holder of a Registered Note means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Holder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Holder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (f) **Title to Registered Notes:** The Holder of any Registered Note shall (except as otherwise required by law) be treated as the absolute owner of such Registered Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Registered Notes under the Contracts (Rights of Third Parties) Act 1999.
- (g) **Transfers of Registered Notes:** Subject to paragraphs (j) (*Closed periods*) and (k) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* (i) a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Authorised Denominations and (ii) in respect of Registered Notes which are to be placed in the United States under the United States Securities Act of 1933 may only be transferred in a minimum aggregate amount of U.S.\$250,000. Where not all Registered Notes represented by a surrendered Note Certificate are the subject of such a transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (h) **Registration and delivery of Note Certificates:** Within three business days of the surrender of a Note Certificate in accordance with paragraph (g) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note

Certificate of a like principal amount of Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (i) **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer, the Guarantor, the Registrar or any Transfer Agent, but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (j) **Closed periods:** Holders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes; (ii) during the period 15 days before any date on which Registered Notes may be called for redemption by the Issuer at its option pursuant to condition 10(c) (*Redemption at the option of the Issuer*) below; or (iii) after any such Registered Note has been called for redemption.
- (k) **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Issue and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Status of the Certificated Notes

The Certificated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which (unless they qualify by law as subordinated credits under Article 92 of Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "**Insolvency Law**")) in the event of the insolvency (*concurso*) of the Issuer will at all times rank *pari passu* among Certificated Notes of the same Series and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.

In the event of insolvency (*concurso*) of the Issuer, under the Insolvency Law, claims relating to the Certificated Notes (which are not related to the Issuer under article 93 of the Insolvency Law) will be ordinary credits (*creditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*creditos contra la masa*) and credits with a privilege (*creditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders.

It is not clear whether, as a result of the application of article 87.6 of the Insolvency Law the claims against the Issuer arising from the Certificated Notes could be classified as subordinated credits of the Issuer. However, even if such claims were classified as subordinated credits, the payment obligations of the Guarantor under the Guarantee will remain as ordinary unsubordinated credits.

5. Guarantee

- (a) **Guarantee of the Certificated Notes:** The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Certificated Notes.
- (b) **Status of the Guarantee:** This Guarantee of the Certificated Notes constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Guarantor which (unless they qualify by law as subordinated credits under Article 92 of the Insolvency Law) in the event of the insolvency (*concurso*) of the Guarantor will at all times rank at least *pari passu* with all

other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84, 90 and 91 under the Insolvency Law.

- (c) **Public documents or deeds:** The Guarantor has undertaken not to raise to a public document or a deed or instrument witnessed by a Public Notary (*escritura publica, poliza o efecto intervenido por Notario Publico*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under the Deed of Guarantee are also so raised at the expense of the Guarantor.

6. Negative Pledge

So long as any Certificated Note remains outstanding:

- (a) neither the Issuer nor the Guarantor shall secure any External Indebtedness of the Issuer or, as the case may be, the Guarantor by any mortgage, pledge, lien or other charge upon any of its present or future revenues, properties or assets unless the benefit of such security is extended equally and rateably to all amounts payable under the Certificated Notes or, as the case may be, the Deed of Guarantee or such other security is given as shall be approved by a resolution of the relevant Syndicate of the Holders of Certificated Notes; and
- (b) the Guarantor shall not raise to a public document or a deed or instrument witnessed by a Public Notary (*escritura publica, poliza o efecto intervenido por Notario Publico*) any External Indebtedness of the Guarantor or any guarantee or indemnity in respect of any indebtedness of any other person unless not later than one day prior thereto the obligations of the Guarantor under the Deed of Guarantee have been so raised at the expense of the Guarantor.

7. Fixed Rate Note Provisions

- (a) **Application:** This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Certificated Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Certificated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Certificated Note up to that day are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Fiscal Agent or (as the case may be) the Registrar has notified the Holders that it has received all sums due in respect of the Certificated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Certificated Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of Interest Amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the principal amount of such Certificated Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8. Floating Rate Note and Index-Linked Interest Note Provisions

- (a) **Application:** This Condition 8 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Certificated Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Certificated Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Certificated Note up to that day are received by or on behalf of the relevant Holders and (ii) the day which is seven days after the Fiscal Agent or (as the case may be) the Registrar has notified the Holders that it has received all sums due in respect of the Certificated Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Certificated Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Certificated Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificated Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Certificated Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Index-Linked Interest:** If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Certificated Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Certificated Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Certificated Note during such Interest Period, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Calculation of other amounts:** If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Certificated Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (j) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Holders and the Couponholders and

(subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Dual Currency Note Provisions

- (a) **Application:** This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Certificated Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. Redemption and Purchase

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Certificated Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).
- (b) **Redemption for tax reasons:** The Certificated Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Certificated Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantor has or (if a demand was made under the Deed of Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or, as the case may be, the Deed of Guarantee as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Certificated Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Certificated Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Certificated Notes were then due or (as the case may be) a demand under the Deed of Guarantee of the Certificated Notes were then made; or
- (2) where the Certificated Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such

additional amounts if a payment in respect of the Certificated Notes were then due or (as the case may be) a demand under the Deed of Guarantee of the Certificated Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or, as the case may be, the Guarantor shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by one director of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Certificated Notes in accordance with this Condition 10(b).

- (c) **Redemption at the option of the Issuer:** If the Call Option is specified in the relevant Final Terms as being applicable, the Certificated Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Certificated Notes or, as the case may be, the Certificated Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) **Partial redemption:** If the Certificated Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), (i) in the case of Bearer Notes, the Bearer Notes to be redeemed shall be selected by the drawing of lots with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes, in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Bearer Notes have then been admitted to listing, trading and/or quotation, and the notice to Holders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Bearer Notes so to be redeemed, or (ii) in the case of Registered Notes, each Registered Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Registered Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Registered Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) **Redemption at the option of Holders:** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Certificated Note redeem such Certificated Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Bearer Note must, not less than forty-five days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Bearer Note together with all unmaturing Coupons relating thereto, or, in the case of Registered Notes, deposit with the Registrar the relevant Note Certificate, and a duly completed Put Option Notice in the form obtainable from any Paying Agent or, as the case may be, the Registrar. The Paying Agent or Registrar with which a Bearer Note or Note Certificate is so deposited shall deliver a duly completed Put Option Receipt to the depositing Holder. No Bearer Note or Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Bearer Note or Registered Note represented by such Note Certificate becomes immediately due and payable or, upon due presentation of any such Bearer Note or Note Certificate on the relevant Optional Redemption Date (Put),

payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar shall mail notification thereof to the depositing Holder at such address as may have been given by such Holder in the relevant Put Option Notice and shall hold such Bearer Note or Note Certificate at its Specified Office for collection by the depositing Holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Bearer Note or Note Certificate is held by a Paying Agent or Registrar in accordance with this Condition 10(e), the depositor of such Bearer Note or Note Certificate and not such Paying Agent or Registrar shall be deemed to be the holder of such Bearer Note or Note Certificate for all purposes.

- (f) **No other redemption:** The Issuer shall not be entitled to redeem the Certificated Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) **Purchase:** The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Certificated Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Certificated Notes alike.
- (h) **Cancellation:** All Certificated Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. Payments

- (a) **Principal – Bearer Notes:** Payments of principal in respect of Bearer Notes shall be made only against presentation and (*provided that* payment is made in full) surrender of Certificated Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) **Principal – Registered Notes:** Payments of principal in respect of Registered Notes shall be made by cheque drawn in the currency in which the payment is due on, or upon application by a Holder to the Specified Office of the Registrar not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar.
- (c) **Interest – Bearer Notes:** Payments of interest in respect of Bearer Notes shall, subject to paragraph (j) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (d) **Interest – Registered Notes:** Payments of interest in respect of Registered Notes shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder to the Specified Office of the Registrar not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar.
- (e) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent or, as the case may be, Registrar in New York City if (i) the Issuer has appointed Paying Agents or, as the case may be, a Registrar outside the United States with the reasonable expectation that such Paying Agents or Registrar will be able to make payment of the full amount of the interest on the Certificated

Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents or any such Registrar is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

- (f) **Payments subject to fiscal laws:** All payments in respect of the Certificated Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.
- (g) **Deductions for unmatured Coupons:** If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Certificated Note is presented without all unmatured Coupons relating thereto:
- (i) If the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) If the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment. Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.
- (h) **Unmatured Coupons void:** If the relevant Final Terms specify that this Condition 11(h) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Certificated Note or early redemption of such Certificated Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Holders*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (i) **Payments on business days:** If the due date for payment of any amount in respect of any Certificated Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of such delay.
- (j) **Payments other than in respect of matured Coupons – Bearer Notes:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Certificated Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (k) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (l) **Exchange of Talons – Bearer Notes:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Certificated Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Certificated Note, any unexchanged Talon relating to such Certificated Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Taxation

- (a) **Gross up:** All payments of principal and interest in respect of the Certificated Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Certificated Note or Coupon:
 - (i) presented for payment by, or by a third party on behalf of, individuals resident in the Kingdom of Spain or by holders who receive payments through a tax haven (as defined in Royal Decree 1080/1991 of 5 July); or
 - (ii) presented for payment by, or by a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax or by an individual or legal entity non-resident in Spain, subject to Spanish non-resident income tax, operating in Spain through a permanent establishment to which the Certificated Notes are assigned, if the Spanish Tax Authorities determine that the Certificated Notes do not comply with the exemption requirements specified in Sections 59.q) and s) of Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Regulations in the way that such requirements have been interpreted in the Reply to a Non Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July, 2004 (the "**Reply**") or if they change the interpretation held in the Reply, and require a withholding to be made; or
 - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; or
 - (iv) where such withholding or deduction is imposed because the Issuer or the Guarantor has not received in due time the information related to non-resident Holders required to comply with Spanish Law 13/1985 of 25 May as amended by Law 19/2003 of 4 July 2003 ("**Law 19/2003**") and any implementing, or other related, laws or regulations, and in particular, where the relevant Note or Coupon is presented for payment by, or on behalf of, a Holder in respect of whom the Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence; or

- (v) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent or, as the case may be, Registrar in a Member State of the European Union; or
- (vi) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Certificated Note or Coupon would have been entitled to such additional amounts on presenting such Certificated Note or Coupon for payment on the last day of such period of 30 days.

A list of the tax havens referred to in paragraph (i) of Condition 12 as at 31 May 2007 is set out under the heading "Taxation – The Kingdom of Spain" of the Base Prospectus.

- (b) **Taxing jurisdiction:** If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

13. Events of Default

- (a) The following events or circumstances as modified by, and/or such other events as may be specified in, the Final Terms (each an "**Event of Default**") shall be acceleration events in relation to the Certificated Notes of any Series, namely:
 - (i) **Non-payment:** default is made in the payment of any amount (including principal, interest or other amounts) due in respect of the Certificated Notes of the relevant Series or any of them on the due date for payment thereof and such default continues for a period of 14 days; or
 - (ii) **Breach of other obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Certificated Notes of the relevant Series, the Issue and Paying Agency Agreement or (in the case of the Guarantor) the Deed of Guarantee and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been delivered to the Issuer or the Guarantor at the specified office of the Fiscal Agent by the relevant Commissioner or failing which by the Holder of any such Certificated Note; or
 - (iii) **Cross-default of Issuer or the Guarantor:** (1) any Relevant Indebtedness in excess of €50,000,000 of the Issuer or the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period, (2) any such Relevant Indebtedness in excess of €50,000,000 becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or the Guarantor or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness or (3) the Issuer or the Guarantor fails to pay when due any amount in excess of €50,000,000 payable by it under any guarantee of any Relevant Indebtedness; or
 - (iv) **Unsatisfied judgment:** a judgment or order for the payment of any amount is rendered against the Issuer or the Guarantor and continues unsatisfied and unstayed for a period of 90 days after the day thereof or, if later, the date therein specified for payment; or
 - (v) **Security enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor which is material in the context of the issue and offering of the Certificated Notes becomes enforceable and any step is taken to enforce it (including the taking of possession by or the appointment of a receiver, administrative receiver, manager or other similar person); or
 - (vi) **Insolvency etc:** (1) the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (2) an administrator or liquidator of the Issuer or the Guarantor or the whole or any part of the undertaking, assets and revenues of the

- Issuer or the Guarantor is appointed (or application for any such appointment is made by the Issuer or the Guarantor), (3) the Guarantor shall declare a moratorium on or in respect of its indebtedness or any part thereof or the Issuer or the Guarantor shall cause a meeting of its creditors (or any class or group thereof) to be convened or shall propose or make any arrangement or composition with or any assignment for the benefit of its creditors (or any class or group thereof) or shall become unable to pay, or shall admit in writing its inability to pay, or shall stop or suspend or threaten to stop or suspend payment of, its debts as they fall due or shall otherwise become insolvent or (4) the Issuer or the Guarantor ceases or threatens to cease to carry on all or any substantial part of its business; or
- (vii) **Winding up etc.**: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor unless it is part of a solvent restructuring, reorganisation (including fusion or escision) or other corporate reorganisation undertaken by the Guarantor or the Issuer which has previously been approved by a resolution of the Syndicate of Holders; or
 - (viii) **Analogous event**: any event occurs which under the laws of the Kingdom of Spain has an analogous effect to any of the events referred to in paragraphs (v) to above (including, but not limited the bankruptcy (concurso) of the Issuer or the Guarantor; or
 - (ix) **Failure to take action etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order (1) to enable the Issuer or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Certificated Notes, the Deed of Covenant, the Deed of Guarantee or the Issue and Paying Agency Agreement, (2) to ensure that those obligations are legal, valid, binding and enforceable and (3) to make the Certificated Notes, the Deed of Covenant, the Deed of Guarantee and the Issue and Paying Agency Agreement admissible in evidence in the courts of the Kingdom of Spain is not taken, fulfilled or done; or
 - (x) **Unlawfulness**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Certificated Notes, the Deed of Covenant, the Deed of Guarantee or the Issue and Paying Agency Agreement; or
 - (xi) **Deed of Guarantee not in force**: the Deed of Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
 - (xii) **Government intervention**: (1) all or any substantial part of the undertaking, assets and revenues of the Issuer or the Guarantor is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (2) the Issuer or the Guarantor is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
 - (xiii) **Controlling shareholder**: the Guarantor ceases to own 100 per cent., directly or indirectly, of the issued share capital of the Issuer or any Substitute Debtor (as defined in Condition 14 (*Substitution*) below, except where any such change in ownership of the Issuer's (or Substitute Debtor's) issued share capital would not and does not result in Law 19/2003 ceasing to apply to the Guarantor, the Issuer or any Substitute Debtor.
- (b) If any Event of Default shall occur in relation to any Series of Certificated Notes, the relevant Commissioner, acting upon a resolution of the relevant Syndicate in respect of all the Certificated Notes of a relevant series, or any Holder of a Certificated Note of the relevant Series in respect of such Certificated Note and *provided that* such Holder does not contravene the resolution of the relevant Syndicate (if any) may, by written notice to the Issuer, at the specified office of the Fiscal Agent, declare that all of the Certificated Notes of the relevant Series (in the case of the relevant Commissioner) or such Certificated Note (in the case of any Holder) and (if the Certificated Note is interest-bearing) all interest then accrued but unpaid on such Certificated Notes or Note shall (when permitted by the applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at their or its Early

Termination Amount, together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Certificated Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Certificated Notes of the relevant Series shall have been cured.

14. Substitution

The Guarantor or any of its Subsidiaries (as defined below) (each a “**Substitute Debtor**”) may, without the consent of the Holders of any Certificated Notes, Receipts or Coupons, assume the obligations of the Issuer (or any previous Substitute Debtor) under and in respect of any Certificated Notes upon:

- (a) **Deed poll:** the execution of a deed poll (the “**Deed Poll**”) by the Substitute Debtor, the Commissioner and (if the Substitute Debtor is not the Guarantor) the Guarantor in a form which gives full effect to such assumption and which includes (without limitation):
 - (i) a covenant by the Substitute Debtor in favour of the Holders of the Certificated Notes to be bound by these Terms and Conditions, the Deed of Covenant and the Issue and Paying Agency Agreement as if it had been named herein and therein as the principal debtor in place of the Issuer;
 - (ii) a warranty and representation (A) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Deed Poll and under any other documents required to give full effect to the substitution, (B) that all such approvals and consents are in full force and effect, and (C) that the obligations assumed by the Substituted Debtor are valid and binding in accordance with their respective terms and enforceable by each Holder of the Certificated Notes; and
 - (iii) a covenant by the Substitute Debtor and (if the Substitute Debtor is not the Guarantor) the Guarantor to indemnify and hold harmless each Holder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such Holder as a result of any substitution pursuant to this Condition 14 and which would not have been so incurred or levied had such substitution not been made (and, without limiting the generality of the foregoing, any and all taxes or duties which are imposed on any such Holder by any political sub-division or taxing authority of any country in which such Holder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made); and
 - (iv) an acknowledgment of the right of all Holders of the Certificated Notes to the production of the Deed Poll.
- (b) **Deed of Guarantee:** if the Substitute Debtor is not the Guarantor, the execution of a deed of guarantee (the “**Guarantee**”) by the Guarantor pursuant to which it undertakes to guarantee the performance of the obligations of the Substitute Debtor under the Deed Poll, the Terms and Conditions of the Certificated Notes and any other documents required to give full effect to the substitution.
- (c) **Legal opinion:** the delivery by the Issuer to the Fiscal Agent and to the Commissioner of an opinion of independent legal advisers of recognised standing to the effect that:
 - (i) the Deed Poll constitutes legal, valid, binding and enforceable obligations of the Substitute Debtor and, if the Substitute Debtor is not the Guarantor, the Guarantor;
 - (ii) the Certificated Notes constitute legal, valid, binding and enforceable obligations of the Substitute Debtor; and
 - (iii) if the Substitute Debtor is not the Guarantor, the Guarantee constitutes legal, valid, binding and enforceable obligations of the Guarantor in respect of all sums from time to time payable by the Substitute Debtor in respect of the Certificated Notes.

- (d) **Ratings confirmation:** confirmation in writing by at least two ratings agencies of recognised international standing that the substitution of the Issuer with the Substituted Debtor will not result in a downgrading of the then current credit rating by such ratings agencies of the Certificated Notes issued by the Issuer.
- (e) **Compliance with other requirements:** compliance by the Substitute Debtor and the Guarantor with the requirements of any listing authority, stock exchange and/or quotation system on which the Certificated Notes may, from time to time, be listed, traded and/or quoted, as well as with any other legal and/or regulatory requirements as may be necessary to give full effect to the substitution.

Upon the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Certificated Notes, and provided that immediately after giving effect to such assumption, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, the Issuer shall be released from such obligations and, thereafter, all references in the relevant Certificated Notes and the Coupons to the Issuer shall be deemed to be references to the Substitute Debtor.

The Deed Poll shall be deposited with and held by the Fiscal Agent until all the obligations of the Issuer under and in respect of the relevant Certificated Notes have been discharged in full. Notice of the assumption by the Substitute Debtor of the Issuer's obligations under and in respect of the relevant Certificated Notes shall promptly be given to the Holders of the relevant Certificated Notes by the Substitute Debtor.

For the purposes of this Condition 14 (*Substitution*) only, the term "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person; and
- (iii) who is an entity incorporated under the laws of, and with its registered office in, the Kingdom of Spain or another territory in the European Union which is not a tax haven (*paraíso fiscal, as described in Royal Decree 1080/1991, of 5 July*), and
- (iv) 100 per cent. (or such lesser amount as would not and does not result in Law 19/2003 ceasing to apply to the Guarantor and such second Person) of whose issued share capital is owned, directly or indirectly, by the Guarantor.

15. Prescription

Claims for principal shall become void unless the relevant Certificated Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

16. Replacement of Certificated Notes, Coupons and Note Certificates

If any Bearer Note, Coupon or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent or (as the case may be) the Registrar (and, if the Certificated Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent or, as the case may be, the Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificated Notes, Coupons or Note Certificates must be surrendered before replacements will be issued.

17. Agents and Registrars

In acting under the Issue and Paying Agency Agreement and in connection with the Certificated Notes and the Coupons, the Paying Agents and Registrar act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders or Couponholders. The initial Paying Agents and Registrar and their initial Specified Offices are listed below.

The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent or Registrar and to appoint a successor Fiscal Agent, Spanish Paying Agent, Registrar or Calculation Agent and additional or successor Paying Agents and Transfer Agents; provided, *however, that*:

- (a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent, Spanish Paying Agent and a Registrar; and
- (b) a Paying Agent (which may be the Fiscal Agent) with a Specified Office in a continental European city; and
- (c) the Issuer and the Guarantor will ensure that they maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (d) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (e) if and for so long as the Certificated Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or Transfer Agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer and the Guarantor to the Holders.

18. Syndicate of Holders and Modification

- (a) **Syndicate of Holders:** The Holders of the Certificated Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Certificated Notes (the "**Regulations**"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Final Terms or (in circumstances where a Public Deed of Issuance is required by Spanish law in respect of the relevant Tranche of Certificated Notes) to the relevant Public Deed of Issuance. A set of *pro forma* Regulations is included in "Information in Respect of the Notes – 4.11 (*Representation of debt security holders including an identification of the organisation representing the investors and provision applying to such representation. Indication of where investors may have access to the contracts relating to these forms of representation*)".

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Certificated Notes, the temporary Commissioner will call a general meeting of the Syndicate, the duty of which shall be to ratify or oppose the acts of the temporary Commissioner, confirm him in his post or appoint a person to substitute him and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Certificated Notes will be contained in the Regulations. Such provisions shall have effect as if incorporated herein.

- (b) **Modification:** The Issuer or, as the case may be, the Guarantor may, with the consent of the Fiscal Agent and the relevant Commissioner, but without the consent of the Holders of the Certificated Notes of any Series or Coupons, amend these Conditions, the Deed of Covenant or the Deed of Guarantee insofar as they may apply to such

Certificated Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Conditions, the Deed of Guarantee or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders.

19. Further Issues (fungible Certificated Notes)

The Issuer may from time to time, without the consent of the Holders or the Couponholders, create and issue further Certificated Notes having the same terms and conditions as the Certificated Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Certificated Notes.

20. Notices

- (a) **To Holders of Bearer Notes:** Notices to the Holders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. In the case of Bearer Notes represented by a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein. The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange or competent listing authority on which the Bearer Notes are listed and/or traded. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders.
- (b) **To Holders of Registered Notes:** Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.
- (c) **To Commissioners:** Copies of any notice given to any Holders of the Certificated Notes will also be given to the Commissioner of the Syndicate of Holders of the Certificated Notes of the relevant Series.

21. Currency Indemnity

If any sum due from the Issuer in respect of the Certificated Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Certificated Notes, the Issuer shall indemnify each Holder, on the written demand of such Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent or (as the case may be) the Registrar, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a

percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all euro amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (d) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (e) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Certificated Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

24. Governing Law and Jurisdiction

- (a) **Governing law:** The issue of the Certificated Notes, including their legal nature (*obligaciones*), the status of the Certificated Notes and the status of the guarantee in respect of them, the capacity of the Issuer and of the Guarantor, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicate of Holders of the Certificated Notes shall be governed by Spanish law. Subject as provided above, the terms and conditions of the Certificated Notes and all matters arising from or connected with the Certificated Notes, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, English law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Certificated Notes.
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Holders to take proceedings outside England:** Condition 24(b) (*English courts*) is for the benefit of the Holders only. As a result, nothing in this Condition 24 (*Governing law and jurisdiction*) prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (e) **Process agent:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Endesa Power Trading Limited, 22 Bedford Row, London WC1R 4JS or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such a person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Holder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent or (as the case may be) the Registrar appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent or (as the case may be) the Registrar. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law.

25. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under

the Exchange Act, duly provide to any Holder of a Registered Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchase of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer and to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

ENDESA CAPITAL, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

ENDESA, S.A.

under the Euro 5,000,000,000

Programme for the Issuance of Debt Notes

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplemental Base Prospectus dated [●]]¹ which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the registered offices of the Issuer and the Guarantor and copies may be obtained from the [Fiscal Agent at One Canada Square, London E14 5AL/ Spanish Paying Agent at [Vía de los Poblados s/n, 2ª Planta, 28033 Madrid]]².

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]]³. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [●]]⁴, which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplemental Base

1 Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.

2 Select “Spanish Paying Agent” for all Notes admitted to trading on AIAF.

3 Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.

4 Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all future issues under the Programme.

Prospectuses dated [●] and [●]. [The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing at the registered offices of the Issuer and the Guarantor and copies may be obtained from the [Fiscal Agent at One Canada Square, London E14 5AL/ Spanish Paying Agent at [Vía de los Poblados s/n, 2ª Planta, 28033 Madrid]]⁵.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|--|--|
| 1. | (i) Issuer: | Endesa Capital, S.A. |
| | (ii) Guarantor: | Endesa, S.A. |
| 2. | [(i) [Series Number:]] | [] |
| | [(ii) [Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]] | [] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount of Notes admitted to trading: | |
| | [(i)] [Series:] | [] |
| | [(ii)] [Tranche: | []] |
| 5. | [(i)] Issue Price: | [] per cent. of the Aggregate nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)] |
| 6. | Specified Denomination[s]: ⁶ | [EUR 50,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 99,000. No Notes in definitive form will be issued with a denomination above EUR 99,000] |
| 7. | (i) Issue Date: | To be same date as Settlement Date |
| | (ii) Settlement Date: | [] |
| | [(iii)] Interest Commencement Date: | []] |
| 8. | Maturity Date: | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i> |
| 9. | Interest Basis: | [●] % Fixed Rate
[[specify reference rate] +/- ● % Floating Rate] |

⁵ Select “Spanish Paying Agent” for all Notes admitted to trading on AIAF.

⁶ Section 6: Add the following language for issues of securities with a maturity of less than one year. The issue of Notes with a maturity of less than one year by the Issuer, where the issue proceeds are to be accepted in the United Kingdom, will be subject to section 19 of the UK Financial Services and Markets Act 2000 unless their denomination is £100,000 or more (or its equivalent in other currencies) and they are only issued to “professionals” within Article 9(2)(a) of the Financial Services and Markets Act (Regulated Activities) Order 2001:

Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the UK Financial Services and Markets Act 2000 and] which have a maturity of less than one year must have a minimum redemption value of €100,000 (or its equivalent in other currencies).

Add appropriate provisions to terms and conditions if included.
Book-Entry Notes may only be issued in one Specified Denomination.

- [Index-Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
10. Redemption/Payment Basis:⁷ [Redemption at par]
 [Index-Linked Redemption]
 [Dual Currency]
 [Instalment]
 [Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. (i) Status of the Notes: Unsecured and unsubordinated
 (ii) Status of the Guarantee: Unsecured and unsubordinated
14. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
 (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per [] of Aggregate Nominal Amount
- (iv) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)/(ISDA)]/other]
- (v) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s).*]
- (vi) Interest Determination Dates: [] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
- (i) Specified Period: []
 (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only*

⁷ If the final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")

- (ii) Specified Interest Payment Dates: []
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other (give details)]
- (iv) Additional Business Centre(s): []
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Fiscal Agent/ Spanish Paying Agent]): []
- (vii) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Relevant Screen Page: [For example, LIBOR 01/EURIBOR 01]
 - Interest Determination Date(s): []
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Eurozone means the region comprised of the countries whose lawful currency is the euro)]
- (viii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (ix) Margin(s): [+/-][] per cent. per annum
- (x) Minimum Rate of Interest: [] per cent. per annum
- (xi) Maximum Rate of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Index-Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [Fiscal Agent/Spanish Paying Agent/Other]⁸
- (iii) Provisions for determining Coupon []

⁸ Select "Spanish Paying Agent" if the Notes are Book-Entry Notes.

where calculation by reference to Index and/or Formula is impossible or impracticable:

- (iv) Interest Determination Date(s): []
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
 - (vi) Interest or Calculation Period(s): []
 - (vii) Specified Interest Payment Dates: []
 - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/ other (*give details*)]
 - (ix) Additional Business Centre(s): []
 - (x) Minimum Rate of Interest: [] per cent. per annum
 - (xi) Maximum Rate of Interest: [] per cent. per annum
 - (xii) Day Count Fraction: []
18. Dual Currency Note Provisions⁹ [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
 - (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s) (Call): []
 - (ii) Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
 - (iii) If redeemable in part: []
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
 - (iv) Notice period¹⁰: []

⁹ If the final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

¹⁰ If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent or Spanish Paying Agent.

20. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) Notice period¹¹: []
21. Final Redemption Amount of each Note¹² [per Note of [] Specified Denomination/other/ see Appendix]
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [Fiscal Agent/Spanish Paying Agent/Other]¹³
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Interest Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Interest Payment Date: []
- (vii) Minimum Redemption Amount: []
- (viii) Maximum Redemption Amount: []
22. Early Redemption Amount
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/ or the method of calculating the same (if required or if different from that set out in the Conditions): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
[Temporary Global Note exchangeable for

¹¹ If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent or Spanish Paying Agent.

¹² If the final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

- Definitive Notes on [] days' notice/ Temporary Global Note exchangeable for Registered Notes/ Temporary Global Note Exchangeable for a combination of Definitive Notes and Registered Notes.]
- [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note/Permanent Global Note exchangeable for Registered Notes/Permanent Global Note Exchangeable for a combination of Definitive Notes and Registered Notes].
- Registered Notes:
[specify]
- Book-Entry Notes: Uncertificated, dematerialised book-entry form notes (*anotaciones en cuenta*) registered with Iberclear as managing entity of the Central Registry.
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 15(ii), 16(iv) and 17(ix) relates]
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
27. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
28. Consolidation provisions: [Not Applicable/The provisions [in Condition [18 (*Further Issues (Fungible Book-Entry Notes)*)¹⁴/19¹⁵] (*Further Issues (Fungible Certificated Notes)*)] [annexed to these Final Terms] apply]
29. Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)
30. New Global Note Form: [Applicable/Not Applicable]¹⁶

14 Select for Book-Entry Notes.

15 Select for Bearer Notes or Registered Notes.

16 If "Not Applicable" is specified here ensure that "Not Applicable" is specified for Eurosystem eligibility in the relevant paragraph of section 9 of Part B of the Final Terms and if "Applicable" is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in the relevant paragraph of section 9 of Part B of the Final Terms. Select "Not Applicable" for Book-Entry Notes.

DISTRIBUTION

- 31. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give names]
- 32. If non-syndicated, name of Dealer: [Not Applicable/give names]
- 33. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
- 34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of the Notes described herein pursuant to the Euro 5,000,000,000 Programme for the Issuance of Debt Notes of Endesa Capital, S.A. Guaranteed by Endesa, S.A.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

Signed on behalf of the Guarantor:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [Madrid/ other (specify)]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on AIAF/other regulated market] with effect from [].]
- (iii) Estimate of total expenses related to admission to trading: [●].

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
- [Moody's: []]
- [[Other]: []]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. [NOTIFICATION]

The *Comisión Nacional del Mercado de Valores* [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer or the Guarantor is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer [] (See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- [(ii)] Estimated net proceeds: [●]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- [(iii)] Estimated total expenses: [●].
- [Include breakdown of expenses.] (Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)**

6. **[Fixed Rate Notes only – YIELD**

Indication of yield: .

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY – PERFORMANCE OF INDEX/FORMULA/other variable and other information concerning the underlying**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]**

8. **[DUAL CURRENCY NOTES ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

9. **OPERATIONAL INFORMATION**

ISIN Code: .

Common Code: .

ES Code: .

NGN intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]¹⁷

[Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][Include this text if “Yes” selected in which case the Notes must be issued in NGN form]

Any clearing system(s) other than Iberclear and/or Euroclear Bank S.A./N.V. and/or Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment.

Names and addresses of additional Paying Agent(s) (if any): .

Commissioner: [Specify individual].

Note:

* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnotes 6, 7 and 10 above.

[PART C – SYNDICATE REGULATIONS]

[if the Final Terms are being completed for an issue of Notes to be admitted to trading on AIAF, attach Regulations for the Syndicate of Holders as Part C of the Final Terms]

¹⁷ Select “Not Applicable” for Book-Entry Notes.

SUMMARY OF PROVISIONS RELATING TO THE BEARER NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Bearer Notes represented by a Global Note, references in the relevant Certificated Note Conditions to “**Holder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of a NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary, or as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Bearer Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Bearer Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and in the case of a NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the relevant Certificated Note Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in

full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 31 May 2007 (the "**Certificated Notes Deed of Covenant**") executed by the Issuer). Under the Certificated Notes Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Bearer Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the relevant Certificated Note Conditions or the date for final redemption of the Bearer Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Certificated Notes Deed of Covenant). Under the Certificated Notes Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Bearer Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the relevant Certificated Note Conditions as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and

discharge the corresponding liabilities of the Issuer in respect of the Bearer Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of a NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Holders*) of the Certificated Note Conditions the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Bearer Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Bearer Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) of the Certificated Note Conditions in relation to some only of the Bearer Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Bearer Notes to be redeemed will not be selected as provided in the Conditions but will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20(a) (*Notices-To Holders of Bearer Notes*) of the Certificated Note Conditions, while all the Bearer Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 20(a) (*Notices-To Holders of Bearer Notes*) of the Certificated Note Conditions on the fourth week day after the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK-ENTRY NOTES

Iberclear

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the clearing and settlement of all trades from the Spanish Stock Exchanges, the Public Debt Market, AIAF and Latibex – the Latin American stock exchange denominated in Euros. To achieve this, Iberclear uses two technical platforms, *SCLV* (for the Spanish Stock Exchanges and Latibex) and *CADE* (for the Public Debt Market and AIAF).

Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.*, a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The clearance and settlement system and its members are responsible for maintaining records of purchases and sales under the book-entry system. Iberclear maintains a registry reflecting the number of securities held by each of its member entities on its own behalf as well as the number of securities held on behalf of third parties. Each member entity, in turn, maintains a registry of the owners of such securities. Spanish law considers the legal owner of the securities to be:

- the member entity appearing in the records of Iberclear as holding the relevant securities in its own name; or
- the investor appearing in the records of the member entity as holding the securities.

Settlement of securities traded in AIAF

Securities traded in AIAF are private fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds), represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for the securities listed on AIAF is based on “delivery against payment”, following “Model 1” (according to the definition given by the Bank for International Settlements), namely, securities and payment are settled simultaneously on a “trade by trade” basis.

The settlement of trades takes place on the working date agreed by the participants on the relevant trade date.

Settlement Cycles: The CADE Platform

The *CADE* platform runs two daily settlement cycles: one taking place at the beginning of the day and one at the end of the day. During the intervening period, *CADE* settles trades on a “delivery against payment” and “delivery free of payment” basis in real time.

The first settlement cycle includes all trades communicated to *CADE* prior to 18:00 hours on the day prior to the relevant settlement date, which transactions are typically final at 7:00 hours on the relevant settlement day, provided enough securities and funds are available in the corresponding accounts.

The real time settlement takes place between 7:00 and 16:00 hours on the relevant settlement day. In principle, the system checks first to see if there is a sufficient balance of securities available. If this is the case, but the buyer of securities does not have sufficient funds, the instruction of settlement is rejected and sent back to *CADE*, where the instruction is sent to a data base of pending orders. A new attempt is made periodically until there are enough balances in the corresponding securities and cash accounts to settle the pending instructions. If the seller does not have enough securities, the instruction is sent to the pending orders database. When the securities account is credited, the system checks if the pending instructions can be settled.

At the end of the day, the system tries to settle all the pending transactions that could not be settled during the first cycle or in the real time period. The end of day cycle takes place at 17:00 hours on the relevant settlement date.

If the seller account has enough securities, the system checks that the buyer has enough funds available, that is, neither securities nor funds are blocked. Once the transfer of securities and funds are effected, the transaction is considered final.

Payments of Interest in Respect of Debt Securities

On the relevant date for payment of interest amounts in respect of debt securities, Iberclear credits to each participant entity an amount corresponding to the balance of securities appearing in the records of the relevant participant entity on the day prior to the relevant payment date. Depending on the tax treatment applicable to the relevant securities, the interest payment may be made either net (after tax has been withheld) or gross (if not tax is required to be withheld).

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

TAXATION

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The Kingdom of Spain

The following is a general description of certain Spanish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

- (a) of general application, Additional Provision two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures and Law 23/2005 of 18 November 2005 on certain measures to promote productivity, as well as Royal Decree 1778/2004, of 30 July establishing information obligations in relation to preferential holdings and other debt Notes and certain income obtained by individuals resident in the European Union and other tax rules;
- (b) for individuals resident for tax purposes in Spain which are subject to Individual Income Tax (IRPF), Law 35/2006, of 28 November 2006, on Personal Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, and Royal Decree 439/2007, of 30 March promulgating the Personal Income Tax Regulations, which will be in force in all aspects not contrary to the aforementioned Individual Income Tax Law until the enactment of new Individual Income Tax Regulations; Law 19/1991, of 6 June on Net Wealth Tax, as amended, and Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are Corporation Tax taxpayers, Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the Corporation Tax Law, and Royal Decree 1777/2004, of 30 July promulgating the Corporation Tax Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are non-resident income tax taxpayers, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal

Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June on Wealth Tax and Law 29/1987, of 18 December on Inheritance and Gift Tax.

Whatever the nature and residence of the Holder, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e. exempt from Capital Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

1. Individuals with Tax Residency in Spain

1.1 Individual income tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25 of the Individual Income Tax Law and therefore will form part of the so called savings income tax base.

Accordingly, such income will be subject to the flat 18% rate applicable to savings income.

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain under an obligation to pay Wealth Tax must take into account the amount of the Notes which they hold as at 31 December in each year, when calculating their wealth tax liabilities.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable regional or State rules.

2. Legal Entities with Tax Residency in Spain

2.1 Corporation Tax (*Impuesto sobre Sociedades*) – Notes placed outside of Spain.

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain for Corporation Tax purposes in accordance with the rules for this tax.

In accordance with Section 59.s) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. To the extent that any Notes are not admitted to trading on AIAF but are admitted to trading on an organised market in an OECD country, such Notes will, upon such admission to trading, fulfil the requirements laid down by the legislation for exemption from withholding. The Directorate General for Taxation (*Dirección General de Tributos – “DGT”*), on 27 July 2004, issued a non-binding reply to a consultation indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Notes be placed outside Spain in another OECD country. The Issuer considers that, in respect of any Notes which are not admitted to trading on AIAF but are admitted to trading on an organised market in an OECD country, the issue of such Notes would fall within this exemption as the Notes would be placed outside Spain and in the international capital markets. Consequently, in respect of any such Notes the Issuer would not make any withholding on interest payments to Spanish Corporation Tax taxpayers that provide relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter however, the Issuer would be bound by that opinion and with immediate effect, make the appropriate withholding and the Issuer would not, as a result, be under any obligation to pay additional amounts.

In order to implement the exemption from withholding, the procedures laid down in the Order of 22 December 1999 would be followed. No reduction percentage would be applied (please see “Disclosure of Holder Information in connection with interest payments” below).

2.2 Corporation Tax (*Impuesto sobre Sociedades*) – Notes placed in Spain in book entry form and traded on the AIAF market.

In accordance with Section 59.q) of the Corporation Tax Regulations there is no obligation to make a withholding on income obtained by Spanish Corporation Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets represented in book entries and traded on a Spanish official secondary market.

The Issuer and the Guarantor consider that the Notes will fall within this exemption if they are represented in book entries and traded on the AIAF market. Consequently, in such scenario, the Issuer will not make any withholdings on payments to Spanish Corporation Tax taxpayers that provide the relevant information to qualify as such.

In order to implement the exemption from withholding where the Notes are represented by book entries and traded on the AIAF market, the procedures set out in the Order of 22 December 1999 will be followed. No reduction percentage will be applied (please see “Disclosure of Holder information in connection with interest payments” below).

2.3 Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities are not subject to wealth tax.

2.4 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Notes in their taxable income for Spanish corporation tax purposes.

3. Individuals and Legal Entities with no tax residency in Spain

3.1 Non-resident income tax (*Impuesto sobre la Renta de No Residentes*)

(a) ***With permanent establishment in Spain***

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the legal rules applicable to income deriving from such Notes are the same as those previously set out for Spanish Corporation Tax taxpayers.

(b) ***With no permanent establishment in Spain***

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt. This exemption is not applicable if such income is obtained through countries or territories classified as tax havens (being those included in Royal Decree 1080/1991, of 5 July), in which case such income will be subject to Non-Resident Income Tax in Spain at the rate of 18% which the Issuer will withhold.

For these purposes it is necessary to comply with certain information obligations relating to the identity of the Holders, in the manner detailed under “Disclosure of Holder information in connection with interest payments” as laid down in section 12 of Royal Decree 2281/1998 of 23 October developing certain disclosure obligations to the tax authorities, as amended by Royal Decree 1778/2004 of 30 July establishing information obligations in relation to preferred securities and other debt Notes and certain income obtained by individuals resident in the European Union and other tax rules. If these information obligations are not complied with in the manner indicated the Issuer will apply a withholding (currently at the rate of 18%) and the Issuer will not, as a result, be under any obligations to pay additional amounts.

3.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

To the extent that income deriving from the Notes is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Notes will be exempt from Wealth Tax.

Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax will generally not be subject to Wealth Tax.

If the provisions of the foregoing two paragraphs do not apply, individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that rights deriving from the Notes can be exercised in Spanish territory.

Non-resident legal entities are not subject to Wealth Tax.

3.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift tax in accordance with the applicable regional and state legislation to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised within Spanish territory.

Non-resident entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift tax. They will be subject to Non-Resident Income Tax. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

4. Tax Rules for payments made by the Guarantor

On the basis that payments of principal and interest made by the Guarantor under the Deed of Guarantee are characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax.

However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor has effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means) they may determine that payments made by the Guarantor, if the Deed of Guarantee is enforced, relating to interest on the Notes will be subject to the same tax rules previously set out for payments made by the Issuer.

5. Tax havens

Pursuant to Royal Decree 1080/1991, of 5 July the following are each considered to be a tax haven at the date of this Base Prospectus:

Principality of Andorra	Marianas Islands	Virgin Islands (of the United States)
Netherlands Antilles	Mauritius	Hashemite Kingdom of Jordan
Aruba	Montserrat	Republic of Lebanon
Kingdom of Bahrain	Republic of Nauru	Republic of Liberia
Sultanate of Brunei	Solomon Islands	Principality of Liechtenstein
Republic of Cyprus	Saint Vincent & the Grenadines	Grand Duchy of Luxembourg
Gibraltar	Saint Lucia	Area (as regards the income received by the Companies referred to in paragraph 1 of Protocol annexed Avoidance of Double Taxation Treaty, dated 3 June 1986)
Hong Kong	Republic of Trinidad and Tobago	Macao
The Island of Anguila	Turks and Caicos Islands	Principality of Monaco
Islands of Antigua and Barbuda	Republic of Vanuatu	Sultanate of Oman
The Bahamas	British Virgin Islands	Republic of Panama
The Island of Barbados		Republic of San Marino
The Bermuda Islands		Republic of Seychelles
Cayman Islands		Republic of Singapore
The Cook Islands		
The Republic of Dominica		
Grenada		

The statutory list of tax havens may vary from time to time. In particular, under Spanish law a country or territory may be removed from the statutory list of tax havens if it enters into a treaty with the Kingdom of Spain providing for the exchange of tax information, or providing for the avoidance of double-taxation and including provisions for the exchange of information, from the date of entry into force of any such treaty.

6. Disclosure of Holder information in connection with interest payments

The European Clearing Systems are, at the date of this Base Prospectus, in discussions to harmonise the procedure for the provision of information as required by Spanish laws and regulations. The following is a summary only and is subject to the European Clearing Systems' discussions as well as to further clarification from the Spanish tax authorities regarding such laws and regulations. **Holders must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.** None of the Issuer, the Guarantor, the Arranger, the Dealers, the Paying Agents, Iberclear or the European Clearing Systems assume any responsibility therefore.

- 6.1 Legal entities with tax residency in Spain and non-resident legal entities acting through an establishment in Spain subject to Spanish Corporation tax. In accordance with procedures established in the Issue and Paying Agency Agreement, the Agent must receive a list of those holders that are Spanish Corporation Tax taxpayers specifying the name, address, Tax Identification Number, ISIN code of the Notes, number of Notes held at each interest payment date, gross income and amount withheld, substantially in the form set out below (See Annex III below).
- 6.2 Individuals and legal entities with no tax residency in Spain. The information obligations to be complied with in order to apply the exemption are those laid down in Section 12 of Royal Decree 2281/1998 ("**Section 12**"), as amended by Royal Decree 1778/2004, being the following:

In accordance with sub-section 1 of such Section 12, a return must be made to the Spanish tax authorities specifying the following information with respect to the Notes:

- (a) the identity and country of residence of the recipient of the income. When the income is received on behalf of a third party, the identity and country of residence of that third party;
- (b) the amount of income received; and
- (c) details identifying the Notes.

In accordance with sub-section 3 of such Section 12, for the purpose of preparing the return referred to in sub-section 1 of Section 12, the following documentation must be obtained on each payment of income evidencing the identity and residency of each Holder:

- (a) if the non-resident Holder acts on its own account and is a central bank, other public institution or international organisation, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme, the entity in question must certify its name and tax residency in the manner laid down in Annex I of the Order of 16 September 1991, promulgated pursuant to Royal Decree 1285/1991 (See Annex I below), of 2 August establishing the procedure for the payment of interest on Book Entry State Debt (as defined therein) to non-residents who invest in Spain without the intervention of a permanent establishment;
- (b) in the case of transactions in which any of the entities indicated in the foregoing paragraph (a) acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each Holder in the manner laid down in Annex II of the Order of 16 September 1991 (See Annex II below);
- (c) in the case of transactions which are channelled through a securities clearing and deposit entity recognised for these purposes by Spanish law or by that of another OECD member country, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each holder of the Notes in the manner laid down in Annex II of the Order of 16 September 1991 (See Annex II below);
- (d) in other cases, residency must be evidenced by submission of the residency certificate issued by the tax authorities of the State of residency of the Holder. These certificates will be valid for one year as from the date of issue.

In accordance with sub-section 4 of Section 12, for the purpose of implementing the exemption provided for, the following procedure must be followed: on the due date of each coupon the Issuer must transfer the net amount to the entities referred to in paragraph a), b) and c) resulting from applying the general withholding rate (currently 18%) to the whole of the interest. If the certificates referred to are received prior to expiry of the payment period, the Issuer will pay the amounts withheld to the extent that they correspond with the information provided.

In the case of both paragraph 6.1 and paragraph 6.2 above, in order for a beneficial owner to benefit from an exemption from withholding, the above documentation should be received by the Agent in accordance with the procedures established in the Issue and Paying Agency Agreement, which may be inspected during normal business hours at the specified office of the Fiscal Agent and the Spanish Paying Agent.

If the Fiscal Agent does not receive complete documentation in respect of an eligible holder by the interest payment date, such holder may obtain a quick refund of the full amount of withholding tax so withheld by ensuring that the documentation described above is received by the Issue and Paying Agent no later than 10.00 a.m. (CET) on the tenth calendar day of the month following the relevant interest payment date (or if such date is not a Business Day, the Business Day immediately preceding such date) (the "**Quick Refund Deadline**"). Holders entitled to a refund but in respect of whom relevant documentation is not received by the Fiscal Agent or, as the case may be, the Spanish Paying Agent on or before a Quick Refund Deadline may seek a full refund of withholding tax directly with the Spanish tax authorities.

Set out below are Annexes I, II and III. Sections in English have been translated from the original Spanish. In the event of any discrepancy, the Spanish version shall prevail.

Annex I

**Modelo de certificación en inversiones por cuenta propia
Form of Certificate for Own Account Investments**

(nombre) (name).....

(domicilio) (address)

.....

.....

(NIF) (fiscal ID number)

(en calidad de)....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.a) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/ 2004,

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.a) of Royal Decree 2281/1998, as amended by Royal Decree 1778/ 2004,

CERTIFICO:

CERTIFY:

- 1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
- 2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:.....
- 3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of.....
(país estado, ciudad), con el número
(country, state, city), under number
- 4. Que la Entidad que represento está sometida a la supervisión de
(Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de..... (normativa que lo regula)
under (governing rules)

Todo ello en relación con:

All the above in relation to:

Identificación de los valores poseídos por cuenta propia

Identification of securities held on own account.....

Importe de los rendimientos

Amount of income

Lo que certifico en..... a de de 20.....

I certify the above in..... on the of.....of 20.....

Annex II

Modelo de certificación en inversiones por cuenta ajena Form of Certificate for Third Party Investments

(nombre) (name).....

(domicilio) (address)

.....

.....

(NIF) (fiscal ID number)

(en calidad de)....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 12.3.b) y c) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 12.3.b) and c) of Royal Decree 2281/1998, as amended by Royal Decree 1778/2004,

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:.....
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of
(país estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de.
(Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).
5. Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España o en los países o territorios que tienen en España la consideración de paraísos fiscales de acuerdo con las normas reglamentarias en vigor.

That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the amounts of corresponding income is accurate, and does not include person(s) or institution(s) resident either in Spain or, in tax haven countries or territories as defined under Spanish applicable regulations.

Lo que certifico en..... a de de 20.....

I certify the above in.....on the of.....of

RELACIÓN ADJUNTA A CUMPLIMENTAR:

TO BE ATTACHED:

Identificación de los valores:

Identification of the securities

Listado de titulares:

List of beneficial owners:

Nombre / País de residencia / Importe de los rendimientos

Name / Country of residence / Amount of income

Annex III

Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del impuesto sobre sociedades y a los establecimientos permanentes sujetos pasivos del impuesto sobre la renta de no residentes (a emitir por las entidades citadas en el art. 12.3.a) del Real Decreto 2281/1998, modificado por el Real Decreto 1778/2004)

Certificate for application of the exemption on withholding to Spanish corporation tax taxpayers and to permanent establishments of non-resident income tax taxpayers (to be issued by entities mentioned under article 12.3.a) of Royal Decree 2281/1998, as amended by Royal Decree 1778/ 2004)

(nombre) (name).....

(domicilio) (address)

.....

.....

(NIF) (fiscal ID number)

(en calidad de)....., en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.q) y s) del Real Decreto 1777/2004,

(function), in the name and on behalf of the Entity indicated below, for the purposes of article 59.q) and s) of Royal Decree 1777/2004,

CERTIFICO:

CERTIFY:

1. Que el nombre o razón social de la Entidad que represento es:
that the name of the Entity I represent is:
2. Que su residencia fiscal es la siguiente:
that its residence for tax purposes is:.....
3. Que la Entidad que represento está inscrita en el Registro de
that the institution I represent is recorded in the Register of.....
(país estado, ciudad), con el número
(country, state, city), under number
4. Que la Entidad que represento está sometida a la supervisión de
(Organo supervisor)
that the institution I represent is supervised by (Supervision body)
en virtud de (normativa que lo regula)
under (governing rules).
5. Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España de sujetos pasivos del Impuesto sobre la Renta de No Residentes, son perceptores de los rendimientos indicados.
That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporations Tax taxpayers and permanent establishment in Spain of Non-Resident Income Tax taxpayers, and are recipients of the referred income.
6. Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.
That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.
Lo que certifico en..... a de de 20.....
I certify the above in on the of.....of 20.....

RELACIÓN ADJUNTA

TO BE ATTACHED

Identificación de los valores:

Identification of the securities

Razón social / Domicilio / Número de identificación fiscal / Número de valores / Rendimientos
brutos / Retención al 18%

Name / Domicile / Fiscal Identification Number / Number of securities / Gross income /
Amount withheld at 18%.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banc of America Securities Limited, Banco Bilbao Vizcaya Argentaria, S.A., Banco Español de Crédito, S.A., Banco Santander Central Hispano, S.A., BNP Paribas, Caja Madrid (Caja de Ahorros y Monte de Piedad de Madrid), Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, HSBC Bank plc, J.P. Morgan Securities Ltd. and The Royal Bank of Scotland plc. Notes may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 31 May 2007 (the “**Dealership Agreement**” which expression shall include any amendments or supplements thereto) and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination or appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used under this subheading have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

In compliance with U.S. federal income tax laws and regulations, Bearer Notes (including interests in a Temporary Global Note and a Permanent Global Note) may not be offered or sold during the restricted period (as defined in the United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7) within the United States or to U.S. persons other than to an office located outside the United States of a U.S. financial institution (as defined in Section 1.165-12(c)(1)(v) of the U.S. Treasury Department regulations), purchasing for its own account or for resale or for the account of certain customers, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the U.S. Treasury Department regulations thereunder (“**U.S. Treasury Regulations**”), or to certain other persons described in Section 1.163-5(c)(2)(i)(D)(1)(iii)(B) of the U.S. Treasury Regulations. Moreover, such Bearer Notes may not be delivered by any distributor in connection with their sale within the United States. Any distributor (as defined in Section 1.163-5(c)(2)(i)(D)(4) of the U.S. Treasury Regulations) participating in the offering or sale of Bearer Notes must covenant that it will not offer or sell during the restricted period any Bearer Notes within the United States or to U.S. persons (other than to the persons described above), it will not deliver in connection with the sale of Bearer Notes during the restricted period any Bearer Notes within the United States and it has in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling the Bearer Notes are aware of the restrictions on offers and sales described above.

Each of the Dealers has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by the relevant Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) except (A) in accordance with Rule 903 of Regulation S of the Securities Act or, (B) with respect to Registered Notes only, in the case of a Dealer registered or exempt from registration as a broker or dealer under the Exchange Act and nominated as such by the Issuer (a “**144A Dealer**”) and subject as provided below, in accordance with Rule 144A under the Securities Act. The Dealer will have sent to each dealer to which it sells

Notes during the distribution compliance period relating thereto (other than pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither the Dealers, their respective affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and each Dealer, its affiliates (if any) and any person acting on its or their behalf have complied with the offering restrictions of Regulation S.

In addition, until 40 days after the commencement of the offer of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Notwithstanding the foregoing, a 144A Dealer nominated by the Issuer may directly or through its respective affiliates arrange for the placing of Registered Notes in the United States to QIBs in accordance with Rule 144A under the Securities Act, provided that each person to whom Registered Notes are offered or sold is, or such 144A Dealer reasonably believes each such person to be, a QIB purchasing for its own account or for the account of a QIB and that such 144A Dealer notifies the purchaser that it may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. In connection with the offer and sale of such Registered Notes, 144A Dealers and their affiliates may sell Registered Notes to any of their affiliates, or any other 144A Dealers and their affiliates. In connection with each such sale of Registered Notes pursuant to Rule 144A under the Securities Act, (a) each 144A Dealer will deliver at or prior to settlement an Base Prospectus and the relevant Final Terms to each QIB purchasing a Registered Note or Registered Notes from it pursuant to Rule 144A under the Securities Act, and (b) each 144A Dealer will only sell to such purchaser, for such purchaser's own account or for any separate account for which it is acting, Registered Notes having an aggregate nominal amount of not less than U.S. \$250,000 (or its equivalent rounded upwards as specified in the applicable Final Terms).

In addition, certain Notes in respect of which any payment is determined by reference to an index or formula, or to changes in pricing of securities or commodities, or certain other Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree, as indicated in the relevant Final Terms. Each Dealer has agreed that it will offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealer reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by the relevant Dealer or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

United Kingdom

Each Dealer has further represented and agreed that:

- (a) in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;
and:
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purpose of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the Act (and after they come into force, all applicable provisions of the FSMA) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Republic of France

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and that offers and sales of Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in Articles L.411-2 and D.411-1 to D.411-3 of the *Code monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2°.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Base Prospectus or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in France may be made as described above.

Spain

Each Dealer has represented and agreed that the Notes may not be offered or sold in Spain other than by institutions authorised under the Securities Market Law 24/1988 of 28 July (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (the "**Securities Market Law**"), and Royal Decree 867/2001 of 20 July on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 867/2001, de 20 de Julio, sobre el Régimen Jurídico de las empresas de servicios de inversión*), to provide investment services in Spain, and in compliance with the provisions of the Securities Market Law and any other applicable legislation, provided that offers of the Notes shall not be directed specifically at or made to investors located in Spain unless (i) the Notes are represented by book entries and (ii) have been admitted to trading on a Spanish Official Secondary Market (as defined in the Securities Market Law).

General

With the exception of the approval by the CNMV of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the Kingdom of Spain, no action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor, the Dealers or any of them that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and each of the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "**General**" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Guarantor. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

SIGNATURES

In witness to their knowledge and approval of the contents of this Base Prospectus of Endesa Capital, S.A., it is hereby signed by the Joint Administrators of Endesa Capital, S.A., in Madrid, this 31st day of May 2007.

Javier Galán Allué

Pedro Corpas Fernández

REGISTERED AND HEAD OFFICE OF THE ISSUER

Ribera del Loira 60
28042 Madrid

REGISTERED AND HEAD OFFICE OF THE GUARANTOR

Ribera del Loira 60
28042 Madrid

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DEALERS

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London E14 5AQ

Banco Bilbao Vizcaya Argentaria, S.A.

Alcalá , 6-4ª Plta
28014 Madrid

Banco Español de Crédito, S.A.

Gran Via de Hortaleza, 3
28033 Madrid

Banco Santander Central Hispano, S.A.

Ciudad Grupo Santander
Avda. de Cantabria s/n
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Madrid

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA

Caja Madrid (Caja de Ahorros y Monte de Piedad de Madrid)

Plaza de Celenque, 2
28001 Madrid

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

Dresdner Bank Aktiengesellschaft

Jürgen-Ponto-Platz 1
60301 Frankfurt am Main

HSBC Bank plc

8 Canada Square
London E14 5HQ

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR

AUDITORS OF THE ISSUER AND THE GUARANTOR

Deloitte S.L.

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FISCAL AGENT

The Bank of New York

One Canada Square
London E14 5AL

PRINCIPAL REGISTRAR

The Bank of New York

101 Barclay Street
New York
NY10286

FIRST ALTERNATIVE REGISTRAR

The Bank of New York (Luxembourg) S.A.

Aerogolf Centre, 1A, Hoehehof
L-1736 Senningerberg
Luxembourg

PAYING AGENT

The Bank of New York (Luxembourg) S.A.

Aerogolf Centre, 1A, Hoehehof
L-2633 Senningerberg
Luxembourg

SPANISH PAYING AGENT

Banco Bilbao Vizcaya Argentaria, S.A.

Vía de los Poblados s/n, 2ª Planta
28033 Madrid

LEGAL ADVISERS TO THE DEALERS

as to English Law and Spanish Law

Clifford Chance, S.L.

Paseo de la Castellana, 110
28046 Madrid

LEGAL ADVISER TO THE GUARANTOR

as to Spanish Law

Director de Asesoría Jurídica
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28042 Madrid