

endesa07

SUSTAINABILITY REPORT







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PRESENTATION

For the seventh consecutive year, ENDESA's Annual Sustainability Report provides its stakeholders with a detailed analysis of our sustainable development initiatives of the last year.

In my view, we should highlight three very important aspects:

Firstly, there has been a notable increase in the company's sustainability initiatives. When ENDESA approved its Seven Commitments for Sustainable Development in 2007, it was a clear public declaration of certain business principles of conduct, which the company had already followed for many years. The public nature of these commitments and their adoption by everyone who works for the company, gave a new boost to our sustainability efforts, and will mean a significant increase in our initiatives in this field in the coming years.

In this context, certain milestones reached in 2007, which are discussed in full detail in this report, are particularly illustrative. In Spain we obtained the highest level of service continuity in the history of ENDESA and a customer satisfaction quotient for our electricity provisioning services of eight out of ten. In addition, we invested Euro 4,746 millions, of which 90% was allocated to energy infrastructure. We also cut our accident rates by 21.7% and spent 1.8 million hours on employee training, while maintaining the efficiency of our Ethics Channel. Furthermore, ENDESA cut its CO₂ emissions by 36.5%, with respect to the company's emission levels in 1990. Meanwhile, we continued our research into CO₂ capture and storage systems, and developed a Global Energy Efficiency Plan, and lastly, Euro 39.2 millions was invested in social initiatives, which represents 1.5% of the total earnings for the year.

These and other data contained in this report give continuity to our widely respected commitment to sustainable development. In recent years, ENDESA has been rated one of the world's leading companies with regard to sustainability by important entities such as the Dow Jones Sustainability Index, where it has been ranked

for the past seven years. In two of those years it was the leader in sustainable development in its sector. We would underline that the companies which compose the Dow Jones Sustainability Index must demonstrate expertise in all aspects of sustainability.

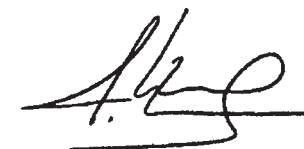
A second relevant item is the significant improvement in the reporting of our sustainable development initiatives. Since the publication of the first Sustainability Report, we have adjusted our practices to commonly accepted international sustainability standards. In particular, this Sustainability Report has been drawn up in accordance with the Global Reporting Initiative's (GRI) G3 Guidelines and conveys a precise, clear, reliable, balanced and benchmarked overview of ENDESA's work towards ensuring sustainability. Moreover, an external, independent company has verified ENDESA's commitment to complying with the GRI indicators, AccountAbility principles and the Global Compact as well as our commitment to OECD principles and the United Nations' Millennium Project.

Thirdly, this Annual Report reflects how the company has been able to meet the economic, environmental and social challenges posed by this global approach to sustainability. ENDESA's mission is very clear: to provide value for the community through the provision of a basic, accessible, and quality service, with responsible stewardship of the natural resources deployed; to promote research and eco-efficiency; to take care of its shareholders' interests; to encourage professional and personal development in its employees; and to address the social needs of the communities in which the company operates.

Our success in meeting these objectives has allowed us to take the next step, with the creation and implementation of our 2008-2012 Strategic Sustainability Plan, which is based on even more ambitious targets than those from the 2003-2007 Environment and Sustainable Development Strategic Plan, which ended last year and in which 95% of the objectives were met.

This new Plan will not only help us strengthen our commitment to sustainable development, but also to meet the present and future challenges facing our industry, above all in the fight against climate change. In our view, these challenges are an opportunity to create value for society.

The following pages give detailed information on how we are going to meet these challenges and how we want to take advantage of these opportunities. I hope this report will help you to understand who we are, but more importantly, to understand who we wish to become.



Rafael Miranda Robredo
Chief Executive Officer



ENDESA, ONE OF THE LARGEST ELECTRICITY COMPANIES IN THE WORLD

01.

EDESA, AN EFFICIENT, COMPETITIVE COMPANY WITH AN EXCELLENT ASSET BASE

One of Europe's leading power companies
and one of the biggest in the world

No. 1 in the Spanish electricity sector and the leading
private electricity multinational in Latin America

Strong presence in the Spanish natural gas market

Leader in sustainability: CO₂ management, MDL,
renewable energy, clean combustion, RDI, person
management, occupational health and safety, and
involvement in society

Present in **10 countries**

Installed capacity of **49 GW**

184 TWh of output

227 TWh of sales

23.5 million customers

ENDESA IN NUMBERS

EBIT (Millions of Euro)	2003	2004	2005	2006	2007
Spain and Portugal	2,824	2,472	3,266	3,835	3,830
Latin America	1,484	1,522	1,878	2,188	2,534
Europe	384	535	887	1,116	1,121
Other businesses	58	(8)	(11)	—	—
Total	4,750	4,521	6,020	7,139	7,485

Profits after tax and minority (Millions of Euro)	2003	2004	2005	2006	2007
Spain and Portugal	1,207	888	1,358	1,843	1,785
Latin America	84	127	262	462	471
Europe	52	169	425	493	419
Other businesses	(31)	69	1,137	171	—
Total	1,312	1,253	3,182	2,969	2,675

Installed capacity (MW)	2003	2004	2005	2006	2007
Spain and Portugal	22,643	22,503	22,416	23,021	24,490
Latin America	13,333	14,053	14,095	14,317	14,707
Europe	5,860	9,294	9,397	9,775	9,990
Total	41,836	45,850	45,908	47,113	49,187

Output (GWh)*	2003	2004	2005	2006	2007
Spain and Portugal	93,734	95,679	93,625	88,808	91,058
Latin America	46,480	55,106	57,890	62,028	59,512
Europe	17,867	25,053	33,749	35,575	33,396
Total	158,081	175,838	185,264	186,411	183,946

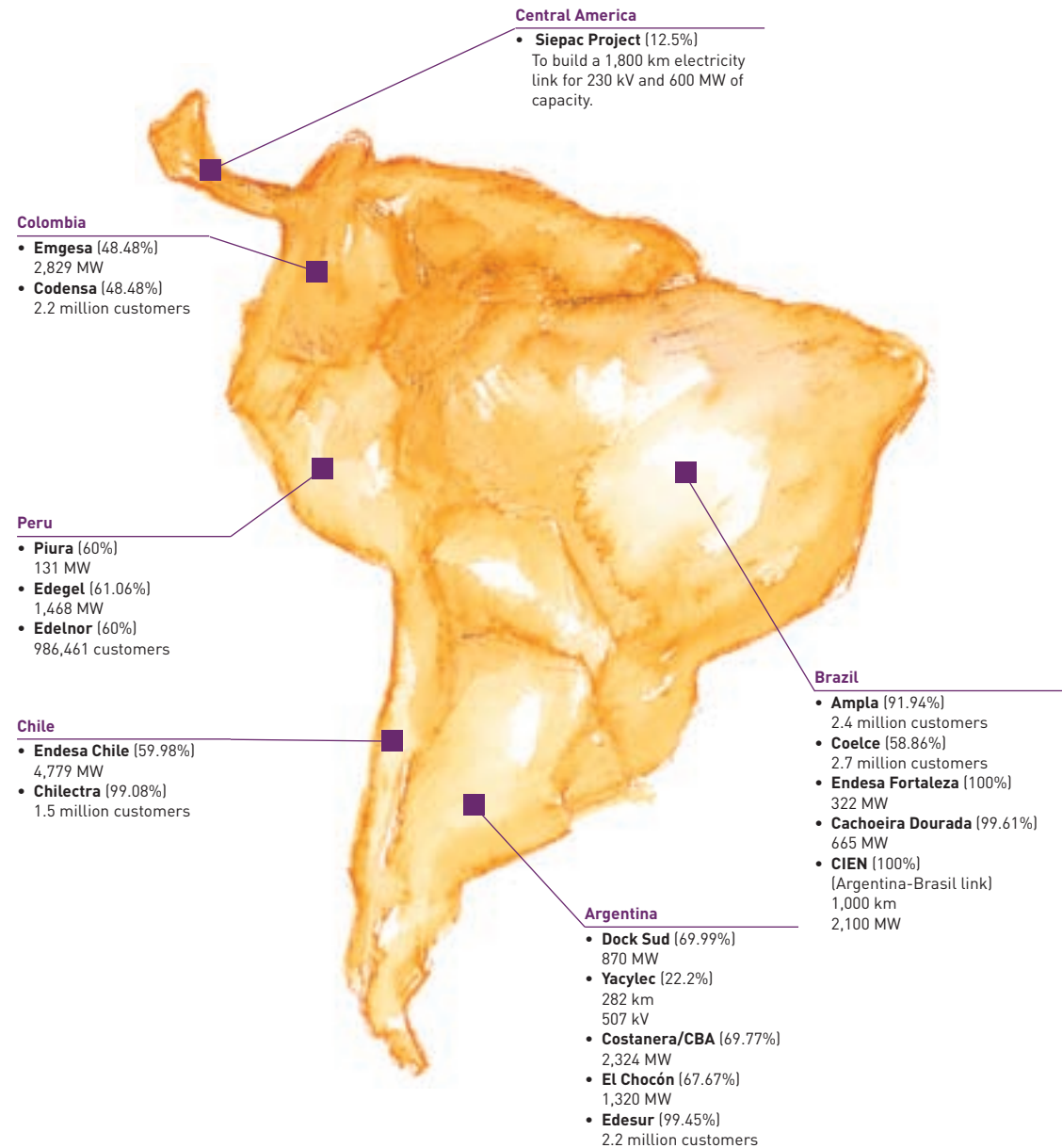
* Spain's hydroelectric, thermal and nuclear output are measured at power plant bars.

Sales (GWh)	2003	2004	2005	2006	2007
Spain and Portugal	92,996	96,731	100,868	109,412	113,375
Regulated market	67,701	65,762	64,095	71,599	72,746
Deregulated market	25,295	30,969	36,773	37,813	40,629
Latin America	49,526	52,314	55,246	58,281	61,610
Europe	21,118	32,172	47,221	52,606	52,517
Total	163,640	181,217	203,335	220,299	227,502

ENDESA IN SPAIN AND PORTUGAL

Endesa, S.A.	<ul style="list-style-type: none"> Headquarters: Ribera del Loira, 60 28042 Madrid Spain.
Endesa Generación	<ul style="list-style-type: none"> Mining generation assets including Endesa Cogeneración and Renovables (EYCR).
Endesa Red	<ul style="list-style-type: none"> Mining generation assets incl. ENDESA CCGT and renewables (EYCR). Endesa Distribución Eléctrica S.L (regulated transport and distribution activities and sales at tariff). Endesa Operaciones y Servicios Comerciales S.L. (sales support).
	<ul style="list-style-type: none"> Fecsa Endesa (Catalonia). Sevillana Endesa (Andalusia and Badajoz). Gesa Endesa (Balearic Islands). Unelco Endesa (Canary Islands). Erz Endesa (Aragon).
Endesa Energía	<ul style="list-style-type: none"> Sales activities on the deregulated market. Supply of energy and added-value services. Also carries out sales tasks in Portugal, France, Italy, Germany and Belgium.
Endesa Servicios	<ul style="list-style-type: none"> Support services for ENDESA subsidiaries. Corporate purchasing IT and telecoms services. Information systems. Asset management. Goods and equipment control and supply services. General consulting and business management services.

ENDESA IN LATIN AMERICA



ENDESA IN EUROPE AND NORTH AFRICA

(IBERIAN MARKET NOT INCLUDED)

Italy

- Endesa Italia (80%)
6,646 MW capacity
22,089 GWh generated
30,557 GWh sold
- CE Teverola and CE Ferrara (58.35%): 340 MW capacity
- Iardino wind farm (100%): 14 MW capacity
- Montecute wind farm (100%): 44 MW capacity
- Poggi Alti wind farm (100%): 20 MW capacity
- MA Severino wind farm (100%): 44 MW capacity
- Piano di Corda wind farm (100%): 52 MW capacity [6 MW in service]
- Serra Pelata wind farm (100%): 58 MW capacity [42 MW in service]
- Alcamo wind farm (100%): 30 MW capacity (under construction)
- Ergosud (50%): 800 MW capacity (under construction)
- Ergon Energia (50%)
- MPE (50%)
- Endesa Europa Power and Fuel (100%)
- OLT Offshore Toscana (30.46%) regasification terminal in Livorno, 4 bcm of capacity (under construction)
- Terminal Alpi Adriático (100%), regasification terminal in Monfalcone, 8 bcm capacity (in project)

France

- Snet generation company (65%)
2,487 MW capacity
7,768 GWh generated
18,414 GWh sold
- Soprolif (**) generation company (45%)
250 MW capacity
- Powernext energy pool (5%)

Morocco

- Energie Electrique de Tahaddart (32%), which owns the Tahaddart CCGT with a capacity of 384 MW

- Total sales in Europe: 52,516 GWh*
- Energy trading: 40.7 TWh
- Operations in liberated markets in several european countries

2.5% of Endex free market
(established in Amsterdam)

Poland

- Gielda Energii wholesale operator (10%)
- Byalistok power station (70%) (**) 330 MWe capacity
1,505 GWh generation and sales

Greece

- Endesa Hellas (50.01%), strategic joint venture with Mytilineos Holding: 17 MW eolic capacity
2,500 MW en project
15 GWh generation and sales

Turkey

- Altek (**) (50%) which owns a 40 MW hydro plant and 80 MW CCGT

* Endesa Energía's operations in European liberalized markets are not included.

** Through Snet.

01.1. OVERVIEW OF ENDESA'S BUSINESS OPERATIONS IN 2007

ENDESA is a leading company in the Spanish and Portuguese market. In this market as a whole, ENDESA has a capacity of 24,490 MW, producing 91,078 GWh and supplying 113,375 GWh to over 11.5 million customers in 2007.

In Spain, the company achieved a 38.3% market share in standard generation, 42.8% of distributed energy, 39.7% of sales to regulated-market customers, 52.6% of sales to deregulated-market customers and 43.6% of total sales to end customers.

In Portugal it holds a 50% stake in the leading electricity-sales company on the deregulated market (Sodessa) and in the largest co-generation firm (Sociedade Termica Portuguesa), as well as having secured relevant positions in the area of electricity generation from both thermal and renewable sources. It owns over 100% of the Finerge Company, the third-largest wind power company in Spain, with an installed capacity of 233 MW.

ENDESA's objectives in Spain for 2007 were focused on taking advantage of the solid basis and competitive advantages of its business via proactive management in the framework of the relevant new regulatory developments that occurred during the period.

The approach includes maintaining a high hedge against the market, the availability of a better output mix than the rest of the sector and greater use of thermal plants, appropriate fuel-cost management, progress made under the New Capacity Plan in CCGT and renewable-energy technologies, obtaining the best supply-quality result in the Company's history, maintaining the sales business to allow good coverage in the light of wholesale-market prices, and an active presence in the Clean Development Mechanisms market to achieve an extensive portfolio of issue-rights certificates.

At the end of 2007, its presence in the rest of Europe included 9,990 MW of installed power, an electricity output of 33,396 GWh, 52,517 GWh sold, and assets in Italy, France, Poland, Turkey and Greece. We should add ENDESA's presence in Morocco, which

is managed via its European business as part of its position in the Mediterranean basin. In 2008, the Company began its disinvestment process in France, Italy, Poland and Turkey, in compliance with the agreement signed on the 2 of April 2007 by Acciona, Enel and E.ON.

In 2007, ENDESA increased its installed capacity in Italy and improved the make-up of its generation mix by continuing the repowering programme at Endesa Italy's thermal plants and new progress in wind energy. For the former, the Company obtained permission from Valutazione di Impatto Ambientale (VIA) to convert the CCGT units 3 and 4 at the Monfalcone plant, of 400 MW each; and it practically completed the desulphurisation equipment in units 1 and 2 at the same plant, which came on stream during the first months of 2008. Finally, Endesa Italy obtained permission to build for the 400 MW CCGT plant at Tavazzano.

Wind parks in Trapani (32 MW), Montecute (44 MW), Poggi Alti (20 MW), Marco Aurelio Severino (44 MW), Piano di Corda (52 MW) and Serra Pelata (58 MW) were added to the wind parks in Florinas (20 MW), Lardino (14 MW) and Vizzini (24 MW) which came on stream in previous years. At the end of the year, the power actually on stream at the Piano di Corda and Serra Pelata parks was 6 MW and 42 MW, respectively. In other words, they had not yet reached maximum nameplate capacity. To these facilities we should add the acquisition, in July 2007, of 100% of the Merwind Company, owner of a 30 MW wind park in Alcamo (Sicily) which is being developed.

In 2007, MPE Energia, of which ENDESA holds 50%, leveraged the opportunities created by the deregulation of Italy's domestic market to launch an important campaign to attract clients and create customer loyalty.

In France, Endesa France (the name adopted by the generation firm Snet in December 2006) started construction on two 430 MW CCGT units in 2007 at the Émile Huchet site. It also obtained the permits to build new CCGT units at the new site in Lacq. It also continued to boost its presence in renewable energies: its portfolio of wind

park projects commissioned, built and developed exceeded 200 MW by the end of the year.

In 2007, ENDESA also entered Greece as the result of a strategic alliance signed with Mytilineos Holding, a leading Greek group in the metallurgy and engineering industries. The alliance led to the incorporation of Endesa Hellas, which will be the largest independent energy operator in the country. ENDESA will have a 50.01% stake in the company and Mytilineos Holding will have 49.99%.

ENDESA is the number one private multinational electricity utility in Latin America; the largest electricity utility in Chile, Argentina, Colombia and Peru and the third largest one in Brazil. It supplies electricity to five of the sub-continent's six largest cities (Buenos Aires, Bogotá, Santiago, Lima and Rio de Janeiro); and is participating in the Siepac electricity interconnection system that will link the six Central American countries. Its holdings in the region total 14,707 MW, producing 59,512 GWh in 2007 and supplying 61,610 GWh to 12 million customers.

ENDESA is present in Latin America through shareholdings such as its 60.62% stake in Enersis, or stakes acquired directly in other operators in the region.

ENDESA's strategy in Latin America is to build up a broad range of businesses which will allow it to leverage the huge potential for growth and profitability offered by the region's market. To this end, it has acquired majority interests in a considerable number of electricity generation, transport, distribution and supply companies, with the aim of assuming management control and being in a position to pass on its corporate best practices to these companies. It has invested with the clear intention of building a long-term presence in Latin America, working in collaboration with the national authorities and within the existing regulatory frameworks to provide its clients with the best electricity service.

A major milestone in 2007 was the increase in installed capacity by 390 MW, mainly when the San Isidro II (a thermal plant, with 248 MW as an open cycle), Palmucho (hydroelectric, 32 MW) and Canela (wind, 18 MW) came on stream in Chile. To this we should

add improvements in the turbines at the El Guavio plant in Colombia. The merger of the Emgesa and Betania, two ENDESA generation plants, led to the largest generation company in the country, with an installed capacity of 2,829 MW.

01.2. CHALLENGES FOR THE FUTURE

On 12 March 2008, ENDESA sent the basic aspects of its Strategic Plan 2008-2012 to the Spanish Securities Market Commission (CNMV) in order to give the markets a preview of its key content.

The final goal of the basic aspects of the Strategic Plan is to develop a new global and sustainable energy model that will unlock significant opportunities for growth and returns, built on the Companies key strengths: a unique asset base, a proven capability to generate a high cash flow that is balanced and sustained, and many opportunities to leverage collective developments with its core shareholders in very diverse fields.

The Company will implement five strategic priorities to attain the final goal: One, by promoting a new global, sustainable energy model in its target markets, based on an energy mix with greater participation in renewables, which in turn will cause a drastic cut in CO₂ emissions; two, by boosting growth in its businesses with an investment effort of Euro 24.4 billion in 2008-2012; three, by attaining a double-digit increase in net ordinary profits in 2008-2012; four, with significant synergies brought about the incorporation of Acciona and Enel as core ENDESA shareholders, and five, by increasing safety in the primary energy supply as a condition for supplies at competitive prices that will create value in the long term.

In particular, the Investment Plan for 2008-2012 will allow the Company to take several steps to strengthen its leadership in the Iberian market. The main steps are: to add 4,838 MW of new power to its generation park; secure a position in the free market with returns in the client portfolio, and excellence and efficiency in customer service processes; growth in the distribution business due to planned improvements in regulations and a decisive boost to digital metering

which will be 100% implemented by 2015. The Company also aims to continue giving above-average quality of service within the Spanish electricity sector.

In Latin America, the Investment Plan will enable the Company to add a total of 1,938 MW already identified in Chile, Colombia and Peru to its generation park, and a further 200 MW of new capacity in Brazil to increase its market share in that country.

Finally, the Investment Plan will strengthen the Company's position in Greece and Morocco and leverage opportunities to enter new markets with potential for a strategic fit, with special attention paid to Mexico, United Kingdom, USA and, in second instance, Australia and the SE Asian countries.

02. SUSTAINABILITY REPORT PREPARATION PROCESS

This document is ENDESA's seventh Annual Sustainability Report. Like the four previous reports, it gives information on the company's activities and performance in 2007 in the areas included in the 7 Commitments to Sustainable Development which it has announced. It also includes economic, social and environmental actions and indicators in a way that shows the degree to which they have been met.

The information includes Endesa, S.A., and its investees, which in 2007 operated mainly in Spain and Portugal, Latin America (Chile, Argentina, Brazil, Colombia and Peru) and in several European and Mediterranean basin countries (Italy, France, Poland, Turkey and Morocco).

The report was prepared for the second time, in accordance with the Global Reporting Initiative (GRI) 2006 Guide (G3) and the three principles of the AA1000 AccountAbility Standards; namely: the materiality or relevance of all areas of performance covered, completeness of the information and responsiveness to shareholders' concerns and interests. Also, the GRI guidelines for defining the content of the Report have been taken into consideration, applying the four principles to assure that balanced, reasonable information on the Company's performance is furnished.

In accordance with the application levels defined by GRI, this Report is rated A+.

REPORT APPLICATION LEVELS

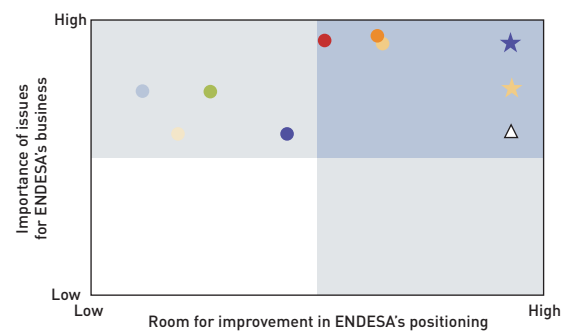
		2002 In Accordance	C	C+	B	B+	A	A+
Compulsory	Self-declaration			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	External verifier							
	Reviewed by GRI							

02.1. PRINCIPLE OF MATERIALITY

ENDESA has carried out a study of materiality, based on the AA1000 Accountability Standard, in order to identify the most relevant issues for its stakeholders and for the Company.

This materiality study took place under the new Strategic Sustainability Plan (PES 2008-2012) and was the third consecutive plan of its kind made by the Company. It will serve to identify the constant changes in material issues that take place in the electricity sector; one of the most dynamic sectors as far as corporate responsibility is concerned. The study also served to update the commitments of the former Strategic Plan for the Environment and Sustainable Development (PEMADS) 2003-2007.

The chart below shows the importance of the subjects identified for ENDESA's business and the potential for improvement it implies for the Company.



Basic lines 2008-2012

- Commitment to our customers
- Commitment to our people
- Commitment to good governance, ethical conduct and transparency
- Commitment to our investors
- Commitment to our environment
- Commitment to technology and innovation
- Commitment to society: our partners

Our challenges 2008-2012

- ★ Commitment to the environment: ENDESA facing the challenges of climate change
- ★ Commitment to society: ENDESA and the communities where it operates
- △ Sustainability-related communication

02.2. PRINCIPLE OF STAKEHOLDERS' PARTICIPATION

ENDESA has taken its stakeholders' expectations into account via the materiality study, and by contacting and holding interviews and meetings with stakeholders throughout 2007. These initiatives served as a basis for the 2008-2012 Strategic Sustainability Plan, to detect the stakeholders' expectations and to improve the way in which the Company reported its Sustainability Policy in this Report. ENDESA also made the channels of communication described here-in available to its stakeholders' with the aim of achieving two-way communication and a fluid dialogue between the Company and its stakeholders.

02.3. PRINCIPLE OF THE CONTEXT OF SUSTAINABILITY

ENDESA's commitment towards sustainable development arises from its Mission, where it defines itself as being a multinational company that is responsible, efficient and competitive in providing an essential service to the community.

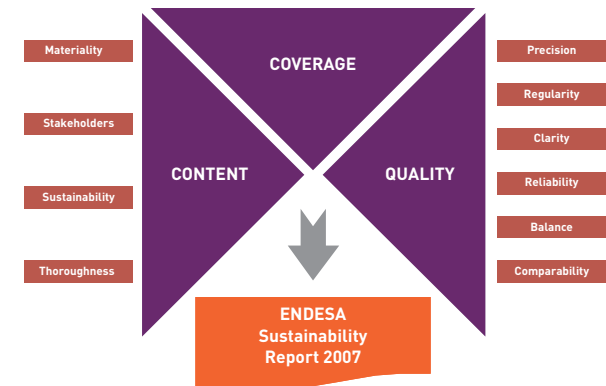
This commitment and the way ENDESA has put it into action show in the identification of challenges, presentation of results and the setting up of new targets for ENDESA's management and its strategy of sustainable development.

02.4. PRINCIPLE OF COMPLETENESS

The above three principles outline the scope and coverage of this Report. It gives priority to information that is considered to be material, and uses a uniform method of collecting data across all ENDESA businesses, without omitting information that is relevant for stakeholders, to include social, economic and environmental impacts.

02.5. PRINCIPLES OF INFORMATION QUALITY

- **Precision and clarity:** The report gives a number of tables, charts and outlines in sufficient detail to allow a reasonable evaluation to be made of the Company's performance.
- **Regularity of the information:** ENDESA maintains its commitment to publish an annual report on its economic, environmental and social performance. The Company also posts its performance on its permanently updated website and publishes its Sustainability Report at the same time as its annual business, economic-financial and corporate governance reports.
- **Reliability:** For the fourth consecutive year, this Report includes an independent review report, made on this occasion by the Deloitte Company.
- **Balance:** The Report includes positive and negative aspects, with the aim of giving an unbiased picture of the issues it covers.
- **Comparability:** The changes made in the Report have been organized in such a way that they can be easily understood.



For any queries and suggestions on the Report, please contact us at:

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 For further information, visit the corporate website
 at www.endesa.es

03. SUSTAINABILITY AT ENDESA

03.1. PUBLIC CONFIDENCE AS THE KEY TO SUCCESS

For ENDESA, sustainability means responsible growth based on integrating social and environmental aspects into its strategy and management model. The Company considers that this is the way to make its business targets compatible with long-term added value and gaining the respect of the communities where it operates. ENDESA's commitment to sustainable development is manifested by the Corporate Values that make up the Company's principles of conduct.

ENDESA's integrated approach to sustainability resides in the capability to develop a business model that builds economic growth, social progress and ecological balance, via the targets of:

- Attaining excellence in its government and business management.
- Stay in the lead to meet the challenges facing today's society.
- Gain public confidence to continue to grow in a sustainable manner.

VISION	ENDESA is an energy sector operator and provider of associated services, focused on electricity.
	A responsible, efficient and competitive multinational company, committed to safety, health and the environment.
	A company ready to compete at global level.
MISSION	To maximise the value of its shareholders investments.
	To serve its markets and exceed its customers' expectations.
	To contribute to the development of its employees.
VALUES	People: We assure development opportunities based on merit and the professional contribution made.
	Health and safety: We make a firm commitment towards occupational health and safety by promoting a preventive culture.
	Team work: We encourage involvement towards achieving a common goal, sharing information and knowledge.
	Ethical conduct: We encourage professionalism, moral integrity, loyalty and respect for others.
	Customer focus: The focus of our efforts is to boost customer satisfaction by providing competitive, high-quality solutions.
	Innovation: We constantly strive to improve and find innovative solutions to meet the maximum profitability criteria.
	Orientation and results: Our activities are aimed at achieving the objectives of the business project and profitability for our shareholders, endeavouring to exceed expectations.
	Community and the environment: We have made a social and cultural commitment to the community and adapt our business strategies to preserve the environment.



03.2. ENDESA'S PUBLIC ROLE

ENDESA is a company that is responsible, efficient and competitive. Business success increasingly depends on the ability to adapt to the aspirations of the public it serves. Therefore, ENDESA's success depends to a great extent on intangible factors that do not necessarily have a direct impact on its P&L. Supply safety and quality is one factor, as well as employee commitment and loyalty, clients' esteem, the confidence of public authorities and the respect of opinion leaders.

Public confidence plays a decisive role in the success of the policies, plans and operations of the energy industry as a whole. ENDESA has always been aware of the relevant role of public confidence in the development of its business. That relevance is increasing, insofar as the new contexts of competition make the Company's relations with the public a factor of primary importance. Critical issues for the industry, such as the choice of a generation mix, the development of new capacity, the search for locations for facilities and decisions on tariffs are largely determined by the collective goals of the communities it serves.

Under that prism, the growing concern for protecting the natural environment, cooperation to resolve global issues and the well-being of the communities in which it operates can be seen as an incentive for investing in assets that build public confidence. ENDESA is convinced of the importance of boosting its efforts to build public confidence by building on its commitments and announcing its progress in meeting those commitments.

**ENDESA's commitment to sustainability
is an important driving force that builds
public confidence**

The factors that characterise the Company's business socially condition its challenges and decisions:

- Electricity is essential to the well-being modern communities have attained, which leads to a growing demand for quality of service that is unparalleled by any other industry.
- Electricity is commodity that is not visible to the public; it is taken for granted. As a result, until very recently, the relationship between power utilities and their clients has not been very active. It was generally limited to a few "moments of truth", occasionally associated with critical situations, such as when there is a power cut.
- The relationship between continuity of service and the existence of large electricity facilities is not immediately obvious to stakeholders. As a result, the planning, building, operation and maintenance of the facilities cause difficulties in their relationship with their stakeholders, particularly when there is perceived risk (mainly environmental and social).

Business goals depend on a solid financial base and the strength of the Company's business model, as well as its capability to build public confidence.

ENDESA's commitment to sustainability should be construed as a commitment to invest in assets that build public confidence helping to create a favourable climate of opinion and respect for the Company that will:

- Boost the identity and independence of its business project, creating value based on full operational responsibility in its business management.
- Ensure the energy supply in all of the markets where it has a presence.
- Leverage growth opportunities.
- Play a leading role in opportunities for innovation in all energy-related areas.
- Promote supply quality.
- Actively promote the efficient use of valuable natural resources with a commitment to reduce greenhouse gas emissions, by pro-

viding access to the power supply and creating wealth for the communities where it operates.

- Be a key factor in the ecologic balance, for social progress and the generation of wealth for the disadvantaged.

In short, for ENDESA sustainability means the ability to develop a business model that brings about economic growth, social progress and more ecologic balance by:

- Attaining excellence in its governance and business management practices.
- Staying in the lead to meet the challenges facing today's society.
- Obtaining credits which, in the shape of public confidence, will optimize its goals for development and growth.

The 2008-2012 Strategic Sustainability Plan is ENDESA's decisive investment in assets that build public confidence that will allow it to attain its business's strategic targets and the role it wants to play in society

03.3. ENDESA'S COMMITMENTS TO SUSTAINABLE DEVELOPMENT

The Company's Sustainability Policy, published in 2003 in the context of PEMADS 2003-2007, is developed through the Seven Commitments to Sustainable Development that lay the foundations of the Company's conduct in sustainability. These commitments focus on issues that reinforce assets that build public confidence, that is, the

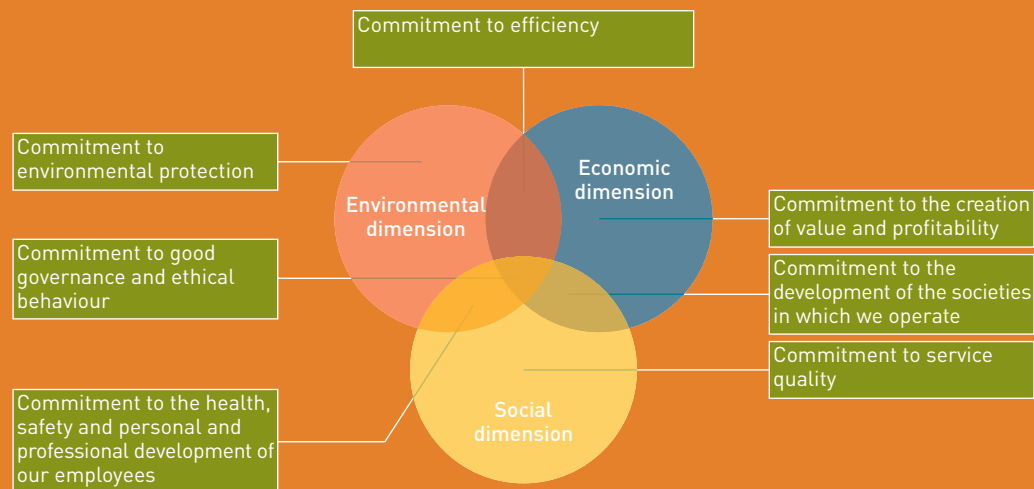


expectations of the stakeholders that have a relationship with the Company.

That objective is expressly promoted by the Management Board and concerns all ENDESA employees and those who work in its name. Therefore, it is passed on to suppliers and contractors.

“Our objective is to supply our customers with quality service responsibly and efficiently, while providing a return to our shareholders, fostering our employees’ professional development, assisting with the development of the social environments where we operate and using the natural resources necessary for our activities in a sustainable manner”

7 ENDESA'S COMMITMENTS



7 COMMITMENTS TO SUSTAINABLE DEVELOPMENT

ENDESA's commitment to sustainable development is set out in its Sustainability Policy:

We are an international energy utility, with electricity as our core business and a growing presence in the gas industry, and a supplier of other related services.

Our objective is to supply our customers with quality service responsibly and efficiently, while providing a return to our shareholders, fostering our employees' professional development, assisting with the development of the social environments where we operate and using the natural resources necessary for our activities in a sustainable manner.

We are aware that we must fulfil our economic, social and environmental responsibilities in a balanced way, based on sustainability criteria, if we are to maintain our current leading position and reinforce it in the future.

The following commitments to sustainable development constitute the guidelines and foundation for our conduct in this area.

Compliance with them is expressly promoted by Company Management and concerns each and every one of us who work at the Company or on its behalf; this is why we extend them to our contractors and suppliers and allow third parties to evaluate our compliance.

This policy is set out in the Seven Commitments for Sustainable Development:

- Our customers, commitment to service quality.
- Our shareholders, commitment to the creation of value and profitability.
- Our people, commitment to the health, safety, and personal and professional development of persons working at ENDESA.
- Our conduct. Commitment to good governance and ethical behaviour.
- Our environment: commitment to environmental protection.
- Innovation, commitment to efficiency.
- Social: commitment to the development of the communities in which we operate.

03.3.1. ENDESA and the Millenium Development Goals

The Millennium Development Goals (MDGs) are a series of ambitious aspirations to promote human development as the key to sustain social and economic progress in all countries.

The MDGs are the outcome of the Millennium Declaration signed by 191 countries. They include 8 objectives and 18 targets to reduce poverty; improve social services; diminish child and maternal mortality, environmental degradation, and discrimination against women; and to provide access to school and other basic services, such as water and sanitation.

ENDESA is committed to the MDGs' broad view of development and to achieving those aims. It makes a sustained effort to make a

contribution to this important and necessary horizon in its daily business and its social initiatives.

The MDGs' scope for 2015 requires focussing on effort and also the outcomes of development. ENDESA will make progress in this area by learning from the best international practices that set ways to measure the impact of its performance in attaining the MDGs, whether the impact is negative or positive.

En 2007, the Spanish Corporate Social Responsibility (RSC) Monitoring Centre published the working paper "The Contribution of the Energy Industry to the Millennium's Development Targets"¹. We will use it to give a breakdown of ENDESA's principle business and social initiatives to achieve the MDGs.

	ENDESA's business initiatives	ENDESA's social initiatives
1. Eradicate extreme poverty and hunger <ul style="list-style-type: none"> • Create jobs. • Create a local business fabric. • Combat malnutrition. 	<ul style="list-style-type: none"> • Creating local jobs. • Improving employability. • Business training. • Occupational insertion for vulnerable groups. • Support for the local business fabric. • Buying and contracting services locally. • Paying competitive wages. • Social benefits to supplement wages. • Upholding basic employment rights, including union representation and non-forced labour. • Requiring suppliers to comply with Basic employment rights. • Agreements with local authorities to supply settlements with low resources, under special conditions. • Customer service for disabled people (bills in Braille, Ipoacustica signage). • Infrastructure investments. 	<ul style="list-style-type: none"> • Combating malnutrition in partnership with children's dining rooms, mobilising customers' donations. • Electrification in underprivileged neighbourhoods.
2. Education for all <ul style="list-style-type: none"> • Abolition of child labour. • Stimulating primary education. 	<ul style="list-style-type: none"> • Condemning child labour and extending this commitment to suppliers. • Financial and material assistance for employees with children at infants or primary school. • Grants for the children of non-agreement workers. • Training for employees and grant schemes for further studies. 	<ul style="list-style-type: none"> • Partnerships with educational entities. • Financial and material assistance to improve school facilities.

¹ Valor, C. (2007): "La contribución de la industria energética a los Objetivos de Desarrollo del Milenio. Análisis de la industria energética." Working Paper of the RSC Observatory. We are most grateful to the RSC Observatory for the permission of using the information of this document.

	ENDESA's business initiatives	ENDESA's social initiatives
3. Gender equality <ul style="list-style-type: none"> • Eliminate discrimination. • Foster women's independence. 	<ul style="list-style-type: none"> • Commitment against discrimination, formalised in the Code of Conduct and Commitments Towards Sustainability. • Work/life balance, diversity and equality policies. • ENDESA's Diversity and Work/Life Balance Committee as a driving force. • Action programme to progress in diversity and work/life balance and extend certification as a Responsible Family Employer across the entire ambit of the Company. • Applying the performance-management system as the basis for assessment and promotion. • Increase in ENDESA's female workforce (17.35% in 2007, +0.49%). 	<ul style="list-style-type: none"> • Initiatives related to the objective of Education for All, such as working in partnership with educational institutions, have a direct impact on the objective of Gender Equality, since they favour women's independence and joining the labour market, because in practice bringing up children remains largely the responsibility of women.
4. Reducing infant mortality <ul style="list-style-type: none"> • Health systems. • Prevention. 	<ul style="list-style-type: none"> • Commitment to health and safety. • Health training for employees. • Health training for contractors. 	<ul style="list-style-type: none"> • Partnerships with entities specialising in health. • Financial and material assistance to improve health-care facilities.
5. Reduce maternal mortality <ul style="list-style-type: none"> • Health systems. • Prevention. 	<ul style="list-style-type: none"> • Commitment to occupational health and safety. • Occupation health and safety management system. • OHSAS 18001 certification. • Prevention and health monitoring campaigns (medical check-ups, vaccinations). • Health and safety training for employees. • Health and safety training for contractors. • Reducing the frequency rates and seriousness of illness. • Safety training for customers. 	<ul style="list-style-type: none"> • Partnerships with entities specialising in health. • Financial and material assistance to improve health-care facilities.
6. Reducing HIV/AIDS and other diseases and illnesses <ul style="list-style-type: none"> • Prevention. • Facilitating cures. 	<ul style="list-style-type: none"> • Commitment to occupational health and safety. • Upholding basic workers' rights, such as sick leave. • Occupation health and safety management system. • OHSAS 18001 certification. • Prevention and health monitoring campaigns (medical check-ups, vaccinations). • Health and safety training for employees. • Health and safety training for contractors. • Reducing the frequency rates and seriousness of illness. 	<ul style="list-style-type: none"> • Partnerships with entities specialising in health. • Financial and material assistance to improve health-care facilities.
7. Assuring environmental sustainability <ul style="list-style-type: none"> • Environmental impact management. • Conserving biodiversity. • Improving slum conditions. 	<ul style="list-style-type: none"> • Commitment to reduce negative impact in the communities where ENDESA operates. • Commitment to combat climate change. • Commitment to the efficient use of natural resources. • Commitment to recovering environmental equilibrium and biodiversity. • Extending environmental commitments to suppliers and contractors. • Multi-year environmental management plans, such as the PMADS. • ISO 14001 certification. • Achievements in the key environmental indicators (water, waste, emissions, materials, etc.). • Campaigns to promote the efficient use of energy. • Partnerships with official bodies to promote energy efficiency. • Biodiversity conservation programme. 	<ul style="list-style-type: none"> • Training for children and teenagers to promote the efficient use of energy. • Rehabilitation of natural areas. • Collaboration and participation in forums and social initiatives to promote and defend a more sustainable environment.

	ENDESA's business initiatives	ENDESA's social initiatives
8. Alliance for development <ul style="list-style-type: none"> • Support for the UN Global Compact and other initiatives. • Fostering good governance. • Creating local skills. • Commitment by the North towards the South. 	<ul style="list-style-type: none"> • Adhesion by ENDESA and all its subsidiaries to the Global Compact and compliance with its guidelines. • The Global Compact principles are included in the Code of Conduct. • Publishing a guide to help subsidiaries to implement the Global Compact. • Collaborating with forums and public initiatives to promote RSE. • Formal commitment to eradicate corruption, backed by a solid risk-management system and an ethics channel. • Rejection of monopoly practices and acting in accordance with free competition. • Partnerships with universities and research centres. • T+1 system and talent management facilitates the transfer of knowledge, better practices and innovation among workers, researchers and suppliers. • Transparency in reporting on the progress of the business and performance in all regions where the Company operates. 	<ul style="list-style-type: none"> • Policy for social initiatives, investment and contributions in kind for the integrated socio-economic development of the communities in which ENDESA is present. • Wide spectrum of social-initiative projects.

03.4. 2003-2007 STRATEGIC ENVIRONMENT AND SUSTAINABLE DEVELOPMENT PLAN (PEMADS) 2003-2007

In 2007, at the end of the time cycle of the 2003-2007 PEMADS, the plan can be described as a success, because over 95% of all the programmes have been carried out and targets have been met considerably above the level originally forecast.

The remaining 5 per cent of the initiatives still incomplete, such as certifications still pending, together with activities of average success in the accounting and reporting ambits, will be undertaken, once the necessary adjustments in the approach have been made, within the framework of the Strategic Sustainability Plan (PES) 2008-2012.

The PEMADS 2003-2007 hinges on three main aims:

- **Act as a coordinating driving force** in sustainability-related matters, via the Environment and Sustainable Development Committee, defining a Sustainability Policy, consolidating a management structure, transferring and implementing the strategy at ENDESA's subsidiaries and holdings, and complying with the commitments of the UN Global Compact in all cases.

- **Promote actions** through annual sustainable-development action plans, managed from the Sustainability Group and with the involvement of the Company's major divisions; in particular, to drive policy on the environment, climate change and conserving biodiversity, and defining policy on occupational health and safety, work/life balance, diversity, prevention of mobbing, and contractors' employment management.
- **Increasing the visibility** of ENDESA's commitment to sustainability, by strengthening communications and transparency, of acknowledgement of its role by institutions and selective Spanish and international indexes, and of the Company's participation in front-rank institutions in relation to sustainability in every country where it operates.

PROGRESS OF THE PEMADS 2003-2007

Programme	Weighted weight	% compliance
C1. Integrating sustainability principles into management	12	100
C2. Climate change programme	15	100
C3. Renewables programme	5	100
C4. Conserving biodiversity	6	60
C5. Adapting to the GIC directive	12	100
C6. Implementing environmental management systems	8	90
C7. Relations with contractors and suppliers	4	100
C8. Control and monitoring of indicators	6	95
C9. Integrated waste management	4	100
C10. Opportunities and synergies in customer management	2	100
C11. Energy efficiency and demand management	8	90
C12. Adaptation to the Integrated Pollution Prevention and Control Act (16/2002, "IPPC")	7	100
Compliance with the PEMADS 2003-2007		95.2

03.4.1. ENDESA landmarks in sustainability

ENDESA is one of the leading Spanish companies when it comes to sustainability. This became clear from the studies carried out during the process of preparing the Strategic Sustainability Plan 2008–2012:

- Opinion formers value ENDESA as a company with an integrated concept of sustainability, setting it apart from its competitors.
- In studies carried out of the general public, ENDESA appears as one of the country's leading companies in all aspects of sustainability.

- In questions such as transparency, RDI, service quality and emission-rights trading, opinion formers rank ENDESA in leading positions.

These results are largely due to the implementation of the PEMADS 2003–2007. The Company also launched other initiatives under this Plan, allowing it to:

- Be recognised on many occasions by key actors on capitals markets, the Dow Jones Sustainability Index, Storebrand Investment, Advanced Sustainable Performance Indexes and Pacific Sustainability Index, as the best company in its sector when it comes to sustainability.
- Make progress on the road to excellence in its business management thanks to significant developments in such areas as occupational health and safety, generating human capital, attracting and keeping talent, work/life balance and diversity, compliance with regulations and codes of conduct, conserving biodiversity and independent verification of sustainability-related information prepared.
- Make its commitment to sustainability tangible through specific actions under action plans promoted by the Sustainability Group, with a success rate of over 97% year after year.
- Achieve a global, homogeneous approach towards sustainability, extending its commitment to its principles to its subsidiaries and holdings, encouraging the adoption of international initiatives, such as the UN Global Compact, and relating its social-action projects to the Millennium Development Goals.
- Be a pioneering company in its sector when it comes to preparing sustainability reports, promoting the preparation of them at its holdings with homogeneous contents that respond to its 7 Commitments to Sustainability, in accordance with international criteria and verified by independent third parties.
- Become one of Spain's benchmark companies in terms of sustainability, participating in the major institutional developments in his area.

ROAD TRAVELLED BY THE 2003-2007 STRATEGIC ENVIRONMENT AND SUSTAINABLE DEVELOPMENT PLAN (PEMADS) 2003-2007

The objective of the PEMADS was to establish and consolidate ENDESA's own, different model for how sustainability is viewed. In summary, its application had the following results:

- ENDESA's Sustainability Policy was formally defined, via 7 commitments for Sustainable Development.
- The strategic sustainability model was consolidated throughout the Company.
- The management structure to respond to these commitments was consolidated.
- The commitments were made specific in the form of the achievements of the annual action plans.
- ENDESA's approach and commitment to sustainability were extended to all its subsidiaries and holdings, transferring Company strategy to local ambits.

In short, the PEMADS 2003-2007 has served its purpose of providing a common framework and philosophy for ENDESA's sustainability-related actions and anchored the Company's philosophy regarding this issue to make it currently one of ENDESA's most distinctive features.

From an external viewpoint, the PEMADS 2003-2007 served as the Company's presentation on sustainability.

With the formalisation of the PEMADS 2003-2007, ENDESA became one of the first multinationals and the first in the Spanish energy sector to formalise its commitment to sustainability

03.5. STRATEGIC SUSTAINABILITY PLAN (PES) 2008-2012

The success of the PEMADS 2003-2007 has led the Company to prepare a Strategic Sustainability Plan for the 2008-2012 period (PES 2008-2012). This Plan, which is more ambitious than its predecessor, defines the sustainability-related actions to be undertaken by the Company over the next five years, with a view to remaining and consolidating itself as a world benchmark in this area. Thus, the PES 2008-2012 renews, updates and strengthens ENDESA's commitment to sustainability as originally set out in the PEMADS 2003-2007.

The PES 2008-2012 is intended to strengthen the intangible assets that are most efficient at generating social confidence. The strategic planning process for sustainability made it easier to determine what the Company's distinctive skills and intangible assets are, and how they respond to external demand.

The Strategic Sustainability Plan for the 2008-2012 period reflects ENDESA's firm resolve to invest in assets that generate social confidence, facilitating the meeting of its strategic business goals and developing the role that the Company wishes to play in society

ENDESA operates in a sector and in institutional ambits where intangible assets and such commitments as sustainability play an increasingly important role with a view to competing successfully. Several studies have shown that the energy sector trails behind other sectors in terms of generating confidence. It is also under growing social and environmental scrutiny, where such issues as climate change or new energy developments point towards a fundamental change in the ground rules over the coming years.

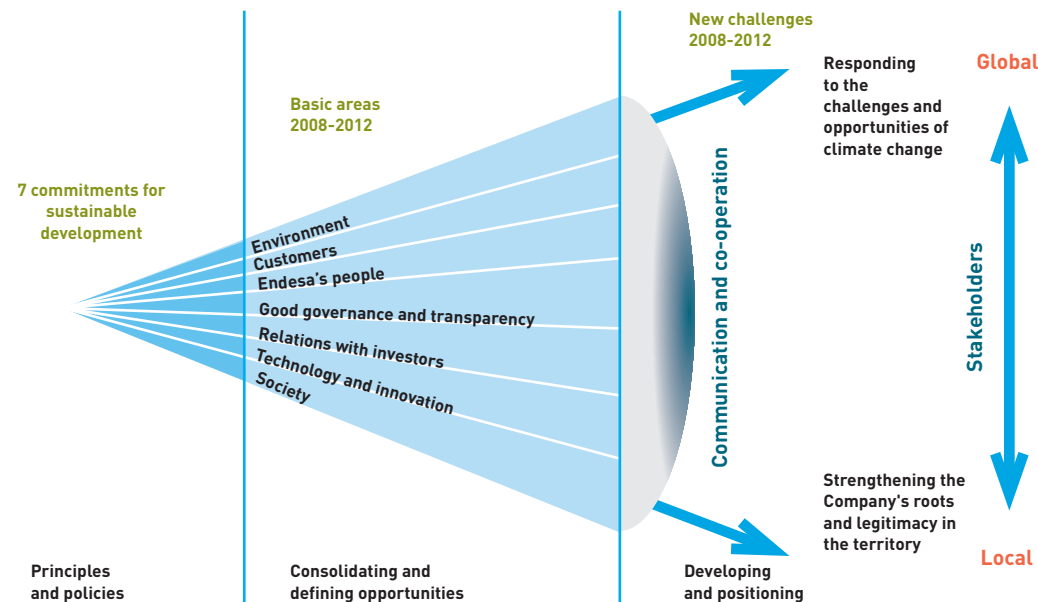
The process of preparing the PES 2008-2012, based on the Company's "7 Commitments for Sustainable Development", began with a process of identifying and understanding key shareholders' expectations about how these commitments should be developed, filling any gaps and identifying any room for improvement in the seven priority areas.

The PES 2008-2012 is structured into three main areas:

- **Basic areas:** taken from the "7 Commitments for Sustainable Development" and addressing issues that were already critical ones in the PEMADS 2003-2007, in which the Company has made substantial progress and which continue to be crucial in order for excellence in sustainability to be achieved. The PES drives new opportunities for improvement in relation to these commitments, as well as consolidation and valuation of the achievements made.

- **New challenges:** these are issues that the process of strategic thinking has identified as being critical for the success of ENDESA's business model and upon which the Company should therefore place particular emphasis in the coming years. The new challenges are focused on climate change and the Company's positioning, confidence and legitimacy in the territories where it operates.
- **Communications:** the development of the PES 2008-2012 should also support ENDESA's positioning with regard to its main markets. ENDESA will publicise the PES 2008-2012 internally and externally, valuing the commitments and achievements made.

With regard to the New Challenges 2008-2012, communication should help the Company to reach its goals, improve its perceived position on climate change and contribute towards enhancing public opinion in the territories where ENDESA operates.



In the process of preparing the Strategic Sustainability Plan, major efforts have been made to improve understanding, consulting stakeholders on the meaning, implications and challenges involved in the commitment to sustainable development for a company like ENDESA.

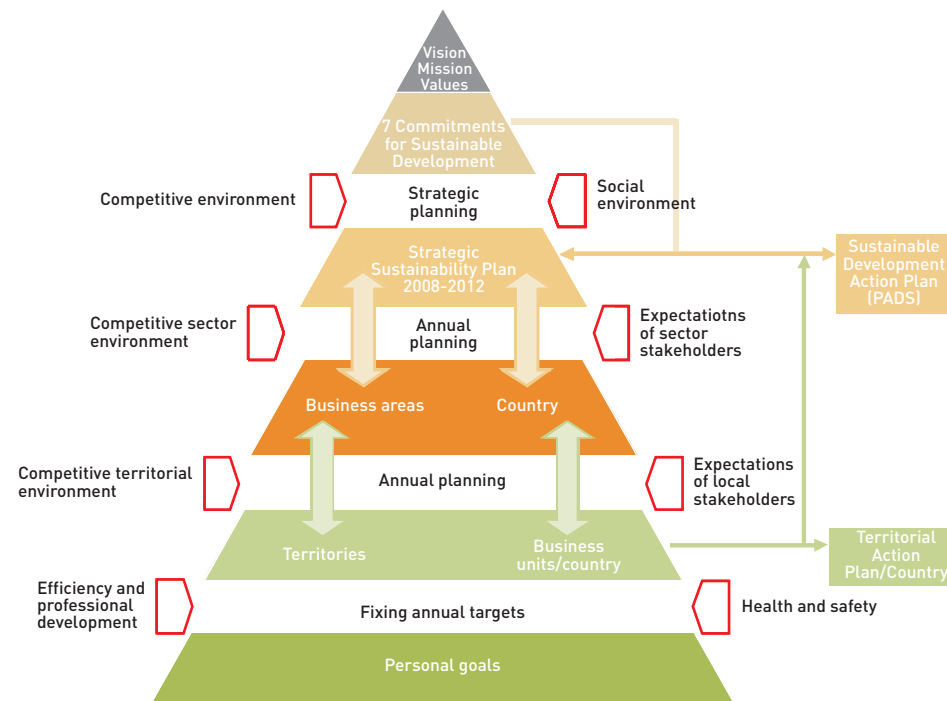


The scope of the PES 2008-2012 applies to ENDESA and its subsidiaries and holdings in all countries where the Company operates. Its monitoring is supervised by the Environment and Sustainable Development Committee, while its coordination is the responsibility of the Environment and Sustainable Development Department. Together with the Strategic Business Plan, it is one of the cornerstones of the Company's strategic planning.

Given that fixing social roots and legitimacy is one of the priority objectives for the coming years, ENDESA has made great efforts to build the territorial viewpoint into the general approaches taken in the PES 2008-2012:

- **Country Plans:** each country will use the PES 2008-2012 as a reference for adapting its own Sustainability Plan (Country Plan), which must set out the ambit of action related to sustainability for the next five years. These Country Plans must be in line with the corporate goals set in the PES 2008-2012.
- **Territorial Plans:** Transferring the goals and commitments of the PES 2008-2012 to the Company's territories in Spain and Portugal.

The PES 2008-2012 will serve to adapt the Company's capacities and formalise its response to the key challenges posed by sustain-



ability, by developing work programmes in the framework of the Annual Sustainable Development Action Plans (PADS) and indicators to allow the degree of success to be measured.

With regard to individual objectives, practical compliance with ENDESA's sustainability goals affects everybody who works at the Company, so individual performance targets (for remuneration purposes) are linked to the actions included in the annual sustainability plans.

03.6. SUSTAINABILITY ACTION PLAN (PADS 2007)

To ensure that the Sustainability Strategy is implemented in a homogeneous, properly coordinated way, the PEMADS 2003-2007 includes a structure composed of an Environment and Sustainable Development Committee, at the top executive level, and a Sustainability Group. In turn, this structure has been replicated at each subsidiary and holding. Every year, the Sustainability Groups, both at the corporate level and for the business in Spain and Portugal, propose a Sustainability Action Plan (PADS) to the Environment and Sustainable Development Committee.

The PADS converts the commitments included in the Strategic Plan for the Environment and Sustainable Development into specific actions and responsibilities. The aim of this is to coordinate the actions of the various ENDESA business divisions to ensure that they are in line with the organisation's strategic goals and any variations that may occur in stakeholders' expectations.

The PADS 2007 took as its starting point the work and strategies included in the PADS 2006, continuing any actions as appropriate. Actions were also proposed based on best practices detected by materiality analysis and those reported annually by the Dow Jones Sustainability Index and other indexes every year.

The corporate-level PADS 2007 included 65 actions, thus maintaining the high number of proposed actions achieved in previous years. It consisted of seven programmes designed to address the Seven Commitments that define ENDESA's Sustainability Policy. By December 2007, 97 per cent of the actions had been completed.

Since 2005, in parallel to the corporate initiatives, ENDESA's Latin American areas of business and companies have implemented annual or biannual PADS. These Plans distribute the responsibilities and tasks that correspond to their departments and operational units, allowing self-assessment of compliance with the objectives set in each ambit and thereby becoming permanent consulting tools to determine the value of business operations for investors, markets and society at large. The results of the progress made and compli-

ance achieved by each can be consulted in the corresponding Sustainability Reports.

04. DIALOGUE WITH STAKEHOLDERS

ENDESA has an extensive set of channels via which it maintains fluid, constant dialogue with its stakeholders. The main ones are shown in this chapter.

Also, during the process of preparing the Strategic Sustainability Plan 2008-2012 in 2007, the Company carried out intensive ad-hoc consulting with its key shareholders. This is definitely one of the main strengths of the Plan, because the basic areas and challenges established in the PES are based on the conclusions of that process.

The consulting carried out was intended to address:

- Expectations of socially responsible investors and public information, studying the evolution and results of DJSI, Storebrand Investment, EIRIS and SiRi results. Results of surveys, press-coverage reports and positioning studies for various advertising campaigns in Spain, Europe and Latin America.
- Expectations of key external stakeholders, via in-depth interviews with opinion formers, including experts in sustainability from the academic world, associations, professionals and specialist media in countries where the Company is present.
- Valuing impact and expectations through in-depth interviews with ENDESA's senior managers in the corporate, business and territorial/country ambits in all markets where the Company operates.
- Expectations of key internal stakeholders, through in-depth study by the members of the Sustainability Group and other unrelated units where people from critical ENDESA units for sustainability work.

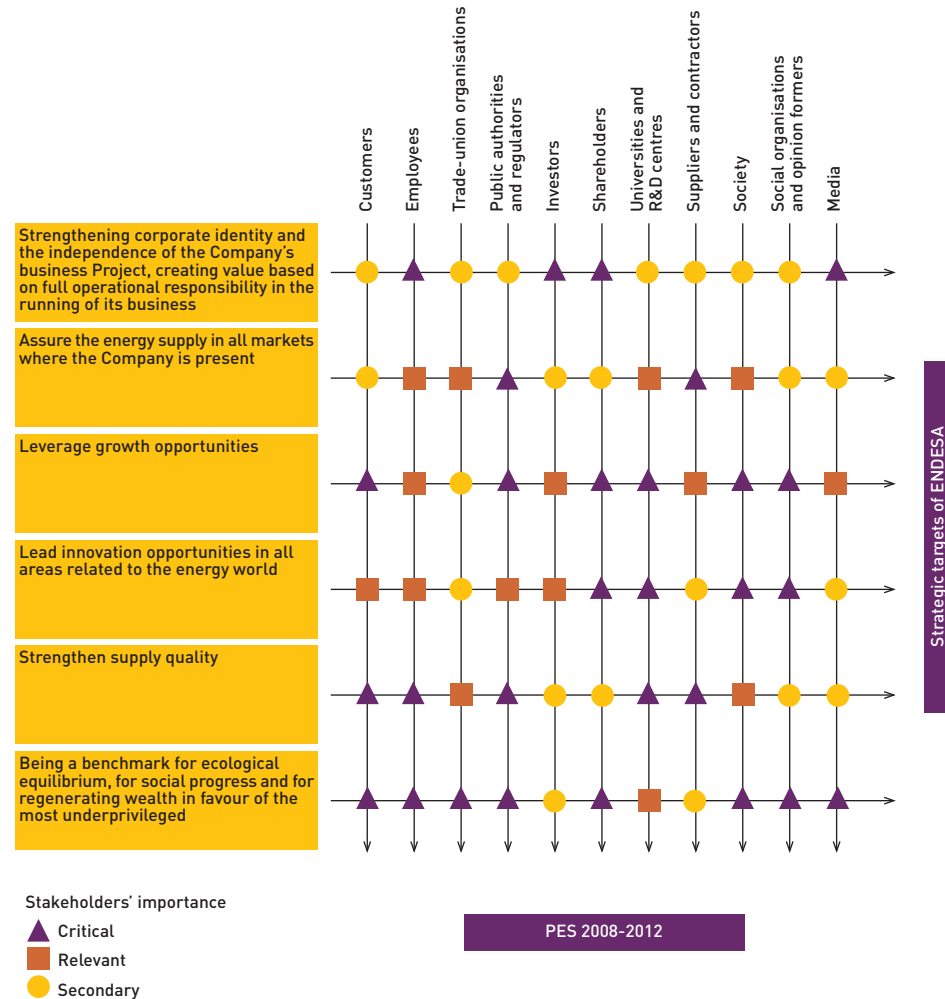
- Opinion of the general public and customers in the different markets where the Company operates, through surveys carried out by firms specialising in qualitative and quantitative research.

The main objectives of the stakeholder-consulting process were:

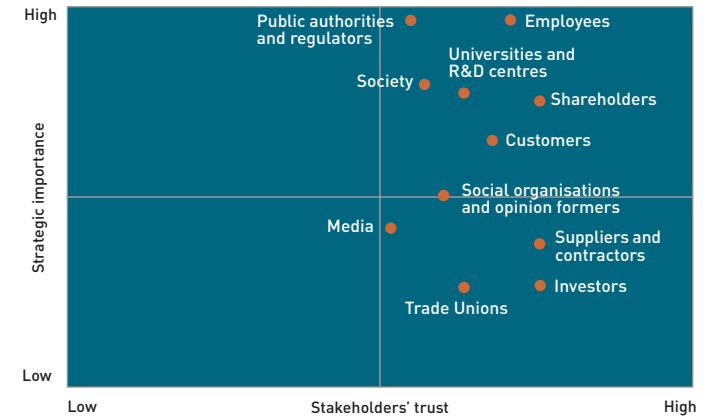
- Identify sustainability issues that are relevant for them in relation to a company with ENDESA's positioning.
- Identify priority topics for ENDESA's sustainability positioning.
- Identify potential sustainability topics in which ENDESA ought to strive for public awareness and positioning.
- Identify action programmes.
- Devise a hierarchy for action among the various ambits of sustainability.
- Work plan for the development of the action programmes.

The following chart shows the relative importance, critical or secondary, of the various stakeholders in order for ENDESA's strategic goals to be met.

The information obtained from these consulting processes has allowed a map of ENDESA's stakeholders to be drawn up, with two axes: the strategic importance of the stakeholders in order for ENDESA's strategic goals to be met, and the stakeholders' estimated confidence in the Company's performance in the areas that affect them. The assessment of confidence in ENDESA's performance has been based on information from the results and conclusions of the studies carried out by the Company during the process of preparing the PES 2008-2012.



MAP OF ENDESA'S STAKEHOLDERS



Stakeholders	Channel	Ambit	Dimension 2007
Shareholders and investors	Shareholders' Office	ENDESA	42,000 calls dealt with. 2,400 postal or e-mail communications sent. 8,000 visits.
	Investor Relations	ENDESA	25,500 visits to customer-service points at offices outside Madrid (for the purpose of General Meetings). 10 public presentations to analysts and investors. Dealing with 33 financial institutions, which prepare regular studies on ENDESA.
Employees	Hotlines	Spain	441 internal communiqués (hard copy and digital) with information on the Company's activities.
		Latin America	A total of 694 communiqués at ENDESA's Latin American subsidiaries.
	Corporate Portal	ENDESA	179,615 different visitors ¹ .
	Actualidad Endesa	Spain	Internal monthly magazine for distribution to ENDESA employees in Spain.
	Endesa América	Latin America	Internal bi-monthly magazine for distribution to ENDESA employees in Latin America.
	CanalEndesa	ENDESA	Audiovisual network with TFT panels at workplaces with a high number of workers who do not use a PC for their everyday tasks.
	Messages	Spain	86 messages (hard copy and digital) with internal communications.
		Latin America	391 internal messages at all Group's companies in Latin America.
	Meetings with senior management	Spain	21 meetings for the Company Management to learn about employees' interests, concerns and aspirations.
Suppliers	CIDE	Latin America	A total of 8 meetings at three subsidiaries (Edegel, Eepsa and Emgesa).
		Endesa Group	Endesa's Innovation Circles (Cide) are an initiative involving over 40 of ENDESA's global suppliers, characterised by their innovative approach. Through the Cides, technological opportunities and aspirations are identified and expectations are expressed, and these are then transferred to the suppliers.

¹ Calculation based on monthly daily averages of different visitors.

Stakeholders	Channel	Ambit	Dimension 2007
Customers	Sales offices	Spain	44 offices, 4 of them outside the distribution area. 417 service points, 42 of them outside the distribution area. 22,000 repairs and 147,000 maintenance jobs at customers' homes.
		Argentina (Edesur)	21 offices, 20 of them equipped with self-help models. 80 service points. 5.06 million contacts. 201,606 queries via self-help modules.
		Peru (Edelnor)	11 offices, 37 self-help modules installed. 48 service points. 421,609 million contacts. 2,271,206 million queries via self-help models.
		Brazil (Coelce and Ampla)	268 offices, 146 of them with self-help modules. 4.49 million contacts.
		Colombia (Codensa)	20 offices, 19 of them equipped with self-help modules. 18 service points. 1,860,632 contacts and 832,879 queries dealt with via self-help modules.
		Chile (Chilectra)	13 offices, all of them equipped with self-help modules. 1,256,767 contacts and 1,882,411 queries dealt with via self-help modules.
	Call Centres (CAT) 24/7 service	Spain	3 physical platforms, one single process. 9.55 million incoming calls from the regulated market. 1.75 million incoming calls from the deregulated market.
		Peru (Edelnor)	1 call centres. 1.98 million calls managed.
		Brazil (Coelce and Ampla)	2 call centres. 10.1 million calls managed.
		Colombia (Codensa)	1 call centres. 5.47 million calls managed.
		Argentina (Edesur)	1 call centres. 3.5 million calls managed.
		Chile (Chilectra)	2 call centres. 2.06 million calls managed.
	Customers Internet Channel (EndesaOnline)	Spain	230,000 customers registered. 2.4 million queries.
		Peru (Edelnor)	103 queries managed.
		Brazil (Coelce and Ampla)	165,718 customers registered. 1.3 million queries managed.
		Colombia (Codensa)	92,520 customers registered. 17,625 queries managed.
		Argentina (Edesur)	151,555 customers registered. 13,801 queries managed.
		Chile (Chilectra)	208,353 customers registered. 34,342 queries managed and an average of 1,039,295 individual visits per month.
	Ombudsman	Spain	1,053 complaints. Of the resolutions issued, 66% upheld the customers' claims either fully or in part.

Stakeholders	Channel	Ambit	Dimension 2007
Society	Advisory councils	Spain	In territorial markets (Catalonia, Andalusia and Badajoz, Balearic Islands, Canary Islands and Aragon), composed of Company directors and representatives of the social and economic fabric of society.
	Ethics Channel	ENDESA	56 cases reported.
Media	Press releases	Spain	967 press releases. 62 press conferences.
		Latin America	886 press releases. 5 press conferences.
	Media contacts	Spain	1,705 contacts in person and interviews. 41,663 contacts by telephone and e-mail.
		Latin America	827 contacts in person and interviews. 5,870 contacts by telephone and e-mail.

¹ Calculation based on monthly daily averages of different visitors.

04.1. ENDESA'S GREEN MAILBOX

The various channels for communication between ENDESA and its external and internal stakeholders include the Environment and Sustainable Development Mailbox (dmads@endesa.es), which was set up in 2000 as a fast, efficient and simple means of contact and relations, in order to respond to queries that are specifically related to environmental and sustainable-development issues, in accordance with the principle of transparency in the Company's Sustainability Policy.

Over the seven years that the Mailbox has been functioning, the number of queries received has increased steadily. Most of the queries are sourced externally, although more and more employees are using it as a means of communication and consulting, largely as a result of the implementation of EMSs in ENDESA's processes and at its facilities worldwide.

70 queries were received in 2007, all of which were answered within a week. The main topics covered were those related to climate change and sustainable development, almost all of which came from external stakeholders. There was also a significant increase in internal queries about EMSs.

The following table shows the percentage of queries made via the Environment Mailbox in 2007.

PERCENTAGES OF QUERIES MADE VIA THE ENVIRONMENT MAILBOX IN 2007

Matters	%
Endesa SGMAs	1
Selective Waste Collection	4
Request for general environmental information	5
Request for Endesa environmental information	26
Lines and Distribution	11
Renewables and non-conventional	6
Climate Change	9
Sustainable Development	17
Sending CVs and job applications	14
Request for sponsorship and partnerships	1
Suggestions and information	2
Complaints	3
Other non-environmental matters	3

COMPLIANCE WITH MILESTONES SET IN 2007

ENDESA commitments	Action areas	2007 target	Key milestones
Commitment to service quality	<ul style="list-style-type: none"> Value the degree of customer satisfaction. 	<ul style="list-style-type: none"> Maintain leadership position in perception of quality via excellence of service and ongoing improvement of objective supply-quality indicators. Extend knowledge of customers' expectations. 	<ul style="list-style-type: none"> ENDESA scores over 7.5 in all aspects valued by customers. In Spain, ENDESA carried out a total of 54,800 telephone interviews with customers and over 1,200 audits at sales offices and service points. In Latin America customers' perception of quality improved compared with 2006, with 72% in Chile and 85% in Brazil. ENDESA continued in its regular efforts to determine its customers' level of satisfaction with the Company's products, services and sales service received via all the channels available, by telephone or in person. Personal attention increased by 356% compared with the 2006 figures. Call centres managed 10.98 million calls, improving waiting-time and abandonment rates.
	<ul style="list-style-type: none"> Assure continuity of supply and speed of response in case of interruptions. 	<ul style="list-style-type: none"> Maintain quality while addressing the growth in demand. Generate higher confidence in society about electrical installations. Profitably extend access to electricity in areas with deficient supply. 	<ul style="list-style-type: none"> The SAIDI for markets supplied by ENDESA in Spain showed the highest supply-quality level in the Company's history, standing at hour 45 minutes, i.e. an 8% improvement over 2006. Euro 1,314,000 invested in distribution in Spain and Portugal and 539 in Latin America, organisational efficiency plan. ENDESA wants to assure access to electricity for as many people as possible and meet their demand. In this regard the Company pays special attention to the most vulnerable populations by standardising the supply to low-income families, extending rural electrification and through projects such as ECOELCE.
	<ul style="list-style-type: none"> Maintain fluid communications with customers. 	<ul style="list-style-type: none"> Improve customer service in technical services rendered directly by ENDESA. 	<ul style="list-style-type: none"> In 2007, Endesa Energía's Customer Service Excellence Plan focused activities on two areas: On the one hand, extending cover and territorial capillarity, and, on the other, homogenising customer-company relations by integrating the various channels available: personal contact, telephone and online. Also, with regard to distribution operations involving some kind of interaction with customers, the Management System of Technical Services and the Nabla project to adjust the delivery times of new facilities to customers' needs, as part of the General Quality Plan, aims to increase the quality of the services provided.
	<ul style="list-style-type: none"> Encourage energy saving. 	<ul style="list-style-type: none"> Continue to carry out awareness-building and educational campaigns among customers to encourage the safe, efficient use of energy. Drive the marketing of products and services that foster energy saving. 	<ul style="list-style-type: none"> In 2007 ENDESA has offered its customers Energy Efficiency Services to encourage savings, the efficient use and responsible consumption of energy. Endesa has designed the Global Energy Efficiency Plan, which fixes the mechanisms for the management of massive demand by industrial customers. In 2007 ENDESA continued to encourage energy saving via different campaigns and the Fine-Tuning Maintenance Service, which besides preventive and corrective breakdown support provides advice to optimise the performance of customers' installations, so that they can consume as little energy as possible. Also, ENDESA stresses promoting the use of photovoltaic solar energy among its customers, offering turnkey projects that include a customised study of the necessary infrastructure, energy and environmental balance, technical and financial feasibility, as well as a technical project for installation, commissioning and corrective and preventive maintenance for the first three years.

ENDESA commitments	Action areas	2007 target	Key milestones
Commitment to the creation of value and profitability	<ul style="list-style-type: none"> Tools that ensure that ENDESA's message reaches ethical investors. 	<ul style="list-style-type: none"> Maintain leadership positions on the world's major sustainability indexes. Improve specific information for ethical investors. 	<ul style="list-style-type: none"> For the seventh consecutive year ENDESA was listed in the Dow Jones Sustainability Index. The Company also consolidated its position with Storebrand Investment, Aspi Eurozone and the Pacific Sustainability Index. ENDESA meets the needs of socially responsible investors by communicating their profile and by giving information on finance, ethical and social issues and the environment. It regularly upgrades the information available on the Company's website via the specific channel for shareholders and investors.
Commitment to the health, safety, and personal and professional development of persons working at ENDESA	<ul style="list-style-type: none"> Provide training and work tools to render a quality service. Value the level of employees' satisfaction. 	<ul style="list-style-type: none"> Include indicators of its Performance Management System on the company's Balance Score Card (BSC). Implement the working-climate survey throughout 2007. 	<ul style="list-style-type: none"> Optimise and manage personal development (training indices, absenteeism, climate, vacancy coverage). ENDESA carried out a global survey of the labour environment and commitment in December 2007. The Global participation was 60.71%, corresponding to a total survey of 15,011 people at all our businesses. Of the 11 categories studied from a climate perspective, the two that were scored most highly by employees were occupational health and safety (79% positive) and job satisfaction and motivation (75% positive).
	<ul style="list-style-type: none"> Develop equal-opportunities, diversity and anti-discrimination programmes. 	<ul style="list-style-type: none"> Implement the basic modules of the Nostrum Project in France. Promote the recruitment of women and multiculturalism. To obtain certification as a family-responsible company. 	<ul style="list-style-type: none"> Owing to the disinvestment process included in the bid to take over Endesa by Enel and Acciona, this project was not carried out. In 2007 ENDESA's Diversity and Work/Life Balance Committee was set up. This year two editions of the diversity seminar were organised for managers. ENDESA has obtained a certificate as a Family Responsible Employer by the IESE Family Responsible Employer Index for work/life balance.
	<ul style="list-style-type: none"> Develop programmes to attract and retain talent. 	<ul style="list-style-type: none"> Preparation of individual development plans. 	<ul style="list-style-type: none"> In 2007, ENDESA began, as a pilot Project, the 360 Feedback system, implementing it at two of the Company's units: in Spain (Auditing Department) and Peru (Edelnor), as part of a personal and team development programme.
	<ul style="list-style-type: none"> Continue with occupational health and safety plans. 	<ul style="list-style-type: none"> Implementation of the DELFOS Project. Certify operational units in Spain, Portugal and other European countries under OHSAS 18001 (Occupational Health and Safety Assessment Series) in 2007-2008. 	<ul style="list-style-type: none"> In 2007 the first implementation in Spain of the Delfos information system took place. It is scheduled to be implemented in Latin America (Colombia) in early 2008. 100% of ENDESA's generation companies in Latin America and over 80% of the distribution companies have obtained this certification. This implementation process has also begun at the generation, distribution and services businesses in Spain and Portugal.
Commitment to good governance and ethical behaviour	<ul style="list-style-type: none"> Include issues related to corporate responsibility among the duties of the Board of Directors. Strengthen public confidence in ENDESA's corporate governance practices. 	<ul style="list-style-type: none"> Implementation of training in good governance for the Board of Directors. Setting up a corporate-governance committee among the Board of Directors. 	<ul style="list-style-type: none"> During the takeover-bid process Board members received training in transparency issues. Setting up the Steering Committee is currently under study.

ENDESA commitments	Action areas	2007 target	Key milestones
Commitment to environmental protection	<ul style="list-style-type: none"> • Offer climate-change solutions. 	<ul style="list-style-type: none"> • Reduce CO₂ emissions per MWh generated by 35% in the 1990–2007 period. • Continue to research new mechanisms to reduce emissions. 	<ul style="list-style-type: none"> • The target set for 2007 has been surpassed, with a 36.5% reduction in specific CO₂ emissions compared with 1990. • ENDESA participates actively in various projects to capture and store CO₂, in Spain, Europe and internationally (see table in section 02.6 of the chapter “Commitment to Protecting the Environment” and section 02, Fostering Eco-efficiency in Generation Processes in the Commitment to Efficiency chapter.
	<ul style="list-style-type: none"> • Increase options for the generation of electricity with renewable energy sources. • Encourage energy saving 	<ul style="list-style-type: none"> • Firm commitment to wind energy in all geographical areas where ENDESA is present. • In-house actions to improve the efficiency of facilities • New renewables installations in Spain with a capacity of 2,100 MW in the 2005–2009 period. 	<ul style="list-style-type: none"> • At the end of the 2007 financial year, ENDESA had eleven windfarms under construction (seven in Spain and four in Portugal), with a total gross capacity of 386.9 MW, of which 75 MW was in the final stages. In Spain, ENDESA's growth was higher than the sector average, enabling it to increase its market share to 8.1 per cent, compared with 7.8 per cent the previous year. • ENDESA's Global Energy Efficiency Plan has begun to be applied at the Company's facilities by constantly striving for technological upgrades and optimising the natural resources consumed. • ENDESA installed a gross capacity of 638 MW in renewables in Spain and Portugal in 2007, to reach an accumulated capacity by year end of 2,435 MW, 36 per cent more than at the end of the previous year, and reaching the 2009 target in 2007.
	<ul style="list-style-type: none"> • Conserving biodiversity. • Publish transparent, open information on environmental protection. • Effectively assure environmental management through the implementation of management systems. 	<ul style="list-style-type: none"> • Intensify the minimisation of the impact of installations on the natural environment. • Continue with programmes under the Biodiversity Conservation Plan. • Play an active role in promoting and fostering the conservation of biodiversity. • Preparation and publication of EIA reports on each facility, reporting on the major local impact of activities and ENDESA's efforts to prevent impact. • Certification of the remaining distribution territories (Aragon, Andalusia and the Canary Islands) under ISO 14001. 	<ul style="list-style-type: none"> • Endesa has driven projects to reduce the impact of its new and existing facilities on birds and vegetation and on the landscape by its generation and distribution facilities. See section 04.3 Endesa Natural Environments in the chapter Commitment to Protecting the Environment. • ENDESA has made commitments to protect animal and plant species and natural habitats in the environments in which it operates. Also, through the Biodiversity Conservation Programme, within the framework of the Strategic Environment and Sustainable Development Plan, ENDESA carries out research and studies in partnership with various organisations and universities, see table 04.4 in the Commitment to Protecting the Environment chapter. • In 2007 ENDESA organised a number of seminars on biodiversity. • In 2007 numerous EIAs were carried out in Spain and Latin America, together with Integrated Environmental Licences. • The North West, South and Ebro–Pyrenees hydro production units achieved UNE EN-ISO 14001 certification in late 2006 and early 2007. In Latin America, in Peru, Ventanilla power station was also certified. All the Company's distribution in Latin America, the Canary Islands, Catalonia, Aragon and the Balearic Islands is also certified.

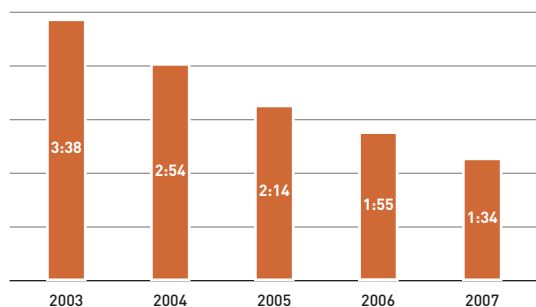
ENDESA commitments	Action areas	2007 target	Key milestones
Commitment to efficiency	<ul style="list-style-type: none"> Foster eco-efficiency in generation processes. RDI project to develop clean energy sources. 	<ul style="list-style-type: none"> Achieve electricity generation that is sustainable and efficient with clean coal: CO₂ separation, capture and destruction/valuation; oxy-combustion, supercritical boilers, IGCC, etc. Establish business and internal-management processes with a global, flexible, standardised vision of excellence, mobility and modularity. 	<ul style="list-style-type: none"> To continue to improve the efficiency of its generation processes, ENDESA carries out many RDI projects either on its own or in collaboration with institutions from other geographic areas. Also, ENDESA participates actively in the European Technology Platform for Zero Emission Fossil Fuel Power Plants (ZEP). In 2007, ZEP approved its Strategic Research Agenda (SRA) and Strategic Deployment Document (SDD). During the year the ZEP work groups were restructured and the Flagship Program was devised, accepting as a candidate ENDESA's proposal to develop a Project to demonstrate oxycombustion technology on a supercritical circulating fluid bed (OXY-CFB), with over 90% capture of CO₂ emissions. Endesa Energy Education focuses particularly on the transfer of knowledge. Partnership agreements have been reached with entities from the academic and business worlds; technology sessions have been organised at energy-technology conferences, where experts and authorities from the sector can discuss the latest technological and environmental developments of interest; activities have been publicised and knowledge management has been supported through alliances, sponsorship, professorships and scholarships in education and at universities.
Commitment to the development of the societies in which we operate		<ul style="list-style-type: none"> Strengthen the role of Territorial Boards in Spain in the management of local social initiatives. Strengthen collaboration and dissemination regarding the promotion of commitments to local communities. Launch of a system to measure the impact of the Social Commitment on the Company's reputation. Provide an opportunity to submit projects for funding via the Company's website. Extend the implementation of ENDESA Solidarity, by improving the tool and carrying out awareness-building campaigns among employees. 	<ul style="list-style-type: none"> Social initiatives are periodically included in the agenda of the Territorial Boards' meetings. Our roots in the societies where we operate are a key challenge in the Strategic Sustainability Plan 2008-2012, and country and territory plans are therefore being developed. Extending brand-perception studies carried out by Metroscopia with questions on the Company's social actions. During the initial stage of Endesa Solidarity 2007 employees submitted projects via the Company's website. Endesa Solidarity Programme (Spain): activity focused on raising funds for selected projects promoted voluntarily by Company employees. In 2007 attention was focused on children, old people and those who are socially excluded, with the collaboration of 17 employees who submitted projects.

05.

ENDESA'S KEY MAGNITUDES IN 2007 RELATED TO ITS SUSTAINABILITY COMMITMENTS

05.1. COMMITMENT TO SERVICE QUALITY

EVOLUTION OF TOTAL SAIDI ON ENDESA'S SPANISH MARKETS (hh:mm)



05.2. COMMITMENT TO CREATING VALUE AND PROFITABILITY

KEY FINANCIAL FIGURES FOR ENDESA (Millions of Euro)

	2003	2004	2005	2006	2007
Operating revenues	16,644	13,665	18,229	20,580	21,931
Operating income	3,144	2,844	4,244	5,239	5,596
Net income	1,312	1,253	3,182	2,969	2,675
Total assets	46,047	47,182	55,365	54,088	58,047
Net financial debt	17,250	18,698	18,281	19,840	21,412
Earnings per share (€)	1.24	1.19	3.01	2.8	2.53
Total shareholder remuneration (%)	42.9	18	32.8	72.1	**

** To be proposed at the 2008 AGM

05.3. COMMITMENT TO THE HEALTH, SAFETY AND PERSONAL AND PROFESSIONAL DEVELOPMENT OF THE PEOPLE WHO WORK AT ENDESA

ACCIDENT RATE (frequency index)*

	2004	2005	2006	2007	% change 2007/06
Spain (Electricity & mining businesses)	14.26	11.95	9.80	7.59	-22.6
Europe	14.25	9.04	14.20	8.04**	-43.4
Latin America	3.80	4.76	3.19	2.75	-13.8
Total	9.27	8.12	6.45	5.05	-21.7

* Accident rating: Number of accidents resulting in sick leave per million hours worked.

** In the data for Europe, the data for Endesa Italy correspond to 30/9/2007

05.4. COMMITMENT TO GOOD GOVERNANCE AND ETHICAL BEHAVIOUR

DISTRIBUTION OF REPORTS IN 2005 BY GEOGRAPHICAL AREA (%)

	2006	2007
Europe	16	27
Spain	16	23
Rest of Europe	0	4
Latin America	84	73
Argentina	19	17
Brazil	8	10
Colombia	11	13
Chile	16	29
Peru	30	4

05.5. COMMITMENT TO ENVIRONMENTAL PROTECTION

EVOLUTION OF ENDESA'S SPECIFIC EMISSIONS

(kgCO₂/kWh)

	2005	2006	2007
Spain and Portugal	0.54	0.50	0.50
Italy	0.5	0.53	0.53
France	0.92	1.02	0.88
Europe	0.62	0.53	0.62
Argentina	0.31	0.31	0.39
Chile	0.15	0.14	0.29
Peru	0.22	0.23	0.20
Colombia	—	0.006	0.04
Brazil	0.04	0.02	0.001
Latin America	0.18	0.16	0.24
ENDESA	0.44	0.42	0.44

	Output 2007 (GWh)	t CO ₂ avoided
CHP	655	27,510
Mini-hydro	519	226,284
Wind	2,381	1,038,116
Biomass	122	0
USW	101	0
Solar	0	0
Waste treatment	0	0
Total	3,778	1,291,910

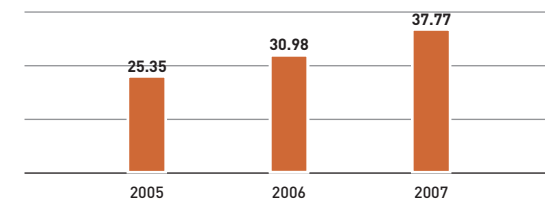
05.6. COMMITMENT TO EFFICIENCY

EFFICIENCY AT ENDESA'S THERMAL PLANTS (%)

	2005	2006	2007
Spain and Portugal			
Coal-fired fossil-fuel plants	35.66	35.52	36.29
Fuel-oil/gas-fired thermal plants	33.79	34.15	34.79
Combined-cycle plants (natural gas)	55	53.53	52.55
Italy			
Coal-fired fossil-fuel plants	34.82	35.02	N/A
Fuel-oil/gas-fired thermal plants	34.80	36.42	N/A
Combined-cycle plants (natural gas)	51.8	53.71	N/A
France			
Coal-fired fossil-fuel plants	34	34.69	N/A
Latin America			
Coal-fired fossil-fuel plants	36.17	33.24	33.77
Fuel-oil/gas-fired thermal plants	33.94	31.60	31.81
Combined-cycle plants (natural gas)	48.62	46.34	49.76
Open cycle thermal power plants (GO and FO)	23.95	29.19	— ¹

¹ Information on "fuel/gas" and "open cycle" plants, which was quoted separately in previous years, is now grouped under the "fuel/gas" plants heading.

05.7. COMMITMENT TO THE DEVELOPMENT OF THE SOCIETIES IN WHICH ENDESA OPERATES





ENDESA'S COMPLIANCE WITH SUSTAINABILITY COMMITMENTS

Commitment to service quality



99.98%
availability of
ENDESA's electricity
service in Spain

227,501 GWh
supplied

23.4 million
customers

8%
improvement
in SAIDI since 2006

ENDESA'S APPROACH

Service quality and excellence in our interactions with our customers are key factors in ENDESA's experience.

They are the factors that should serve to make ENDESA the best perceived power company in all markets where the Company is present.

PRINCIPAL MILESTONES

- Availability of the electricity service equivalent to 99.98 of total hours in the year.
- Record SAIDI result (System Average Interruption Duration Index) in the market supplied by ENDESA in Spain: 1 hour 45 minutes for 2007 as a whole, an 8 per cent improvement on 2006.
- Increase of 1.8 per cent in the length of ENDESA's distribution lines.
- The leading power company in Chile, Argentina, Colombia and Peru, and the third largest in Brazil.
- 11 and a half million customers in Spain and nearly 12 million in Latin America.
- The first Spanish power company with a Customer's Ombudsman.
- Launch of Energy Efficiency Services; support for the rational, efficient and careful use of natural resources.

PRINCIPAL POLICIES

- Capacity and quality programmes for excellence in sales processes.
- After-sales services.
- Suppliers and contractors integrated into our commitment to customers.

CHALLENGES IN 2008

- Progress with the Loss Control Programme (Energy Efficiency Programme).
- Develop a public-awareness strategy in all countries where the Company operates to foster rational energy use.
- Take on board any opportunities for improvement identified while rendering services to customers.
- Generate and image of effectiveness, proximity and credibility when rendering technical services.

1.

QUALITY OF SERVICE: CONTINUITY OF SUPPLY

12 million
customers in Latin
America

1 hour 34
minutes total SAIDI
in Spain

The main factors valued by ENDESA's customers regarding the service provided by the Company are quality and continuity of supply. In 2007, as in recent years, ENDESA maintained its significant in distribution facilities, which have the most effect on quality and continuity of supply. That year, the Company's total investments in the distribution business stood at Euro 1,314 million in Spain and Portugal, and Euro 359 million in Latin America.

Another key aspect of ENDESA's service-related responsibility is to assure access to electricity for as many people as possible and meet their demand. To achieve this, ENDESA must develop the necessary infrastructures to address the needs of the communities where the Company is present. In this regard, the Company focuses particularly on the most vulnerable communities, which, in the ambit of ENDESA's business, are certain rural communities in various Latin American countries.

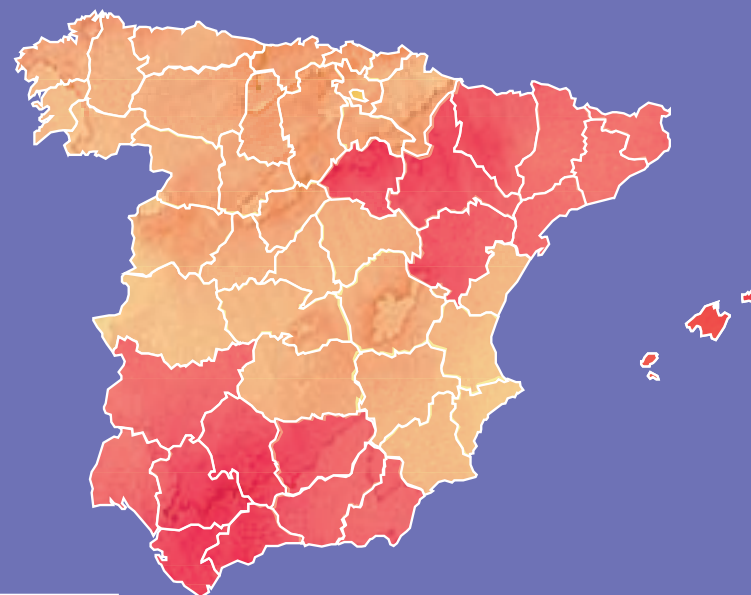
01. 1. SPAIN

ENDESA has a total of 11.5 million customers in Spain, 1.1 million of them on the deregulated market. The Company has a market share of 52.6 per cent in sales to customers on the deregulated market, 43.6 per cent of total sales to end customers and 39.7 per cent of sales to regulated-market customers.

EVOLUTION OF ENDESA'S SUPPLY ON THE SPANISH MARKET

	2005	2006	2007	2007 vs. 2006
No. of regulated market customers	9,716,000	10,042,000	10,326,000	2.8%
No. of deregulated market customers	998,000	1,078,000	1,155,000	7.1%
Power supplied to the regulated market (GWh)	64,095	71,599	72,746	1.6%
Power supplied to the deregulated market (GWh)	36,773	37,813	40,629	7.4%
Length of distribution-grid lines (km)	297,133	298,550	303,958	1.8%
No. of substations	890	923	947	2.5%
No. of MV-LV transformer centres	132,730	111,535	115,143	3.2%
HV/MV transformer capacity (MVA)	71,754	75,465	79,020	4.7%

DISTRIBUTION MAP OF ENDESA IN SPAIN (BY PROVINCE)



In Spain, ENDESA distributes electricity to a market covering an area of approximately 200,000 km² in 20 provinces in 7 regions (Catalonia, Andalusia, Balearic Islands, Canary Islands, Aragon, Extremadura, and Castile and Leon).

MANAGEMENT OF THE INTERRUPTION IN SUPPLY IN BARCELONA

On 23 July 2007, the supply in Barcelona was interrupted, affecting thousands of residents in the Catalan capital and adjoining districts. ENDESA devoted extensive resources to this incident in order to reach a solution as quickly as possible, rapidly applying measures to compensate those affected. The Company also understood that those affected expected a detailed explanation of the causes and evolution of the incident. With this in view, ENDESA's Chairman sent a letter to the President of the Catalan Parliament, express his full availability to appear before the Parliament and account for ENDESA's investment policy in Catalonia. When he appeared before the Catalan Parliament, ENDESA's Chairman began by apologising to the people of Barcelona who had been affected before going on to explain to the people's representatives how the blackout had occurred and what had been done to remedy the situation. He also provided detailed data on the investment made by the Company's in the region. ENDESA invests an average of 538 euros per customer in Catalonia.

ENDESA has a high capacity to manage requests for access to the deregulated market in Spain, having automated the relevant process. 98.1 per cent of applications by new customers are processed in under 5 days and customers' satisfaction with the speed of the subscription process stands at 7.5 out of 10.

The length of ENDESA's distribution-grid lines in Spain grew by 8,266 km in 2007

In 2007, the length of ENDESA's distribution-grid lines in Spain grew to reach nearly 304,000 km. 133,000 km of this length corresponds to high-voltage (HV) and medium-voltage (MV) lines (34,000 km of them buried) and 171,000 km to low-voltage (LV) lines (51,000 km buried). Also, during the course of the year 24 new substations, 3,608 MV and LV transformers and 955 metering centres for MV customers were brought into service. With these new additions, by the end of the year ENDESA had 947 substations, 151,673 transformer centres and 36,530 metering centres. In turn, the transformation capacity grew by 3,555 MVA, i.e. 4.2 per cent of the capacity at the end of 2006.

To improve supply quality, the Company has intensified its maintenance work, the renovation of facilities and the degree of automation of its MV grid

In 2007, the automation plant for the Company's MV grid made it possible to bring 1,242 remote controls into service, an increase of 21 per cent.

Although its distribution infrastructures continue to grow steadily year after year, ENDESA, like other companies in the sector, faces certain difficulties when it comes to obtaining the legal licences and rights of way required to implement the new installations needed to improve service quality and extend coverage for new applications for supply. The Company is intensifying dialogue and collaboration with the authorities to bring the relevant projects to a successful conclusion.

When determining supply quality, continuity is a key factor to be taken into account. The most commonly used indicator in Spain to measure continuity of supply is the SAIDI (system average interruption duration index).

**In 2007 ENDESA achieved
the highest level of quality of supply
in its history**

In 2007, the SAIDI for markets supplied by ENDESA stood at 1 hour 45 minutes, an improvement of 8 per cent over the 2006 figures. This SAIDI includes all the possible causes of interruptions: internal causes, third-party breakdowns, force majeure, scheduled works and even those attributed to businesses managed by other companies, such as incidents during generation and transport. If the latter are discounted, the SAIDI for ENDESA's distribution business stands at 1 hour 34 minutes, an 17 per cent improvement over 2006.

Both these figures set new records for ENDESA's continuity of supply and are higher than the average for the Spanish electricity market as a whole. ENDESA's SAIDI results in 2007 translate to an equivalent service availability of 99.98 per cent of the total hours in the year.

To assure the effectiveness and ongoing improvement of its processes, the Company applies Lean and Six Sigma systems and methodologies. Implementing them means modifying internal rules, procedures, processes and any other documents related to the services provided to the most widely recognised and highly valued quality standards for today's market.

Many of the towns and cities served by ENDESA in Spain enjoy service-quality levels that stand comparison with the best Europe, and all the provincial capitals where the Company distributes electricity have a SAIDI of under 1 hour a year.

The major improvements to quality of supply recorded by the Company in Spain are the result of careful strategic planning and the de-

**EVOLUTION OF TOTAL SAIDI ON ENDESA'S
SPANISH MARKETS (HH:MM)**



**SYSTEM AVERAGE INTERRUPTION DURATION INDEX
(SAIDI) (HH:MM)**

Territory	2005	2006	2007	2007 vs. 2006
Aragon	1:30	1:17	1:13	-9%
Catalonia	1:31	1:44	1:38	-6%
Andalusia and Badajoz	3:13	2:22	2:05	-11%
Balearic Islands	2:09	1:47	1:59	11%
Canary Islands	2:19	1:21	1:05	-19%
Endesa Red	2:14	1:55	1:45	-8%

ORGANISATIONAL EFFICIENCY PLAN

In 2007, ENDESA continued to develop its Organisational Efficiency Plan. The objective of this plan is to increase the profitability of the business, containing costs by taking organisational measures to contain costs and maintaining an approach that focuses on the efficiency of the Company's operations. Projects to improve the continuity of supply, some of which have now been implemented for over four years, include:

- Micro Plan. Through an innovative approach to defining substation-maintenance strategies, this Plan is allowing a major improvement in quality levels to be achieved.
- META Project, to improve incident response times, integrated into the new day-to-day management model 'TIC:T@C powered by Lean'.
- Formula 1 Project. Designed to reduce the duration of interruptions to customers' supplies caused by scheduled grid-maintenance work.



ployment of improvement plans. The General Quality Plan at Endesa Red, ENDESA's distribution company, combines and sequences investment plans and management-improvement projects.

In addition to the increase in continuity of supply, major efforts have been made within the framework of the Quality Business Plan to raise the quality levels of the other services that the Company provides for its customers. Two major initiatives are of particular relevance in this regard:

- **Technical Service Management System.** This initiative covers all distribution operations that involve interacting with customers in some way: meter-equipment management, supply agreements, repair service by telephone, and response to new applications for supply, for instance.
- **NABLA Project.** This initiative aims to optimise the process of building new grid facilities and commissioning them with zero faults, by applying Lean Operations methodologies, for which ENDESA has become a worldwide benchmark. The specific objective is to adjust the delivery times of new facilities precisely to customers' needs, whether they are new third-party supplies or necessary in order to meet operational needs.

01.2. EUROPE

ENDESA is present on the deregulated Portuguese market via the company Sodesa, holding a 50 per cent stake. This company's customer portfolio consists of 2,518 points supplying approximately 1,000 GWh of power. In 2007, Endesa Energía, ENDESA sales company, obtained a licence to sell gas in Portugal and was awarded the contracts for several projects, under the Efficient Electricity Consumption Promotion Plan promoted by the regulatory entity ERSE, worth 2 million euros.

In the rest of Europe, ENDESA sells electricity on the deregulated markets in France, Germany, Andorra and the Netherlands. In some

of these countries we operate through Endesa Energía and in others through various holdings.

In 2007, Endesa Energía's international division consolidated its position as one of the leading European sellers to large customers, with a portfolio that can now boast 4,017 GWh in sales. A new office was also opened in Amsterdam, to join those already operational in Lisbon, Oporto, Paris and Frankfurt. ENDESA has therefore extended its capacity to provide global supply services to customers in Europe.

EVOLUTION OF ENDESA'S SALES ON THE EUROPEAN MARKET (GWh)

	2005	2006	2007	2007 vs. 2006
Italy	30,924	33,584	32,583	-3%
France	16,297	19,022	19,919	5%

01.3. LATIN AMERICA

ENDESA is the leading electricity company in Chile, Argentina, Colombia and Peru, and the third largest in Brazil. In 2007, ENDESA's power-company holdings in Latin America increased their electricity sales by 9.2 per cent, while the total number of customers grew by 3.4 per cent.

ENDESA is close to reaching 12 million customers in Latin America

EVOLUTION OF ENDESA'S SUPPLY IN LATIN AMERICA (GWh)

	2005	2006	2007	2007 vs. 2006
Chile	11,851	12,377	12,923	4.4%
Argentina	14,018	14,837	15,833	6.7%
Colombia	10,094	10,755	11,441	6.4%
Peru	4,530	4,874	5,201	6.7%
Brazil	14,753	15,438	16,212	5.0%
Total	55,246	58,281	61,610	5.7%

ENDESA CUSTOMERS IN LATIN AMERICA (Thousand customers)

	2005	2006	2007	2007 vs. 2006
Chile	1,404	1,437	1,483	3.2%
Argentina	2,165	2,196	2,228	1.5%
Colombia	2,074	2,138	2,209	3.3%
Peru	925	951	986	3.7%
Brazil	4,654	4,859	5,067	4.3%
Total	11,222	11,581	11,973	3.4%

The quality of supply in these countries also focuses on reducing both the number of interruptions per user and the duration of any interruptions that do occur. The benchmark indicators are similar to the SAIDI, although the values in different countries are not directly comparable owing to differences in local regulations on how interruptions are recorded (causes, sources, duration of interruptions and facilities included).

SUPPLY-QUALITY INDICATORS IN LATIN AMERICA

Chile (TTIK TAM)	3.32
Chile (TTIK TAM)	4.49
Colombia (TIEPI TAM)	15.25
Peru (DEK TAM)	7.33
Brazil – Ampla (DEC TAM)	14.47
Brazil – Ampla (DEC TAM)	9.40

LOSS-CONTROL PROGRAMME IN CHILE

2007 was not a good year in terms of energy losses in Chile. Heavy increases in electricity tariffs, combined with one of the harshest winters in recent years, prevented better results from being obtained. Despite the application of the loss-control programme, which is mainly intended to control power losses from theft, meter-recording errors and administrative issues, the 12-month accumulated losses index rose from 5.54 per cent in 2006 to 5.88 per cent in 2007. ENDESA, through its holdings in Chile, pursues a public-awareness strategy to foster the rational use of energy, avoiding excessive expenditure on electricity-generation, transmission and distribution resources.

Acme network: Non-technical energy-loss tool.

Community Consulting Mobile (MAC): Social-approach tool that allows the social variable of the energy-loss phenomenon to be managed.

Compilation of information collected monthly from customers' meters.

Consolidation of loss indicators by voltage level, HV, MV or LV.

Standardisation of supply for vulnerable families. Under 2% of the population in the Company's concession area are without electricity.

**NON-TECHNICAL
LOSS
CONTROL**

CUSTOMER SATISFACTION IN SPAIN, BY TOPIC

	2005	2006	2007
Meter-reading, billing and payment	8.23	7.80	7.65
Supply	8.13	8.07	7.93
Image	7.55	7.86	7.53
Company	7.63	7.86	7.54
Personal service received	7.89	7.90	7.66

The quality of personal service at ENDESA's sales offices in 2007 scored 8.42 out of 10, and 7.49 at service points

TOPICS OF CUSTOMERS' COMPLAINTS IN CHILE

Company reason	2005	2006	2007
Complaints about personal service	10,099	10,126	9,575
Anomalies receiving bills	8,558	6,842	5,476
Service cut-off and restoration charges	7,205	5,131	3,754
Complaints about burnt objects	2,633	4,020	4,402
Misc. wrongly billed debits/credits	6,241	2,996	—
Non-standard connections	1,775	1,948	2,306
Meter inspections	2,423	1,872	3,126
Repeated power cuts	2,555	1,525	2,348
LV-1 and LV-2 reading verifications	2,555	1,427	2,653
Voltage fluctuations	673	736	771
Other reasons	5204	6,405	7,826
Total	49,921	43,028	42,237

02. CUSTOMER SATISFACTION

7.93 out of 10 scored for customers' satisfaction with ENDESA's supply

Over **1,200** audits performed at sales offices and service points

02.1 PERCEIVED QUALITY

In 2007, ENDESA continued in its regular efforts to determine its customers' level of satisfaction with the Company's products, services and sales service received via all the channels available, by telephone or in person. The system implemented not only focuses on determining customers' perceptions, but also on ongoing improvement by incorporating any opportunities for improvement identified when rendering technical services.

In Spain, ENDESA carried out a total of 54,800 telephone interviews with customers and over 1,200 audits at sales offices and service points. The Company scored higher than 7.5 out of 10 for all aspects valued by its customers. 76.14 per cent of those interviewed expressed their intention to continue as ENDESA customers.

In Latin America, satisfaction surveys indicate improvements in how ENDESA is perceived by its customers. In Chile, the level of satisfaction of both household and corporate customers was 72 per cent. In Brazil, the perception of the quality of Coelce's supply improved beyond the already excellent results obtained the previous year: 85 per cent of customers considered the quality of supply to be good or excellent compared with 75 per cent in 2006.

02.2. CUSTOMER SERVICE EXCELLENCE PLAN

The purpose of Endesa Energía's Customer Service Excellence Plan is to assure satisfactory customer service through all of the sales channels and processes used by customers in their relationship with the Company.



In 2007, actions under this plan focused on two areas: first, to extend territorial cover and capillarity; and second, to homogenise customer–Company relations by integrating all the various channels: personal contact, telephone and Internet.

SALES-SERVICE CHANNELS

Personal service	46 sales offices and 428 service points: Extended coverage and capillarity. 22,000 repairs and 147,000 maintenance jobs managed at customers' homes. 356% more than in 2006.
Call Centres (CAT)	9.15 million regulated-market calls (+6.4%) and 1.83 deregulated-market calls (+2.8%). Better average waiting times and abandonment ratios.
Online sales channel	New functionalities. Digital bills for all customer segments. Accessibility certification. Information service for mobiles. Over 230,000 registered customers. 2,400,000 interactions, actions and queries managed (+20%). Leader in Web-based services.

ENDESA's personal sales service takes the following forms, depending on the customer segment:

- **Major customers and companies.** ENDESA's Major Customer management team is organised by sector as well as by territories. This allows us to gain in-depth knowledge of their needs and offer them customised competitive solutions. A corporate channel is also available, offering customised power supplies and added-value services. In 2007, ENDESA's major-customer customised sales network scored 5% higher than the competition's.
- For **New Building**, ENDESA has a channel to deal personally with new housing developers in areas where the Company operates as a distributor and to capture the sale of future supplies, supplementing the offers made with other products and services in areas where the Company does not operate.
- For the **Household segment**, ENDESA deploys an extensive personal-service network, consisting of 42 sales offices and 381 service points in areas where the Company operates as a distributor and 4 sales offices or ENDESA shops and 47 service points in virtually all regions where the Company does not operate as a distributor. In summary, ENDESA makes a network of 474 personal-service points available to its household-segment customers in Spain.



ENDESA'S PERSONAL SERVICE NETWORK IN SPAIN

	Commercial offices	Service Points	Total points
Aragon	6	29	35
Catalonia	7	156	163
Balearic Islands	3	24	27
Andalusia-Badajoz	23	142	165
Canary Islands	3	30	33
Own distribution market	42	381	423
Outside distribution market	4	47	51
Total	46	428	474

PROJECT DIANA-RAM TO MANAGE TASKS PERFORMED AT ENDESA CUSTOMERS' HOMES IN SPAIN

Implementation of the DIANA system continued in 2007. This project enables operating costs to be reduced by 20%, response times cut and customer service improved by using portable terminals for meter-related tasks at customers' homes. The purpose of the second phase of the Project was to extend the system's capacity to all potential cases of in-home tasks and the redesign of meter equipment (RAM project). The implementation of this second phase of the project was completed in Aragon, Andalucía-Extremadura and the Balearic Islands in the last quarter of 2007. It is scheduled for development and implementation in Catalonia and the Canary Islands in the first six months of 2008.



ENDESA also has permanent telephone and online information channels.

- **The Call Centre (CAT)** is the Company's main vehicle for liaison with customers. In 2007 11.3 million calls related to sales management and grid incidents were dealt with. The CAT has three physical call-centre platforms: one in Seville and two in Barcelona. In 2007, the ENDESA Call Centre transformation phase concluded in 2007, as a result of which it can now act as the sole centre for customer liaison, regardless of the location of the agents providing the service. This makes the service far more flexible while assuring the high quality of service provided and optimising operating costs.

EVOLUTION OF CALLS DEALT WITH AT CUSTOMER CALL CENTRES (Million calls)

	2005	2006	2007
Regulated market	9.03	8.60	9.15
Deregulated market	1.76	1.78	1.83

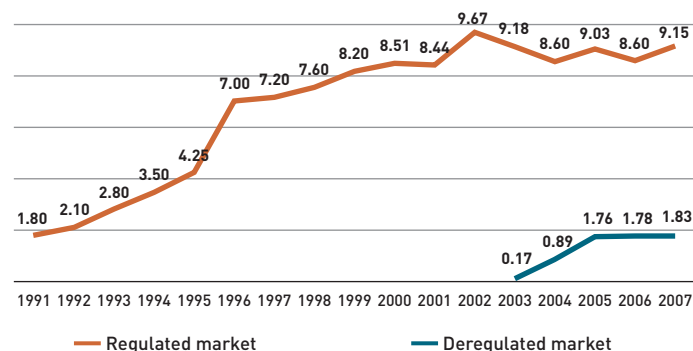
The main objective of the Call Centre optimisation process was to make customer service a differentiating factor that provides value for customers. Customers now have a unified vision of the quality of the service, operational practices and information sources. This means that greater control can now be applied to sensitive information. Information-processing tools have also been upgraded. All these measures have al-



lowed the quality of service to be improved, with the added benefit of reducing operating, telecommunications and maintenance costs.

EVOLUTION OF CALLS ATTENDED IN CALL CENTERS (CAT)

(Million calls)



ENDESA has integrated its three physical telephone-service platforms into a single customer-liaison centre

- **EndesaOnline**, the sales channel on the ENDESA website, was redesigned in 2007 to make it accessible to all kinds of users, including those with a disability of some kind. EndesaOnline.com can also be viewed via the most common mobile devices, from which customers can be kept informed of offers being made by ENDESA or make queries about their contracts and bills. EndesaOnline is the market leader in terms of the number of different transactions that customers can carry out online. By the end of 2007, 230,000 customers had signed up for the service and it was used for a total of 2,400,000 interactions, actions and queries, 20 per cent more than in 2006.

- **Quick solutions for complaints and new-contract applications.** Over the last year of the application of the Customer Service Excellence Plan, 96.8 per cent of sales claims were solved by the relevant deadline, a 2 per cent improvement over the previous year. Meanwhile, the time to bring household and small-business gas contracts on line on the deregulated market was cut by over 40 per cent.

ENDESA has a Corporate Complaints Unit (UCR), structured through five regional centres. The UCR also promotes ongoing improvement by detecting the causes of any disturbances to normal business and fostering ongoing learning. Besides its core activity, which is to manage complaints, this unit defines the criteria for processing claims, represents ENDESA before public or private consumer organisations, and identifies and determines improvements to management systems.

ENDESA has also developed a system for the constant generation of improvement initiatives based on the exchange of the information coming from internal process indicators, measuring customer perception, analysing the root causes of claims, and audits and inspections to confirm the degree of compliance with the established procedures and the way in which the service is provided to customers.

CASE STUDY: ENDESA'S TECHNICAL SERVICE

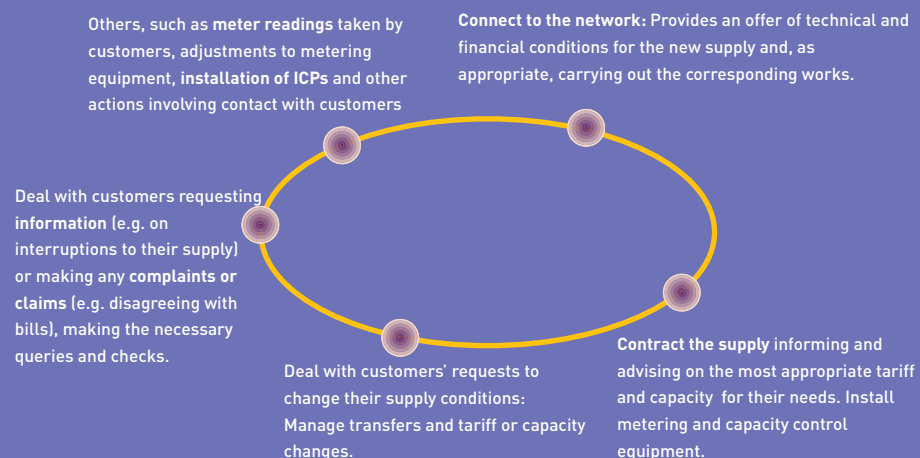
Our challenge: To generate an image of effectiveness, proximity and credibility when rendering technical services

Now in its fourth year of implementation, ENDESA's Technical Service Project (STE) is driving improvements in all services involving relations with customers and the commencement, maintenance and conclusion of electricity supplies. The STE promotes a process of ongoing improvement oriented from the customer, who is the one who determines exactly how the service should be provided. This process begins with information provided by customers via perceived-quality surveys and complaints received, supplemented by the internal vision provided by the key indicators for the relevant processes.

A key factor of the STE is customer-perception measurement, which is structured on the basis of telephone surveys of customers who in the previous two weeks have received one of the technical services defined in the project. These surveys are used to measure customers' perceptions of each dimension of the service, valuing specific aspects of the service and compiling their suggestions and complaints. The objective of this is to monitor satisfaction indicators, measure the effect of improvement

CUSTOMER SERVICE:

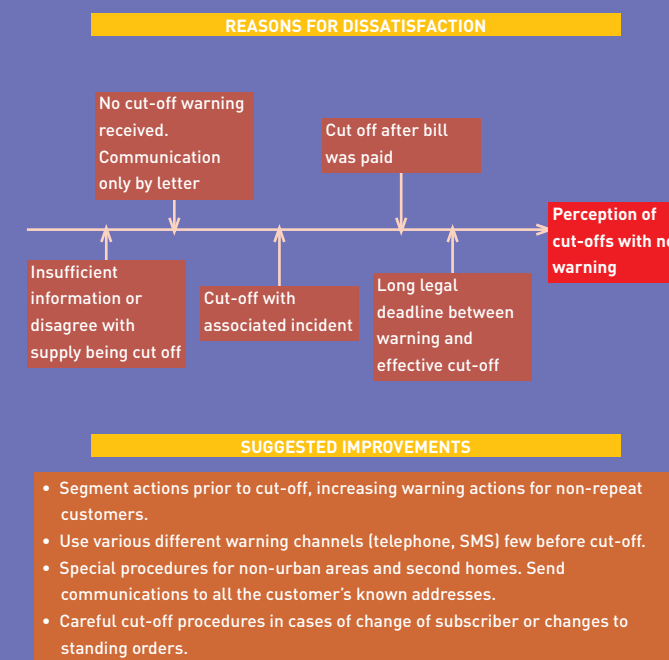
START-MAINTENANCE-END OF ELECTRICITY SUPPLY



initiatives, identify new opportunities for improvement and act in any cases of dissatisfaction. By measuring our customers' perception we can determine the relative importance of the various different aspects of the service in their level of satisfaction. For example, among other things we study how the value the service that they have received, the information they were given, the effectiveness of the action taken or the processing time taken.

Another direct source of information from customers comes from complaints. The STE compiles all complaints related to the technical services defined and explores their root causes by means of cause/effect studies. Analysis of information obtained directly from customers by these procedures allows us to identify room for improvement and incorporate improvements in our processes. An example of this analysis is the process in place for one of the factors in the reconnections service:

"INFORMATION AND CUT-OFF WARNING" FACTOR



03. DIALOGUE WITH CUSTOMERS

1,053
claims received
by the Customer
Ombudsman in 2007

4% drop in
complaints about
product and supply
quality

ENDESA is committed to customer service and addressing their demands and complaints. In 2007, the Company continued to strengthen and improve several different channels for dialogue with customers, thereby enhancing Company–customer relations and closeness.

03.1. ENDESA'S CUSTOMER OMBUDSMAN

ENDESA is the only Spanish energy company to have set up the position of Customer Ombudsman. ENDESA's Customer Ombudsman works independently of the Company's management teams, with the mission of providing customers with an additional means of dialogue in connection with the services that ENDESA provides, listening to external and in-house interlocutors, and proposing recommendations for improving quality of service and meeting customers' expectations.

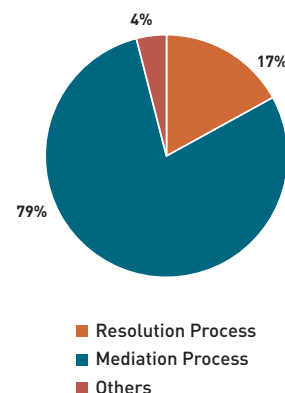
ENDESA's Customer Ombudsman, José Luis Oller, is a person of proven prestige in academic, public-sector and business worlds. Having sat on the ENDESA Board of Directors between 1997 and 2005, he also has in-depth knowledge of the Company.

**ENDESA: The only Spanish energy
company with an independent
customer ombudsman**

In 2007, the Customer Ombudsman handled 1,053 complaints, 593 of which (56 per cent) the Ombudsman was able to resolve directly. The remainder, once they had been studied and initial contact had been made with the customers involved, were passed on for final processing to the usual service channels made available by the Company.

Of the complaints received that meet the requirements for being dealt with by the Ombudsman, 79 per cent were resolved positively during the mediation process, i.e. an agreement was reached between the Company and the customer; 17 per cent ended with a resolution issued by the Ombudsman, which in 66 per cent of cases were partially or fully in the customer's favour; and the remaining 4 per cent ended because the complaint was withdrawn by the client or for other reasons.

CLAIMS RESOLVED BY THE ENDESA OMBUDSMAN BY MANAGEMENT PROCESS



**The Customer Ombudsman's office
gives priority to mediation as the way
to settle any differences between ENDESA
and its customers**

Of the complaints falling within the Ombudsman's direct remit, 43% related to issues of supply quality, 32% to contract and billing issues, and the remainder to other matters.

COMPLAINTS RESOLVED BY THE ENDESA OMBUDSMAN, BY TOPIC (%)

	2005	2006	2007
Product quality and supply	53	47	43
Contracts, collection and billing	33	32	32
Infrastructure and grid, metering and control, misc.	14	21	25

The Customer Ombudsman's recommendations to the Company are intended to:

- Improve how damage claims and repeated complaints are processed.
- Improve the information given to customers, particularly regarding their rights and obligations.
- Act to inform customers of any imminent regulatory changes in the gas and electricity markets.

In 2007, ENDESA took several initiatives to improve the Company's communications and relations with its customers. These included the Mediation Working Sessions and conferences on customer communications and relations organised in ENDESA's territorial markets.

ENDESA's Customer Ombudsman was also behind the setting-up of a forum for European energy companies' customer ombudsmen, organising a meeting to debate the European Commission's proposal for an Energy Consumer's Charter of Rights. This meeting was attended by representatives of all the leading Spanish energy companies, several consumer groups and other European customer ombudsmen.

ENDESA also has customer ombudsmen in Colombia, Brazil and Argentina

In Colombia, the Customer Ombudsman's office has now been running for seven years. The Customer Ombudsman is a person of recognised prestige, having been associated for the last eight years

with Codensa, ENDESA's distribution company in Colombia. The Ombudsman's main activities can be divided into four main ambits: The processing and management of complaints, awareness-building, institutional relations and special projects.

NUMBER OF CLAIMS RECEIVED BY THE CUSTOMER OMBUDSMAN'S OFFICE IN COLOMBIA

	2006	2007
Within the Customer Ombudsman's ambit	586	807

In 2007, the Codensa Ombudsman received 807 complaints. Of these, 361 were forwarded for final processing via the standard customer-service channels. Of the complaints that fell within the office's remit, almost 50 per cent were about distribution-related topics. 82 per cent of the complaints dealt with by the Codensa Ombudsman were from household customers. Of the resolutions issued, 73% upheld the customers' claims either fully or in part.

COMPLAINTS RESOLVED BY THE ENDESA OMBUDSMAN IN COLOMBIA, BY TOPIC (%)

	2005	2006	2007
Distribucion	18	30	49
Sales	74	49	25
Codensa Hogar (non-electricity business)	5	17	23
Other	3	4	3

COMPLAINTS RESOLVED BY THE CODENSA OMBUDSMAN IN COLOMBIA, BY SUPPLY TYPE (%)

	2005	2006	2007
Household	77	76	82
Retail	13	14	12
Industry	9	10	5
Public sector	1	0	1

The recommendations made by the Customer Ombudsman to the company were mostly oriented towards improving the information given to customers about their duties or rights, or clarifying how payments due for non-electricity services are broken down on bills.

The Codensa Ombudsman also performs an awareness-building role, participating in Veeduría's 07 Agreement (entity for vigilance, control and consulting on the transparency and effectiveness of public management in Bogota). The purpose of this agreement is to foster social involvement in the control of how public services are provided in the Colombian capital.

In Argentina, the Customer Ombudsman's actions contributed towards reducing customer response times, the time taken to resolve complaints and the number of customer complaints received. In 2008 a new communication channel is planned, with the aim of achieving and information alliance with key opinion-formers — in this case, consumer groups. The idea is to provide useful consulting information for consumers throughout the Edesur concession area.

In Brazil, ENDESA's two distribution companies, Ampla and Coelce, have a similar figure: the "Ouvidor's office". At Coelce, the Ouvidor's office received 14,235 contacts in 2007, 68 per cent of which were queries, 24 per cent applications of various kinds and the remaining 8 per cent complaints. Most of these complaints were about failures to resolve public-lighting issues. At Ampla, the Ouvidor received 5,215 contacts, 9 per cent fewer than in 2006. Most of the complaints received were about meter-reading and consumption matters. Of all the queries received, 99 per cent were dealt with by the deadline the company has committed to meeting.

03.2. CUSTOMERS' COMMITTEE AND CONSUMERS CONSULTING BOARD

The Customers Committee is another instrument used by ENDESA to get closer to its customers. In Chile, the Customers Committee has now been functioning for two years. The committee's main task is to carry out interviews to determine the perceptions and experiences of

the people who receive services from Chilectra, ENDESA's distribution company in Chile. This allows the company to improve its customer focus, study internal management in greater depth and set up multi-disciplinary work teams to offer more efficient, competitive solutions. The Customers Committee has managed to build awareness throughout the organisation of the value of customers' opinions and criticisms. As a result, it has been possible to make specific commitments in the various departments with a view to resolving customer-service issues.

ENDESA has a Consumer Consulting Board, set up jointly with Chilean consumer groups

Chilectra also has a Consumer Consulting Board, set up jointly with Chilean consumer groups. This Board has been conceived to act as a channel for dialogue between the company and consumer groups in relation to all matters affecting the company's customers. The Board also allows the company to present to the board members any procedures it implements or initiatives it undertakes that are of particular relevance to the service that customers receive. The Consumer Advisory Board meets every other month or at the request of at least two member institutions.

03.3. RESPONSIBLE INFORMATION

Customers have the right to be informed about every aspect of the products and services that they acquire. At ENDESA we understand that enabling customers to exercise this right is a key part of our responsibility as a business. In consequence, we comply with all the relevant regulations related to customer information at all stages of the sales cycle.

On the Spanish deregulated market all bills must state the source of the electricity supplied. ENDESA strictly complies with this require-

Completing customer information
When a supply contract is signed or amended customers are informed of the various tariffs available and the most appropriate capacity for their needs.
When supply is interrupted because of scheduled grid work, customers are generally notified sufficiently in advance.
When supplies are cut-off because of unpaid bills, prior warning is given and only issued if the Company has evidence of the situation.
Also, at other times deadlines for living notice are fixed, whether for issuing quotations for new supplies or managing customer complaints.

ment. Also on this market there is a product called Green Electricity Tariff, which involves obtaining a certificate accrediting that all the electricity sold by ENDESA at this tariff has been obtained from renewable sources.

Similarly, ENDESA guarantees the privacy and security of its customers' data. In 2007 not significant complaints were received related to the privacy or disclosure of customers' personal details.

03.4. PRODUCT SAFETY

ENDESA has a full set of mechanisms in place to assure the health of its customers and the population as a whole with regard to its services. The products that require the closest attention to be given in this respect are those related to the distribution and use of electricity and gas. In 2007 there were no cases of significant impact on the health and safety of customers or the general public as a result of the Company's activities.

03.4.1. Distribution and use of electricity

All Endesa Red facilities comply with the legislation on the safety of the distribution and final use of electricity. All ENDESA's distribution facilities in Spain are assessed in order to ensure that they comply with the following safety requirements and procedures:

Safety compliance distribution and use of electricity
Installations connected to HV/HV and HV/MV distribution substations are protected to isolate any fault that may occur. MV lines are fitted with intermediate protection. Installations are fitted with lightning conductors and autovalves, to prevent surges caused by atmospheric discharges.
All HV and MV installations are inspected every three years for safety and suitability and are remotely controlled from control centres. MB/LV transformer centres and LV lines have similar safety measures.
For connections to mains supplies, all link installations are protected under the relevant legislation.
Customers' safety at their own installations also falls within the ambit of the Company. Under the relevant legislation, ENDESA requires that customers' installations must be set up by officially authorised professionals, reflected in the corresponding installer's report. This report, which is essential in order to be able to contract and connect the supply, ensures that the protection systems in the installation have been checked.

Endesa Red also offers Fine-Tuning Maintenance Services for self-employed installers and companies, which carry out a diagnosis of the electrical installation, checking all the relevant safety requirements: main switchboard, secondary boards, conductors and channelling, emergency lighting, and, in general, identifying any hazardous locations or damp or wet areas.

To protect not only our direct customers but also the general public and environment in general, ENDESA carries out numerous checks and inspections. These include: studies of noise levels at substations and transformers on sensitive sites, studies of the electromagnetic

fields of power lines and substations, regular checks for legionnaire's disease in water tanks at substations, and the statutory environmental impact studies for new facilities. All checks are made in accordance with the environmental management systems (EMSs) implemented under the ISO 14000 standard.

3.4.2. Gas distribution and supply

ENDESA, besides being the leading company in the Spanish electricity sector, is also a relevant player in the gas sector, on both the regulated and deregulated markets. It operates on the regulated market through six gas companies, in which it has holdings ranging between 45% and 100%. These companies distributed 7,091 GWh of natural gas to 375,897 customers in 207. On the deregulated market, ENDESA operates through Endesa Energía, which sold a total of 31,573 GWh of gas to 446,131 customers in 2007.

All the gas-distribution installations of ENDESA's customers are assessed to ensure that they comply with the following requirements and procedures:

Safety compliance distribution and use of gas
Every line at distribution regulation and measuring stations is fitted with a safety valve to avoid risks of over-pressure or pipe breakages. Six-monthly inspections are made to check the general condition of the installation and the functioning of the safety devices in place.
At distribution regulation and measuring stations a remote-control system is implemented, connected to the Gas Control Centre, which enables the key operating variables to be determined at any time. For distribution grids, the channelling route is inspected every two years to search for minor leaks.
Overhead components and electrical apparatus at Regulation and Measuring Stations are earthed to prevent the risk of electrocution for personnel.
IA system is in place to detect leaks at transport-distribution delivery points and LNG plants, with special emergency plans for transport and distribution networks, as well as self-protection plans for liquefied-gas plants.

ENDESA informs customers regularly on the proper, safe use of gas

All gas installations are carried out by officially authorised installers and before they come on line they must pass all the tests and checks required under the applicable regulations. Also, ENDESA, as a distribution company, inspects all reception facilities. Equipment can only be brought into service if it has been installed by an authorised installer or technical service. Equipment with a power capacity of under 70 kW is inspected every five years.

Before the inspection, together with the notification of the process, customers receive an information document called the "Gas User's Guide", which sets out what the inspection entails and explains what the customer's obligations are, as well as providing advice on the proper use and maintenance of the installation and any equipment connected to it. Also, every two years customers are sent the documents "Basic Rules for Gas Use and Safety" and "How to Make Better Use of Gas". Finally, the Company has a 24-hour emergency hotline in place.



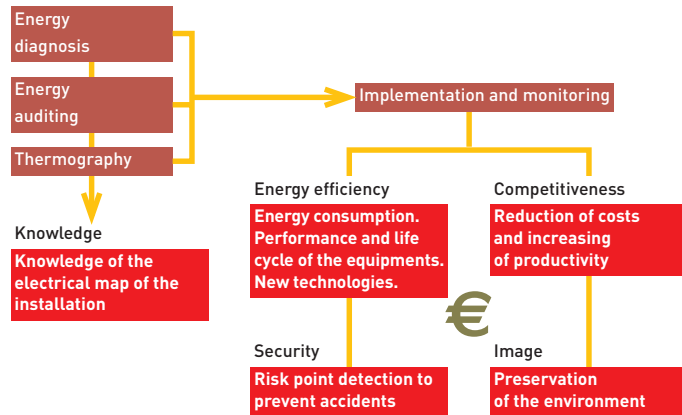
04. FOSTERING ENERGY SAVING: MANAGING DEMAND

ENDESA encourages the rational, efficient and careful use of natural resources. With this in view, the Company launched its new Energy Efficiency Services in 2007.

**ENDESA offers its customers
Energy Efficiency Services to encourage
savings, the efficient use and responsible
consumption of energy**

This service, which is targeted at businesses, includes a study of the energy map of facilities leading to an Energy Diagnosis Report, which identifies any room for improvement and estimates the corresponding savings, the investment necessary and the return period. Based on this study, customers can take the appropriate measures to optimise their energy consumption, improve processes, lengthen the working life of equipment, and explore new energy sources and the introduction of new technologies. For companies, these advantages also result in improved competitiveness and safety, because the service allows any areas at risk to be detected.

The Energy Efficiency Services also include Energy Audits, which consist of a detailed study of the installation. The different process, functions and consumption rates are studied specifically to draw individualised conclusions about any room for improvements in performance. Thermography is also offered as a forecasting service. This is based on capturing heat images to detect any items in a precarious state because of faulty connections, overheating motors, power circuits, etc., or heat losses from boilers, air-conditioning circuits, cold stores and buildings. This study increases safety and improves the performance and working life of equipment, as well as reducing the maintenance necessary.



Services and improvements are implemented under the Demand Management Programme to make companies more efficient and reduce their energy consumption by at least 80 per cent.

These three types of analysis make it possible to implement the improvement measures. In this regard, the services that ENDESA offers are:

- Drafting detailed engineering projects.
- Turnkey execution.
- New equipment supplies.
- Repair and adjustment of existing equipment.
- Applying savings measures and upgrades to processes and installations.
- Subsidy management.
- Obtaining Energy Efficiency White Certificates (EU Directive 2006/32/CE).

ENDESA also monitors the measures implemented, checks improvements made to installations, installs metering equipment, uses remote-reading systems, assesses the measures implemented and determines any corrective measures necessary.

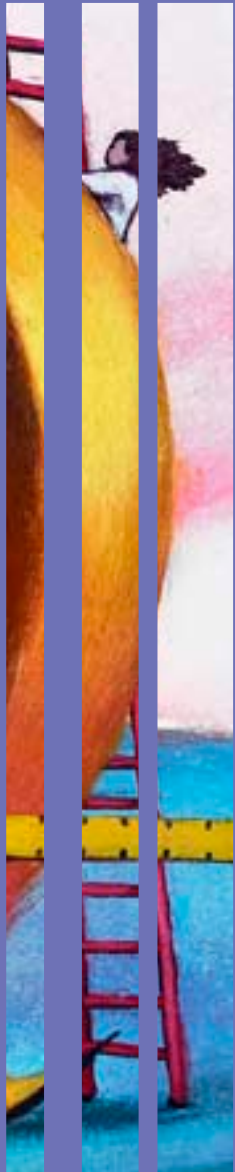
Improvements designed to reduce customers' consumption include promoting renewable-energy projects. ENDESA particularly encourages its customers to use photovoltaic solar power, because of the optimal conditions for it in countries such as Spain. ENDESA offers turnkey projects, including personalised studies of the necessary infrastructure, energy and environmental balance, technical and financial feasibility and a technical installation, commissioning and preventive and corrective maintenance project for the first three years.

The application of these projects ranges, for example, from using a school roof to connect a solar-power installation to the grid, producing 144,639 kWh a year, to generating 64–73 per cent savings to produce hot water for industrial processes and service buildings.

Another ENDESA service that encourages energy-saving is the Fine-Tuning Maintenance Service, which besides preventive and corrective breakdown support provides advice to optimise the performance of customers' installations, so that they can consume as little energy as possible.

In 2007, ENDESA continued to identify makes and models for relevant products and examine their energy efficiency and safety in use, since many of them are closely related to saving and sustainability (solar heat energy, domotics, condenser arrays, etc.) or the safety of people and property.

ENDESA continue to carry out other awareness-building and educational campaigns among its customers in Spain and Latin America to encourage the safe, efficient use of energy. For details of these initiatives, please see the chapters on the Commitment to Efficiency and Commitment to Society in this Report.



EDUCATION AND ENERGY EFFICIENCY: “LEGUA EMERGENCY” PROJECT

The “Legua Emergency” project, developed by Chilectra, aims to reduce the theft of energy in certain parts of Chile and promote efficient use with a view to homogenising and rationalising demand through energy-education initiatives.

In 2007, technical and social diagnosis was undertaken, working groups were set up and participatory workshops were organised. In the technical area, the ACME Grid was set up, an anti-theft system installed at a great height, thereby standardising the situation of 1,107 customers. The project also seeks to get closer to the community and rationalise energy consumption. The results were:

- In-home energy audits performed for 948 customers.
- 500 agreements reached with customers in debt.
- 300 energy-efficiency surveys.
- Free distribution of 1,896 low-consumption light bulbs, together with environmental information.
- Distribution of 2,000 “Chilectra in the Community” leaflets; organisation of social and energy-efficiency workshops.
- In addition, a study support and assistance programme was set up, in which professionals from the Company help young people with limited resources to prepare for their exams.

Commitment to the creation of value and profitability



<p>Euro 4,746 million of investment in 2007</p>	<p>ENDESA'S APPROACH</p>	<p>PRINCIPAL MILESTONES</p>
<p>90% of investment dedicated to the development and improvement of generation and distribution facilities</p>	<p>ENDESA seeks to become the Spanish power company with the most presence in the portfolios of institutional investors who take into consideration social, environmental and ethical issues, and an electricity company of reference for investors concerned about global warming.</p>	<ul style="list-style-type: none"> ■ Attainment of the objectives announced to the market in Strategic Plan 2005-2009, with a 1% higher operating cash flow (EBITDA) and a net result 2% higher than estimated. ■ Investments in distribution in Latin America continues to grow: 9.3% in 2007. ■ Presence in the leading group of its sector in the Dow Jones Sustainability Indexes for the seventh consecutive year. ■ Increase in market capitalization and total shareholder returns.
<p>Net income of Euro 2,675 million in 2007</p>	<p>PRINCIPAL POLICIES</p>	<p>CHALLENGES IN 2008</p>
<p>Total shareholder return of 6.9% in 2007</p>	<ul style="list-style-type: none"> ■ Reinforce communication on sustainability issues for analysts and investors. ■ More communication with analysts and investors on the company's approach to global warming and commitments to combat it. ■ Boost communication on renewable energies through investor relations. ■ Stronger presence of the commitment to Sustainability in the investor relationships area on ENDESA's website. 	<ul style="list-style-type: none"> ■ Create value while ensuring transparency. ■ Further commitment to sustainable development. ■ Promotion of learning and dissemination of expertise. ■ New business plans to respond to global warming and set new objectives for CO₂ reduction: 50% during 2008-2020. ■ Incorporation of Newco Renovables.

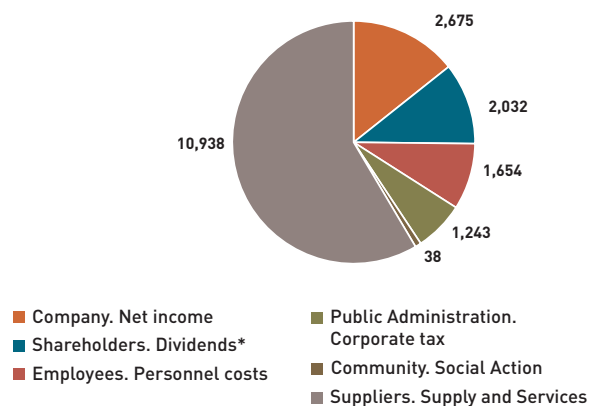
01. ENDESA AND THE CREATION OF VALUE

ENDESA's corporate purpose, to supply electricity, is a core requirement for the economic and social development of any country. Energy is essential for growth, competitiveness and the creation of employment. The demand for electricity has increased by an annual 1.6% in Spain over the past decade and the forecast for consumption growth over the next 15 years is even higher.

ENDESA has a relevant role in ensuring that the countries and areas where it operates have balanced, diversified, efficient and environment-friendly power generation and distribution infrastructure. The Company is a major driving force behind wealth generated directly and indirectly through shareholder return, job creation either as staff or suppliers and contractors, RDI investments, tax payments to cover the needs of the community and voluntary increase in company efforts aimed at benefiting the communities where it operates.

ENDESA CONTRIBUTION TO THE CREATION OF VALUE

(Millions of Euro)



* Dividends paid in 2007 against 2006 results.

ENDESA's activity is vital for the economic and social development of the markets and communities where it is present

02. CREATING VALUE: BUSINESS IMPACT

9.5% increase
in investment
compared to 2007

33% net income
from business
outside of the Iberian
market

02.1. PROFIT GENERATION

ENDESA had a net income of Euro 2,675 million in 2007, 9.9% lower than in 2006. However, the 2006 profit included a series of non-recurrent capital gains and earnings that need to be eliminated before a comparison can be made between the earnings for the two years. These include:

- Recognition of stranded costs for non-mainland generation for 2001-2005, which amounted to Euro 227 million, and for corresponding interest, which amounted to Euro 31 million, with a combined impact of Euro 197 million on net income.
- A negative Euro 137 million impact on net income related to the impact of the reduction in the prevailing corporate tax rate in Spain on deferred taxes in the balance sheet. This effect was partly compensated by the reversal of Euro 75 million in tax pro-

visions. Therefore, the net impact of the two tax related entries was a reduction in net income of Euro 62 million.

- The tax effect relating to Endesa Italia's revaluation of the tax bases of its assets to their book values, as permitted by current legislation in Italy. The amount of this tax effect was Euro 148 million and its impact on net income after minority interests stood at Euro 118 million.
- The fiscal impact of the merger between Elesur and Chilectra, which was Euro 170 million, with an impact on net earnings after minority interests of Euro 101 million.
- The earnings generated by asset disposals, namely the sale of 5% of Auna and of real estate assets in Palma de Mallorca, which came to Euro 432 million, with a Euro 365 million effect on net income after taxes and minorities.

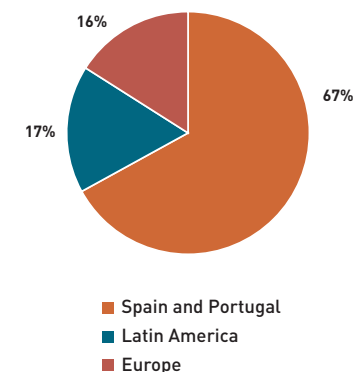
Excluding the five items cited above from the 2006 accounts and the same for the earnings on the sale of assets from the 2007 accounts, last year's net income registers a 14.2% increase.

ENDESA'S NET INCOME (Millions of Euro)

	2005	2006	2007	2007 vs. 2006
Spain and Portugal	1,358	1,843	1,785	-3.2%
Latin America	262	462	471	2%
Europe	425	493	419	-15%
Other businesses	1,137	171	—	—
Total	3,182	2,969	2,675	-9.9

Note: In 2005 and 2006, "Other businesses" primarily reflects capital gains obtained from the sale of Auna.

PROFITS FROM ELECTRICITY BUSINESSES IN 2007



**ENDESA's importance
as a multinational player in 2007,
33% of its net income came
from activities undertaken outside
of the Iberian market**

02.2. ACHIEVEMENT OF TARGETS RELEASED TO THE MARKETS

In 2007, ENDESA once again showed its capacity to surpass the targets set out in its Strategic Plan 2005-2009, which was released to the markets in October 2005. Compared to an EBITDA target of Euro 7,440 million and net earnings of Euro 2,620 million, the real gross margin (EBITDA) was 0.6% higher and the net income grew by 2%.

ENDESA achieved these good results in a complicated market environment. Spain and Portugal registered a slowdown in demand and a slump in electricity prices on the wholesale market due to mild weather. In the European business, mild weather in 2007 stagnated the demand for electricity in Italy and caused a slight decrease in France compared to 2006. Finally, the electricity generation business in Latin America was affected negatively by problems with the gas supply and less rainfall, particularly in Chile and Argentina.

The net income and EBITDA growth targets were surpassed without exceeding the financial leverage target limit of 140% under the Plan as the ratio stood at 125% at the close of 2007. This level of leverage was achieved despite a pay-out of Euro 2,561 million and premiums for attendance at the two Extraordinary Meetings to which all shareholders were called.

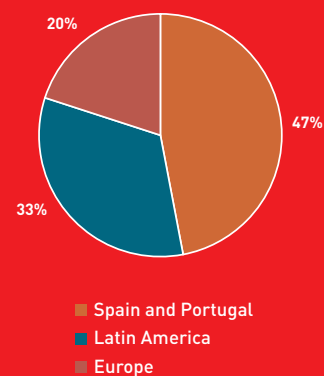
As for targets for the coming years, ENDESA unveiled the basic aspects of its new Strategic Plan 2008-2012 in early March 2008, although it is pending ratification at the time of preparing this Report. The basic aspects target compound annual growth in ordinary profit of 30% until 2012, when ordinary profit would be Euro 3,461 million and EBITDA Euro 9,491 million.

02.3. INVESTMENT

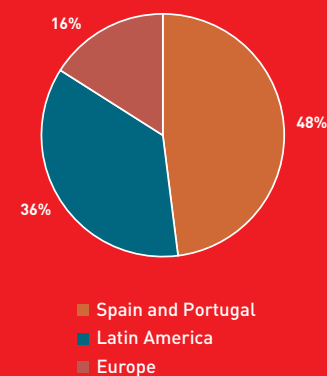
ENDESA investments in 2007 came to Euro 4,746 million, which represents a 9.5% increase compared to Euro 4,336 invested in 2006. Capital expenditure, i.e. for the development and improvement of generation and distribution facilities came to 4,273 million, or 90% of the total investment for 2007 and a 13% increase in capex compared to 2006.

	2003	2004	2005	2006	2007
Operating revenues	16,644	13,665	18,229	20,580	21,931
Operating income	3,144	2,844	4,244	5,239	5,596
Net income	1,312	1,253	3,182	2,969	2,675
EBITDA	4,750	4,521	6,020	7,139	7,485

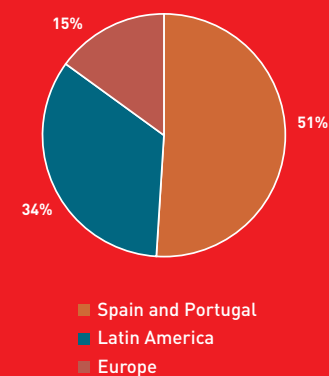
OPERATING REVENUES IN 2007



EBIT IN 2007



EBITDA IN 2007



Millions of Euro	2006**	2007
Direct economic value generated	17,329	18,428
Economic value distributed	13,942	15,518
Dividends	1,737	1,917
Operation costs and other operating expenses	8,867	9,997
Personnel expenses	1,444	1,481
Taxes and duties*	917	1,086
Participation in economic development	16	19
Educational initiatives	3	3
Cultural initiatives	8	12
Socio-environmental initiatives	5	2
Financial expenses	945	1,001
Retained Economic Value	3,387	2,910

* Includes Corporation Tax accrued during the year, rates and charges.

** These figures are different to the ones showed in the 2006 Sustainability Report due to the application of NIIF 5 (see notes 3.J and 28 of ENDESA's 2007 Legal Documentation).

ENDESA's efforts to improve reliability and quality of service and to meet a growing demand, particularly in Latin America, is evidenced by an increase in its capital expenditure

The breakdown of investment by business reflects the Company's efforts to improve the reliability and quality of service in Spain, with 46.5% of its capital expenditure in this market earmarked for distribution facilities. Note also the significant 36% increase of investments in facilities that operate under the renewables/CHP, basically renewable energy, which totalled Euro 450 million.

In the European electricity business, investments in 2007 totalled Euro 620 million, a 34% increase over the previous year. This includes the acquisition of with Serra Pelata, Piano di Corda and Alcamo wind parks in Italy. The first two are already in operation and the latter is being developed.

Note that in Latin America distribution investments rose 9.3% compared to 2006 in order to meet the significant increases in demand seen in the markets in the region operated by ENDESA companies. The financial investments undertaken in the period included the acquisitions by Endesa Chile in February and March of third-party stakes in Costanera (5.5%), Hidroinvest (25%) and Hidroeléctrica El Chocón (2.48%), entailing aggregate investment of Euro 46 million.

The basic aspects of Strategic Plan 2008-2012 include an aggregate investment of Euro 24.4 billion in the Company's businesses as a whole for the period in question, 27% higher than investment under the previous Strategic Plan. These investments do not include the ones that will be made by the new company, Newco Renovables.

ENDESA INVESTMENTS (Millions of Euro)

	2005	2006	2007
Capex	3,259	3,770	4,273
Intangible	83	127	118
Financial	298	439	355
Total	3,640	4,336	4,746

ENDESA INVESTMENTS PER BUSINESS (Millions of Euro)

Investment	Spain and Portugal	Latin America	Europe
Capex	2,827	875	571
Intangible	86	21	11
Financial	166	151	38
Total	3,079	1,047	620

CAPEX IN SPAIN AND PORTUGAL (Millions of Euro)

	2006	2007	2007 vs. 2006
Generation	1,171	1,457	24.40%
Ordinary regime	840	1,007	19.90%
Renewables/CHP	331	450	36%
Distribution	1,408	1,314	-6.70%
Other	51	56	9.80%
Total	2,630	2,827	7.50%

02.4. DISPOSALS

ENDESA announced the sale of 2% of Red Eléctrica de España (REE) in the third quarter of 2007, lowering its stake in that company to the 1% maximum stipulated under current legislation. 1.35% of REE was placed among qualified investors at Euro 34.95 per share and the remaining 0.65% was sold on the market. The average price of the sale of 2% was Euro 35.33, which meant a total revenue for ENDESA of Euro 96 million. The gross capital gain for this operation totalled Euro 78 million.

During the period ENDESA continued to execute its property disposal plan making sales amounting to Euro 82 million, which generated gross capital gains of Euro 63 million. One notable sale was the 40% stake in the company that owns the land in Malaga city where an old generation plant was located. The sale was made for Euro 48 million, with a pre-tax capital gain of Euro 36 million.

03. CREATION OF VALUE FOR SHAREHOLDERS



In 2007, ENDESA shareholders received a total return of 6.9%, including the increased share price, approved dividends and premiums for attendance at Extraordinary General Meetings. In recent years, average ENDESA shareholder return was an annual rate of 37.2%.

ENDESA continued its commitment to increase shareholder returns via dividends in 2007

In 2007, share price performance was highly affected by the impact of takeover bids. ENDESA shares reached record closing highs on the Spanish Stock Exchange during the first four months of the year. The last peak, Euro 40.64 per share, was recorded on the 16th of April, implying a 13.4% increase and a record market cap of Euro 43,028 million.

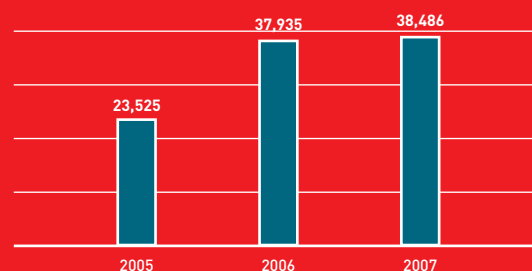
After very good performance in the first quarter, the launch of Enel and Acciona's takeover bid on the 11th of April stabilized the price until the operation concluded in October. After that, the price was subject to volatility until the year closed with an increase of 1.5%.

ENDESA shareholders also received a dividend of Euro 1.64 per share and two attendance premiums of Euro 0.15 per share (a total of Euro 0.30) for two Extraordinary General Meetings. Thus, each ENDESA shareholder received a total of Euro 1.94 per share from dividends and attendance premiums, implying a 5.4% profit to be added to share price performance.

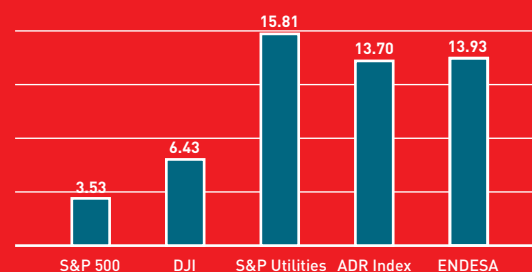
The Company's value by market cap has grown considerably over the past three years, attaining an increase of 64%.



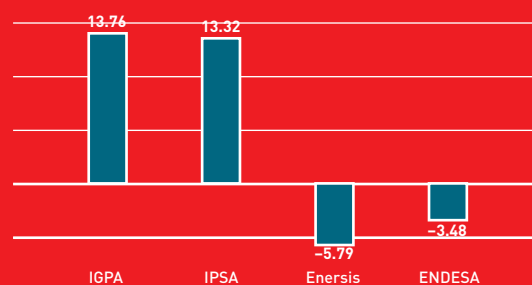
ENDESA MARKET CAP (Millions of Euro)



ADR PERFORMANCE:
ENDESA VERSUS BENCHMARK INDICES IN THE US (%)



SHARE PRICE PERFORMANCE: ENERSIS AND ENDESA CHILE
ON THE SANTIAGO (CHILE) STOCK MARKET VERSUS
BENCHMARK INDEXES (%)



With the successful conclusion of their takeover bid on ENDESA, Enel and Acciona acquired a 92.04% shareholding in the Company, reducing its free float to 7.94%. Therefore, the Stoxx Index Committee decided to exclude ENDESA from the Dow Jones Euro Stoxx 50, Dow Jones Euro Stoxx Select Dividend 30 and Dow Jones Stoxx 600 Large. MSCI made a similar decision and excluded the value from their Standard, Euro and Pan-Euro indexes.

ENDESA remained in the IBEX-35, Spain's main index, with a 5% ratio after the final acceptance level of the takeover was known. With that ratio, the Company ended the year with a weight of 0.37% in the IBEX-35, in position number 31 by market cap.

ENDESA's American Depositary Receipts (ADR) rose 13.93% on the New York Stock Exchange in 2007, close to the 15.81% increase recorded by the American electric utilities rated in the Standard & Poor's Utilities Index. ENDESA's ADR reached their last record high on the 28th of September, closing at US\$ 57 per share.

In December, ENDESA applied to have its ADR delisted from the New York Stock Exchange due to the low liquidity provided by that market and the costs it meant for the Company. Out of 7.9% of free float, less than 0.3% was traded on the Stock Exchange and in the previous year, ENDESA'S turnover on it was less than 1% of the total traded in the rest of the markets in which it is listed.

	Maximum	Minimum	Average	Closing price	% annual revaluation	Volume of negotiated instruments
ENDESA Madrid Stock Market (Euro/share)	40.64	35.21	38.74	36.35	1.45	3,149,755,082
Chilean Stock Market (pesos/share)	212.39	158.92	183.68	159.85	-5.79	10,294,748,641
Endesa Chile (Euro/share)	868.92	620.18	745.26	630.99	-3.48	1,594,510,338
NYSE ENDESA (US\$/ADR)	57.1	45.75	53.01	53	13.93	21,108,309
Enesis (US\$/ADR)	20.23	15.2	17.64	16.03	0.19	105,964,387
Endesa Chile (US\$/ADR)	49.62	36.41	42.88	37.57	2.23	27,682,070

03.1. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

ENDESA maintains ongoing relationships with its shareholders, both private and institutional investors, as well as with the leading stock market analysts. All these shareholder groups are provided with a steady stream of detailed information on the Company's performance.

ENDESA has an Investor Relations Department with offices in Madrid and New York and a Shareholders' Office in Madrid. In 2007, the Investor Relations Department gave 10 public presentations to analysts and investors. Four of the presentations focused on the Company's quarterly earnings and six took place in Valencia, as part of the on-site visits organised by the Company each year. The presentations in Valencia, attended by 54 analysts, focused on the Company's performance in its lines of business.

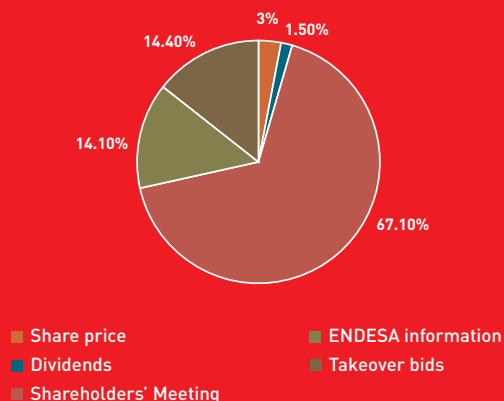
Private investors are serviced individually through ENDESA's Shareholders' Office, which provides shareholders with information and documentation and answers their questions, free of charge. The Office attended around 42,000 phone calls and 8,000 visits from private shareholders in 2007, mostly with regard to the General Meetings called during the period. The Office also sent over 2,400 documents by post and email.

The Extraordinary General Meeting held on 25 September achieved a record capital stock quorum of 93.5%

Two Shareholders' Meetings were held in 2007: the Annual General Meeting on 20 of June and an Extraordinary General Meeting on 25 of September. The latter reached a record capital stock quorum of 93.5%. It bears mentioning that other Company offices outside of Madrid received a further 25,500 visits from shareholders on occasion of the General Meetings called in 2007.

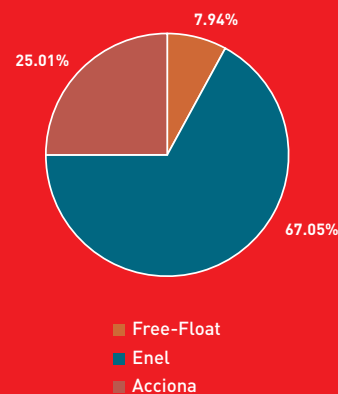
One of the main sources of information for private investors is ENDESA's website www.endesa.es, specifically under the "Investors" section, which provides access to the Company's main economic and financial documents and publications, summaries of reports by top analysts, investment banks and rating agencies, documents related to General Shareholder Meetings and the takeover bids, as well as information on corporate governance and other matters. In addition, the conference calls on quarterly earnings are broadcast in real-time via this channel.

TYPE OF INFORMATION REQUESTED BY ENDESA'S PRIVATE SHAREHOLDERS IN 2007



ENDESA SHAREHOLDER STRUCTURE

After the takeover bid launched by Acciona and Enel on ENDESA which ended successfully in October 2007, Acciona owns of 25.01% of the Company's capital and Enel 67.05%. ENDESA's shareholder structure as of March 2008 was:



03.2. ENDESA, CLOSE TO SOCIALLY RESPONSIBLE INVESTORS

ENDESA meets the needs of socially responsible investors by communicating their profile and by giving information on finance, ethical issues, the larger community and the environment. The Company makes an effort to disclose its earnings and activities, voluntarily giving information on how the management team puts its commitment to achieve sustainable development and a responsible use of resources into practice. In addition, it participates in forums where, through teamwork, it remains abreast on the best practices followed by the corporate world with regard to socially responsible investors.



PACIFIC SUSTAINABILITY INDEX

2007 marked the seventh consecutive year that ENDESA has been listed in the Dow Jones Sustainability Index

03.2.1. Selective stock market indexes aligned with efforts in sustainability

Dow Jones Sustainability Index	In 2007, ENDESA was listed for the seventh consecutive year in the DJSI World Index and the DJSI Stoxx. The Company attained the best ratings in the electricity sector at the European and global level for its sustainable performance in the categories of Price Risk Management, Biodiversity and Stakeholder Engagement.	www.sustainability-indexes.com
Storebrand Investments	ENDESA maintained its <i>Best in Class</i> status awarded by Storebrand Investments for another year in 2007. The Scandinavian financial services institution that manages investment and pension funds based on principles of social responsibility analyses the social and environmental commitment of more than 1,700 companies and selects those who are among the top 30% in each sector as <i>Best in Class</i> . ENDESA has held this distinction since 2003.	www.storebrand.com
Aspi Eurozone	In 2007, ENDESA was included for the fourth consecutive year in the ASPI (Advanced Sustainable Performance Indexes) Eurozone. ASPI Eurozone includes the top 120 companies in the Euro area in terms of performance and management in the field of sustainable development, according to the valuation made Vigeo, a European agency with expertise in corporate social responsibility based in France.	www.vigeo.fr
Pacific Sustainability Index	ENDESA was recognised in 2007 as one of the best European companies in the electric and gas sector based on the corporate information available on its website about its sustainable development activities, according to a study conducted by the Roberts Environmental Center, an environmental research institute at Claremont McKenna College, one of the most prestigious in the United States.	www.roberts.cmc.edu

03.2.2. Membership of the Excellence in Sustainability Club

Throughout 2007, ENDESA continued to take a significant part in the activities of the Excellence in Sustainability Club, a Spanish forum created in 2002. The Club's membership includes 22 big companies whose aim is to transfer their commitment to sustainability to the larger community and promote it in other companies. You will find further information about the club at www.clubsostenibilidad.org.

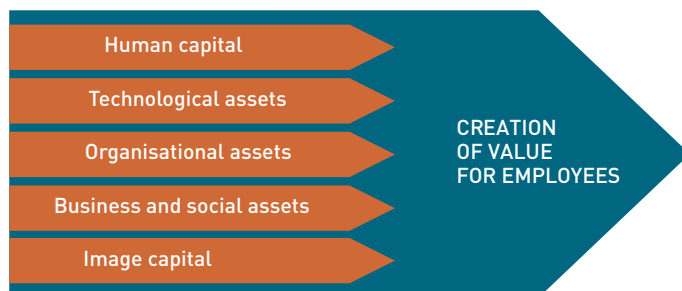
During the year, Jesús Abadía, ENDESA's Environment and Sustainable Development Director, was one of the editors of the book "La Responsabilidad Social de la Empresa, Propuesta para una Nueva Economía de la Empresa Responsable y Sostenible" (Corporate

Social Responsibility: A Contribution to a New Economy Based on Responsible and Sustainable Companies) which the Club prepared for the Royal Academy of Economic and Financial Sciences.



04. CREATION OF VALUE FOR EMPLOYEES

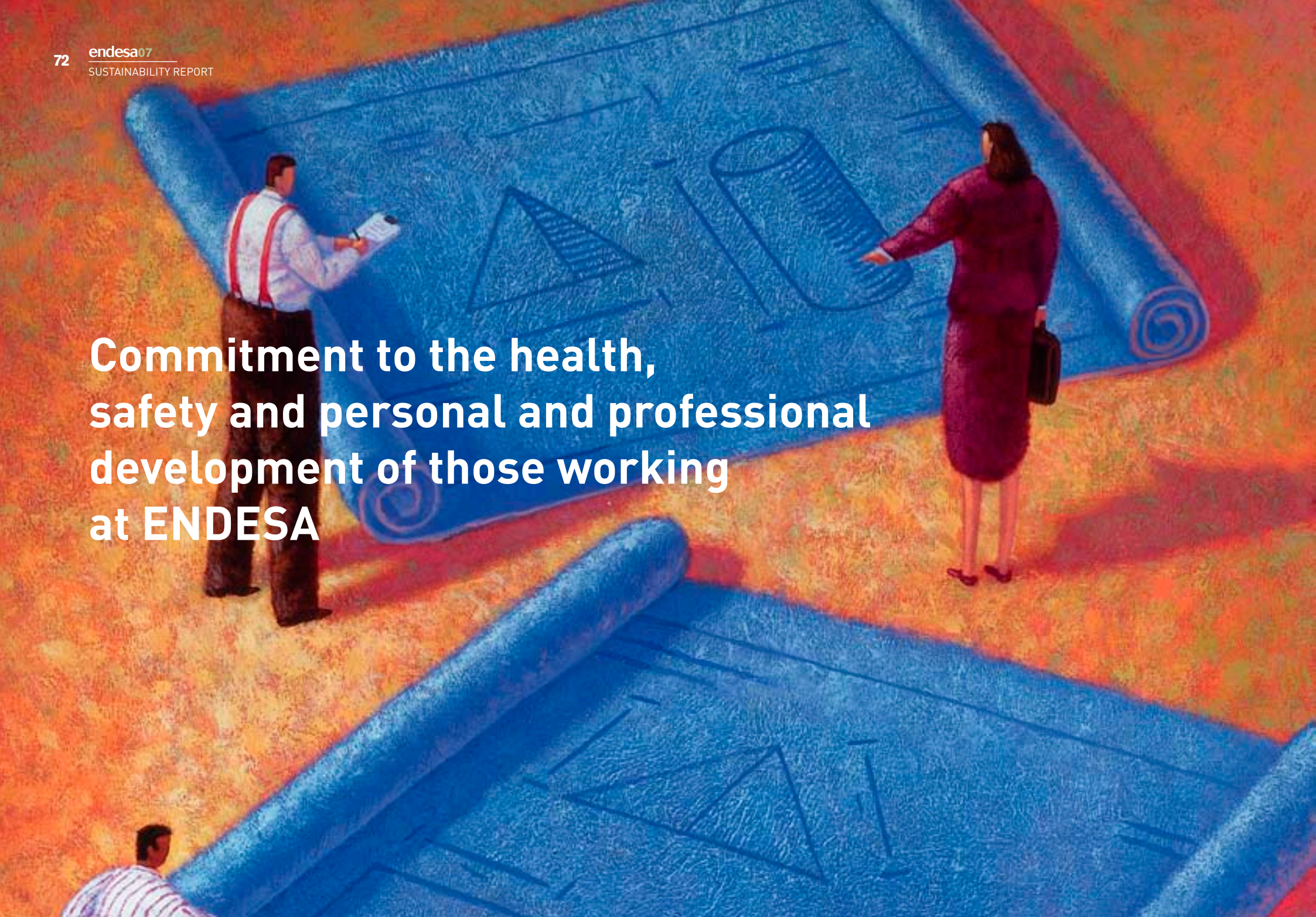
Immaterial assets or value for employees play a pivotal role in the Company's value. ENDESA pays attention to the management of anything involving knowledge, the Company's relationship with its surroundings, efficient utilization of its organizational structure and social image. ENDESA's commitments to sustainable development, of which the book gives an account, reports on the management of ENDESA's value for employees in 2007:



- **Human capital.** ENDESA gives priority to the health and safety at work of its employees. It is also committed to their professional and personal development, and to putting in place measures for the reconciliation of work with personal and family life. It offers a fair compensation and incentive program and allocates resources for headhunting and retaining the most talented professionals. In 2007, ENDESA approved its Integrated Model for Talent Management, a unique, advanced model for its corporate group as a whole that seeks to foster the development of 27,019 employees who make up the Company's human capital.
- **Technological assets.** ENDESA invests in technology and innovation as the driving force behind its objectives of quality, efficiency and the environment. In 2007, ENDESA directly and indirectly mobilized Euro 79 million in funds for RDI via its own

projects and consortiums led by the Company, actively involving suppliers and research centres.

- **Organisational assets.** ENDESA promotes in-house learning and the dissemination of expertise in order to manage the company and use its ownership structure as effectively as possible. This is the main purpose of the professional development programmes and related training programmes. ENDESA invested an average of Euro 541 per employee in outsourced training.
- **Business and social assets.** ENDESA reports in full to stakeholders, which involves contacts with community and citizens' authorities and organizations, collective bargaining, discussion panels, and seminars. A key aspect of these relations is collaboration with other companies by way of the two CENIT (National Strategic Consortium for Technical Research) that it heads, and with suppliers via the CIDE (Circuitos de Innovación or Innovation Circles). In 2007, ENDESA launched 14 new R+D projects via the CIDE.
- **Image capital.** This relates to the awareness, reputation and valuation of the Company by society and is closely linked to the brand value. In 2007, the outcome of studies for the Company by a well-known institute on public opinion (Metroscopia) positioned ENDESA as the second most widely known Spanish company and the one most widely known in its sector. It was rated by 67% of public opinion as "good or very good", the second highest rating of the companies analyzed in the studies. ENDESA's inclusion in several ISR (Responsible Investment Indexes) is an indication of the one top stakeholder's recognition of the Company's commitment to sustainability. In 2007, ENDESA was included in four of the most prestigious and global companies selected by ISR.



**Commitment to the health,
safety and personal and professional
development of those working
at ENDESA**

<p>27,019 employees at 31.12.07</p>	<p>ENDESA'S APPROACH</p> <p>ENDESA promotes a corporate culture based on innovation, commitment and excellence. The Company's priority is to attain the highest health and safety ratios. ENDESA is also committed to boosting talent. It makes an effort to be one of the companies where top professionals in the industry prefer to work.</p>	<p>PRINCIPAL MILESTONES</p> <ul style="list-style-type: none"> ■ Occupational health and safety is the highest score factor in ENDESA's employment climate study with 79% satisfaction. ■ A 21.7% decrease in the accident rating in 2007. ■ A 15.8% decrease in the seriousness rating. ■ Achievement of the goals set out in the Praevenio Plan for the prevention of workplace accidents. ■ Approval of the policies on work-life balance, diversity and equality. ■ New policies: Policy on recruitment and integration; policy on talent identification and management; retribution policy. ■ A study on climate/commitment to people goals was carried out in 2007.
<p>21.7% decrease in the accident rating in 2007</p>	<p>PRINCIPAL POLICIES</p> <ul style="list-style-type: none"> ■ Methods of attracting, managing, developing and retaining talent. ■ Employee commitment and satisfaction. ■ A two-way dialogue with employees and their representatives. ■ Initiatives to promote a culture of prevention in the organisation. ■ Globalization of the model for workplace health and safety management. ■ Commitments on diversity and work-life balance issues. 	<p>CHALLENGES IN 2008</p> <ul style="list-style-type: none"> ■ Extension of the Performance Management System to Chile, Brazil, Argentina and the CAM Company. ■ Extension of the certification as a Family-Friendly Company to all of ENDESA. ■ Implementation of the committees for the evaluation of potential model. ■ Deployment of an online platform for providing personnel managers with training on diversity and work-life balance.
<p>1,700,349 hours of training provided</p>		
<p>86.8% employees take part in the pension plan</p>		

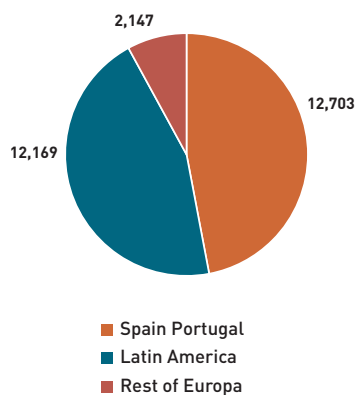
01. HUMAN CAPITAL

ENDESA had a workforce of 27,019 employees at the end of 2007, a 1% increase over the previous year and increases in all businesses: by 0.4% in Spain and Portugal, 0.8% in Europe and 1.7% in Latin America. The workforce in Latin America made up 45% of the global workforce. The average workforce in the Latin America regions has grown by 5% since 2003.

The Company's human capital shows an excellent combination of youth and experience. 68% of ENDESA's entire workforce is under 50 and over 90% are over 30.

The profile of ENDESA's human capital is a key strength: it combines a capacity and margin for growth with personal and professional development

WORKFORCE MANAGED BY COUNTRIES



Workforce at year end	2005	2006	2007	2007/2006 % variation	2007/2003 % variation
Business in Spain and Portugal*	12,709	12,625	12,677	0.4	-7.1
Business in Latin America	12,317	11,962	12,169	1.7	3.2
Business in Europe	2,153	2,130	2,147	0.8	87.8
Other Spanish business**	25	41	26	-36.6	-86.1
Total	27,204	26,758	27,019	1.0	0.9

Average workforce	2005	2006	2007	2007/2006 % variation	2007/2003 % variation
Business in Spain and Portugal*	12,833	12,663	12,666	0.02	-6.8
Business in Latin America	12,105	12,078	12,111	0.3	4.8
Business in Europe	2,333	2,172	2,172	0	86.9
Other Spanish business**	23	35	32	-8.6	-88.8
Total	27,294	26,948	26,981	0.1	1.4

(*) The workforce in Spain and Portugal includes Corporation and Services staff.

(**) Bolonia Real Estate and Endesa Network Factory.

International and European business employees who are based at ENDESA's headquarters (Madrid) are included under regulations outlined in the Collective Agreement.

WORKFORCE AGE PYRAMID

	Spain and Portugal		Rest of Europe		Latin America	
	%	Average workforce (*)	%	Average workforce (*)	%	Average workforce (*)
← 25	0.4	48	1.3	28	4.1	495
25-29	3.5	445	7.5	164	12.4	1,496
30-34	10.6	1,344	11.7	255	16.3	1,974
35-39	11.1	1,412	11.6	251	15.6	1,893
40-44	16.8	2,138	22.4	487	16.7	2,020
45-49	25.3	3,213	29.0	629	14.4	1,748
50-54	22.9	2,912	13.5	293	10.1	1,218
55-59	8.8	1,117	2.8	60	7.0	845
60-64	0.5	63	0.2	4	3.5	422
→64	0.005	6	0.0	0	0.0	0
Total**		12,698		2,172		12,111

(*) Includes the workforce of Corporation and Services and other businesses (Endesa Network Factory and Bolonia Real Estate). It does not include information on companies whose workforces are not managed, though they may be companies that are consolidated as part of this business. Detailed information was unavailable for 64 people of the average workforce.

CONTRACT TYPE (%)

	2005	2006	2007
Spain			
Indefinite contract	97.41	98.02	99.09
Temporary contract	2.59	1.98	0.91
Europe			
Indefinite contract	99.4	99.4	99.39
Temporary contract	0.6	0.6	0.61
Latin America			
Indefinite contract	94.1	94.6	95.87
Temporary contract	5.9	5.4	4.13
Total			
Indefinite contract	96.9	97.3	97.67
Temporary contract	3.1	2.7	2.33

02.

TRAINING AND TOOLS FOR THE DEVELOPMENT OF HUMAN CAPITAL

ENDESA's employees are one of the Company's key assets. Therefore, the Company is fully committed to promoting the development of its human capital. The training it provides forms part of the goals of professional and personal development, and improving the capacity for teamwork, in line with the Company's strategic targets. There are two types of training initiatives: global initiatives and specific initiatives.

Global training initiatives These initiatives target executives and personnel with high potential, identified according to the corporate model of talent identification and management, and in close cooperation with businesses and companies.	Implementation of a common culture. Attainment of corporate strategic targets. Sustainable development in the Endesa Group.
Specific training initiatives These initiatives target everyone, from all businesses and companies	Compliance with the strategic targets. Guarantee of excellence.

02.1. GLOBAL TRAINING INITIATIVES

Global training initiatives contribute to the building of a common culture within the Company, the attainment of its strategic targets and the development of its sustainable leadership. Its four strategic cornerstones are:

**02.1.1. Training linked to the development of strategic talent**

ENDESA cultivates capabilities based on personal, team and company-wide leadership, as well as business leadership, in the context of a global marketplace undergoing far-reaching change. A series of courses that explored the capabilities and competences involved in identifying, evaluating and calibrating potential were given in 2007.

Such training is paramount in implementing ENDESA's integrated Talent Management model efficiently and with quality to ensure the sustainability of leadership in the Company. In 2007, courses in this cornerstone totalled 5,215 hours of training for 120 executives from the businesses and countries where ENDESA is present.

02.1.2. Training in Cultural Change Management

In 2007, ENDESA created a forum for reflection and learning for the human resources community. Activities centred on the development of employees and work teams: talent management, leadership,

company-wide development and change management. The course, which consisted in 2,250 hours of training, was given to close to 70 employees from Human Resources, including executives and personnel with high potential.

Diversity and work-life balance management is one of the key capabilities of ENDESA's managers and leaders. It has been reinforced by an online training platform that targets all of the organization's personnel managers. The tool was designed in 2007 and will be in available in 2008.

02.1.3. Training and learning related to excellence in workplace health and safety

In 2007, ENDESA developed a knowledge and awareness building programme to reinforce a healthy and safe workplace environment across the Company's business areas. The programme is based on ENDESA's workplace health and safety model. Many executives and top level managers in personnel management took part in the programme. In 2007, 450 people took part in the course, receiving 4,000 hours of training.

**Training in Workplace
Accidents Prevention increased 49%
in 2007 compared to 2006**

02.1.4. Training in Innovation and Technology

Endesa Energy School, in alliance with several universities and research centres, continued to provide training in 2007 with courses and conferences on I&T. During the year, it launched the first Master's course in Electrical Technology, organized by the Universidad Pontificia de Comillas (ICAI) and with the collabo-

ration and support of the Massachusetts Institute of Technology (MIT). With these courses, ENDESA intends to respond to major scientific challenges posed by its businesses by providing training in engineering and power generation and distribution technologies, and in information and communication technologies applied to engineering processes.

02.1.5. Training data

DISTRIBUTION OF HOURS OF TRAINING BY SUBJECT BUSINESS

Description of Subject	Hours	%
Corporate Areas	73,813	4.8
Generation (Spain and Portugal)	176,882	11.6
Distribution (Spain and Portugal)	178,742	11.7
Sales and marketing (Spain and Portugal)	37,074	2.4
Services (Spain and Portugal)	28,473	1.9
Corporate Areas (Latin America)	17,757	1.2
Generation (Latin America)	172,470	11.3
Distribution (Latin America)	711,839	46.5
Services (Latin America)	132,674	8.7
Total	1,529,725	100.0

In all, global training activity increased 38.8% in hours of training per employee and 51.1% in hours of training per participant compared to 2006. The investment in training per employee was 24.8% higher than the previous year.



DISTRIBUTION OF HOURS OF TRAINING AND INVESTMENT BY SUBJECT BUSINESS

Description of Subject	Hours	%	Investment (€)
Quality and Environment	39,847	2.6	225,508
Sales and Marketing	44,912	2.9	751,034
Economic-Financial	52,298	3.4	536,808
Management and HR	454,100	29.7	4,138,716
Languages	96,800	6.3	1,224,003
Computing	79,699	5.2	582,758
Other Technical Training	165,826	10.8	1,615,877
Hazard Prevention and Health	205,756	13.5	1,785,882
Technical-Distribution	225,332	14.7	1,067,633
Technical-Output	165,156	10.8	1,547,088
Total	1,529,725	100.0	13,475,307

GLOBAL RATIOS FOR ENDESA'S TRAINING COURSES

	2006	2007
Total hours of training/employee	50.14	61.50
External Costs/Employee (Euro)	433.56	541.79

**ENDESA provided nearly 70 hours
of training per employee**

02.2. SPECIFIC TRAINING BY BUSINESS AREA

The training initiatives, which are specific to each business, seek to consolidate and ensure that each business's strategic goals and standards of excellence are met. An extensive programme of specific initiatives which were included in the Training Plan was designed in 2007.

SPECIFIC TRAINING ACTIONS IN ENDESA'S BUSINESS AREAS AND COMPANIES

Area/Business	Activity
Generation (Spain)	12,392 participants and 176,882 hours of training. We would highlight: A Safety Culture programme for facility managers; the new combined-cycle at As Pontes; a training programme for the Nuclear Energy Subdivision.
Network (Spain)	18,486 participants and 178,742 hours of training. We would highlight: Training in the implementation of the corporate system for environmental management ; a programme for the management of real time functions installed at customers' homes and meter reading equipment (the Diana IT development project); a refresher course on the standards for low voltage operation in Andalusia.
Supply (Spain)	2,144 participants and 37,074 hours of training. We would highlight: The Sales School, through syllabus, leadership and tactics programmes for Managers and authorities in the supply channels; a course on safe conduct in transmission for supply and sales managers, attended by Endesa Energy executives and the Company's labour representatives.
Services (Spain)	1,473 participants and 28,473 hours of training: We would highlight: A training initiative on Service-Oriented Architecture (SOA), which targeted the Management Board of the Deputy General Management for Systems and Telecommunications; a course on Process Mapping (MPRO) in order to standardize operational processes and procedures in the Applications Department.
Corporate divisions, energy management and parent companies (Spain)	2,604 participants and 73,813 hours of training. We would highlight: A course on the New Spanish Generally Accepted Accounting Principles; training in awareness building for environmental management in offices.

Area/Business	Activity
SPAIN	The "New Challenges: Management Excellence" programme, in the framework of the training plan targeting singles. Eight editions were given, attended by 351 participants and for a total of 5,616 hours.
All areas and businesses (Spain)	Languages, with a total of 1,101 participants; workplace accident prevention and blended-learning programmes, with a total of 126 participants in various initiatives.
Enersis (Chile)	A Competence Training programme to reinforce the capabilities of workers and the organization; a negotiation workshop for participants from all Departments.
Chilectra (Chile)	A Competence and Improvement programme for Sales offices, Diplomas in contract and electricity supply tariffs for business executives, as part of the 21st century Chilectra project. Grants for workers to continue their studies.
Endesa Chile	Workers from hydro plants were included in the Company's online training platform, the Latam campus, where five major engineering e-learning events with technical content took place. The "Quien Soy Yo" (QSY) programme to promote self-knowledge and the development of generic skills for all plant workers.
Edesur (Argentina)	A company-wide ethics workshop for the Company's middle management; a Seminar for businesspeople, in the context of the company and family programme to promote innovation and new business ideas.
Generation - Argentina	"Leading High-Performance Teams" programme, on management skills, for all department heads.
Endesa Brazil	On-site teams: Career Workshop programme, targeting analysts, on the capacity for self-management of professional careers. First Seminar on Knowledge Multipliers, focusing on the recycling of the knowledge of on-site teams, investing in key people who act as future educators. Manager training, programmes for leadership and OHSAS 18.001 auditor proceedings
Coelce (Brazil)	Occupational safety in the context of Safety Week; first aid drills and guidelines for proper energy use.
Generation - Brazil	Team development, targeting managers and department heads.

Area/Business	Activity
Codensa, Colombia	Competence-building programme, with the technical support from the Industrial University of Santander and (50%) co-funding by the National Learning Service (SENA). Attended by employees from all Company divisions. People from all Codensa departments took part in the pilot course in the use of the Performance Management System (SGR) and Creativity and Knowledge Management for Competitive Innovation: Effective time Management, for department heads; self-motivation, professional writing, personal life and effectiveness plan, assessing skills and targets.
Emgesa (Colombia)	Workshops for all employees: "How to Build a Life-Time Ambition", with the intention of becoming a company within the framework of a policy of sustainable corporate development, strengthening company-employee relationships that are consistent with corporate values, and personal and corporate ambitions. Electricity Seminar for experts in primary electrical equipment in the company's hydro power and thermal plants.
Edelnor (Peru)	In-house competence building event for Sales Management employees aimed at sharing in-house knowledge on commercial and engineering topics. A course on the ISO 9001 Standard, reinforcement of the capabilities of in-house auditors. A workshop on creativity and innovation.
CAM/Regional training	Qualified executive class employees (12 professionals), a programme for improvement in business management given by the Pontificia Universidad Catolica de Chile. The branches in Argentina, Colombia, Peru and Chile took part in the Qualification for professionals from Measurements and Certification Management. CAM's Development and Qualification Department initiated its procedure for detecting qualification needs.
Synapsis (Chile)/ Regional training	SYNAPSIS trained professionals in administration and finance, consultancy, solutions and outsourcing. A course in professional and management development for qualified employees devised by Los Andes University and Synapsis Chile. Courses in ITIL, ISO 27000 and RUP. A workshop on high-performance outdoor teamwork, aimed at collaborators in several projects on outsourcing management and consultancy in the city of Bogota
Ingendesa	Workshops on group management and designing training talks, on work-related hazards, aimed at inspectors, supervisors and foremen at the plants. A programme of competitive grants for further studies for employees.

03. COMPETENCE AND PERFORMANCE MANAGEMENT

03.1. COMPETENCE MODEL FOR ENDESA GROUP

EENDESA's competence model is shared by all of its subsidiaries and business units. It gives the organization a common language for talent identification and management.

A total of 120 technical-functional competence and 10 generic-management competence are associated to each occupation/job. Thus, the needs for competence are identified, in terms of observable performance, with the aim of making an objective assessment of the adaptation of employees to job requirements. Moreover, the model permits the establishment of ambitious standards of behaviour in line with demanding strategic goals, along with individual development plans which strive for growth in competence and succession plans and functional mobility.

**ENDESA has only one
competence model for everyone
in the Company**

Competence assessment comes close to 20% of ENDESA's workforce, to which the performance management system is also applied. The Company continued its process of expansion to new groups in 2007.

03.2. PERFORMANCE MANAGEMENT SYSTEM

ENDESA's Performance Management System (PMS) was envisaged to increase the Company's value. Its purpose is two-fold:

- To guide employees towards company and business goals.
- To distinguish employees by their contribution and merit in order to achieve optimal management of their development, motivation and commitment.

The Company continued to extend the system to new areas and groups in 2007. The gradual extension of PMS seeks to standardize assessment criteria and assign managers a qualified and relevant role in the identification and validation of employees' contribution, thereby facilitating the management tasks of the Assessment Committees.



03.3. INTERNATIONAL MOBILITY

ENDESA's international development plan, launched in 2003, allows employees who so request to be moved from their country of origin for a longer or shorter period of time in order to carry out a concrete activity in a different company within the Company. The aim of this Plan is to foster the development of the business and the professionals working for it, to promote a common culture and to support the Company's operations outside of Spain.

The Plan allows ENDESA to leverage its international profile and improve the quality of its employees' performance.

Country	Company of destination	Total
Argentina	Costanera	1
	Edesur	1
	Cemsa	1
	Total	3
Brazil	Cam	2
	Ampla	4
	Cien	2
	Endesa Brasil	4
	Coelce	1
	Total	13
Chile	Chilectra	9
	Endesa Chile	2
	Synapsis	1
	Enersis	9
	Total	21
China	Endesa Servicios	2
	Total	2
Colombia	Codensa	3
	Emgesa	2
	Synapsis	1
	Total	6
Costa Rica	Siepac	1
	Total	1

Country	Company of destination	Total
Spain	Endesa	8
	Endesa Europa	1
	Endesa Internacional	5
	Endesa Servicios	2
	Total	16
USA	Endesa	2
	Total	2
France	Endesa France	4
	Total	4
Greece	Edesa Hellas	5
	Total	5
The Netherlands	Endesa Energia	1
	lebv	1
	Total	2
Italy	Endesa Italia	5
	Total	5
Marocco	E. E. Tahaddart	1
	Total	1
Peru	Edegel	1
	Ingendesa	0
	Edelnor	1
	Synapsis	1
	Total	3
Poland	Endesa France	1
	Total	1
Portugal	Tejo Energia	1
	Total	1
Expatriated total		86

04. ATTRACTING AND RETAINING TALENT

For ENDESA, talent is a key element for ensuring its current and future business success. In today's dynamic and competitive context, attracting and retaining the best professionals poses a major challenge. To meet that challenge, ENDESA deploys an integrated conception of talent management.

In 2007, 454 employees from the business in Spain and Portugal, including Endesa Network Factory, resigned from ENDESA voluntarily, or due to dismissal or retirement. The personnel turnover rate in the area was 0.035.

TURNOVER RATE IN SPAIN AND PORTUGAL, INCLUDING ENDESA NETWORK FACTORY

	No. of employees		Turnover in absolute terms		Turnover rate (%)	
	2007	2006	2007	2006	2007	2006
Men	10,508	10,476	66	47	0.52	0.38
Women	2,195	2,125	14	10	0.11	0.08
Under 30 years	493	529	3	2	0.02	0.02
30-50 years	8,111	8,511	51	38	0.40	0.31
Over 50 years	4,099	3,561	26	16	0.20	0.13

04.1. INTEGRATED TALENT MANAGEMENT

ENDESA places special emphasis on talent management, by developing employees and the organization, and taking the Company's Strategic Plan as a benchmark. Compliance with this goal was promoted in 2007 with the approval of the integrated talent management plan that enriches the strategic plans for sustainable development and human resources.

In addition, in 2007 ENDESA developed three new policies that support its integrated talent management.

Recruitment and integration policy: Its purpose is to ensure that recruitment and integration management in our companies meets the business' strategic needs, is consistent with ENDESA's values and its model of human capital management, and is technically rigorous.

Talent identification and management policy: It aims to define ENDESA's talent model, its systems and governing principles, and to set guidelines for applying, measuring and monitoring it. It allows a human capital management to be based on standard and transparent criteria; the development and integration of employees in current and future scenarios; and makes provision for succession plans for critical positions.

Compensation policy: Its aim is to set up a compensation model based on distinction, commitment, merit and excellence. It is based on the basic principles given below, which are mandatory: Strategy, results, responsibility, market, merit, global vision, local application, total compensation, flexibility, shareholding, transparency and simplicity, and integrity.

The policies related to the integrated talent management model are available on ENDESA's Corporate Panel and on the intranet of all its companies. The policies were specifically published and sent to 2,000 employee managers personally, highlighting their relevant role in attracting, recruiting, assessing, validating and developing talent .



ENDESA makes an important effort to attract the best talent. The aims of that effort is to position itself as a benchmark company in the university segment, increase its renown as an employer company and capture interesting candidates.

In 2007, ENDESA took part in 3 editions of Empleo Universia's virtual trade fair. It also carried out a study in the countries where it operates to

discover the perceived image of ENDESA and its subsidiaries as employers in their respective markets. The study targeted university students and post-graduates, with the aim of determining the factors that would make ENDESA and its companies attractive places to work in.

In 2007, ENDESA managed 746 recruitment procedures in Spain which, in turn, implied the management of 848 vacancies. In 2007 the Company also took on board 168 grant recipients. Over 54% of them carried out their activity in the generation and sales lines of business.

04.2. EXECUTIVE MANAGEMENT MODEL

ENDESA has an executive management model to ensure that executives, who are crucial for creating value, are managed in line with the Company's strategy. In 2007, several relevant policies and procedures were put in place to meet that aim.

Policies/Procedures	Description
Unification of the Executive Policy	Creation of an electronic and physical documentary database for existing information on executives, with a view to analysing and defining models and best practices. The policies that target executive personnel were also analysed and reviewed with the units in charge of putting them into practice, with a view to adopting guidelines and suggestions to improve them.
Executive Charter, Code of Conduct and Incompatibility covenants	Active and early retirement personnel were informed of these codes and were asked to provide data on their activities so they could be compared (sampling) to the data in the Mercantile Registry.
Recruitment	Updating and redesigning of the procedure for recruiting executives and adaptation to the corporate recruitment policy, including procedure management via the Nostrum system. 37 recruitment procedures were performed and 160 candidates were short-listed.
Compensation	Executive compensation procedures complied with ENDESA's commitment to manage human capital on the basis of merit and excellence. The procedures were carried out without incidents and within the set deadlines.

Policies/Procedures	Description
Proceedings	In the context of the leadership development programme, 175 executives from all ENDESA departments took part in a 360 Feedback assessment procedure which was completed with an individual coaching programme.
Recruitment and Proceedings	In all, 48 new appointments and executives in consolidated positions were interviewed (26 in Spain and 22 in Latin America) with a view to providing guidance and suggesting individual actions of support and development. Training in leadership: 5 editions of Block 1 "Personnel Leadership" (attended by 113 executives) and 3 editions of Block 2 "Marketplace Leadership" (attended by 98 executives), with a 4.27 out of 5 overall assessment of the programme. Post-graduate training: approval of 17 courses (9 in Europe and 8 in Latin America).
Executive Website	Launchment of the executive website with all the information executives need for day-by-day management. The website includes the policies that target executives, new executive hirings and those leaving the payroll, executive vacancies and a suggestions box.

In 2007, there were 721 executives, which represents 2.7% of ENDESA personnel.

EXECUTIVES BY LEVELS AND REGIONS

Level	Spain	Europe	Latin America	Rest of the World	Total
AD	28	2	6		36
D	16				16
D1	17	1	15		33
D2	68	5	37	1	111
D3	13	1			14
S1	58	3	45	1	107
S2	197	3	133	2	335
S3	44		23	2	69
Total	441	15	259	6	721

04.3. PROCEEDINGS ASSESSMENT: 360 FEEDBACK

In 2007, ENDESA began to apply the 360 Feedback system, which is still in the pilot stage. The system was implemented in two Company units: one, the General Auditing Department, is global in scope; the other, the Edelnor company, is in Peru.

At the former, the system was applied to the entire workforce, as part of a programme for personal and team development. The aims were:

- Professional/personal development and growth through an increase in self-knowledge.
- Impact on motivation and commitment.
- Optimization of the units performance.
- Team integration.
- A better working environment.

At Edelnor, the method was applied to managers. In addition to the above-mentioned aims, the purpose was to strengthen management leadership.

04.4. COMPENSATION POLICY

ENDESA's compensation policy aims to generate value. It is linked to the Company's strategy, culture and values. Specifically, compensation depends on the Company's performance, and individual contributions and potential. For its application, both individual merit and the local market situation are taken into account, with a tendency for positioning close to the average for the reference market.

ENDESA'S ANNUAL COMPENSATION IN SPAIN BY PROFESSIONAL CATEGORIES (Thousands of Euro)

	2005	2006	2007*
Executives and university graduates	37.89	39.03	40.20
Employees with college diplomas	36.52	37.62	38.75
Middle management	30.47	31.39	32.34
Administration staff/manual workers	22.82	23.5	24.25

* Estimate (forecast inflation rate+0.5% agreed in collective bargaining).

Under the 2nd Collective Bargaining Framework Agreement of the Endesa Group, in effect until the end of 2007, and the 3rd Framework Agreement, signed in 2008, all employees covered by the agreement must have a basic salary according to their professional group and level, with no salary differences between sexes.

04.5. PENSION PLAN AND SOCIAL BENEFITS

The pension plan for ENDESA group employees includes 23,442 beneficiaries and implies a commitment of more than Euro 2,359 million. ENDESA has outsourced all its pension commitments in those countries where this is mandatory. ENDESA's pension commitments totalled Euro 4,427 million. Of this total, Euro 2,794 million corresponded to the group's pension plans, Euro 1,488 million represented commitments to active and retired employees through insurance policies, and Euro 145 million took the form of severance payments. In total, ENDESA has pension commitments to more than 62,000 employees. This total is comprised of active, semi-retired and retired employees.

The Company offers employees a broad range of social benefits aside from the benefits required by law. We would highlight the grants for studies and house loans, energy supply, 55% subsidised lunches at the head offices in Madrid, and life insurance and health care for which ENDESA assumes 100% of the cost. The above items imply a cost of Euro 42.3 million.

COMMITMENTS TO PENSIONS AND SEVERANCE PAYMENTS FOR MANAGED WORKFORCE

	2006	2007
Retired	30,101	29,477
Working	26,758	27,019
Early retirement	5,964	5,501

04.6. WORK-LIFE BALANCE

ENDESA regards work-life balance as a key element in achieving competitive edge. The Company's Work-Life Balance Plan was implemented in 2007. It includes a series of monitoring indicators, an awareness and training plan for managers and executives, and the creation of a work-life monitoring observatory, with the aim of identifying and disseminating best practice at three levels: local, regional and company-wide.

The emphasis on work-life balance management during stage one of the plan provides flexible working hours and workplace, and personal and professional support for employees in areas which help them to meet their needs.

At the beginning of 2007, the Company was certified as a Family-Friendly Company (EFR) by the Fundación+familia in Spain. An extension of the EFR certification to all of ENDESA is envisaged for 2008. To that end, a diagnostic of the work-life balance will be carried out on all employees, and actions to build awareness and provide training will be implemented.

In 2007, ENDESA approved a work-life balance policy and a plan for corporate action to deploy the policy across the Company's businesses

ENDESA: A FAMILY-FRIENDLY COMPANY

ENDESA has added value to its work-life balance record with certification as a Family-Friendly Company. The certification shows that the Company has understood and assumed that changes in the social, economic and cultural environment demand important progress in that field. The profound changes of society's values, changes in family roles, the increase in working women, the growing difficulty of attracting and retaining talent, and an increasingly diversified workforce make work-life balance a need and a strategic element for achieving a competitive edge. It is an important element to remain in the lead, a key factor for generating a committed and motivated workplace environment, and a way of strengthening the commitment towards the development of communities where the Company operates.

ENDESA's strategy and action plan for work-life balance and diversity management can be summarized into 7 lines of action and by establishing the figures that will lead the plan.

CORPORATE ACTION PLAN

- Diagnostic.
- Awareness building and communication plan.
- Training plan.
- International monitoring centre.
- Identification and dissemination of internal work-life balance practices.
- Internal management board.
- Family-Friendly Company certificate.

WORK-LIFE
BALANCE AND
DIVERSITY
MANAGEMENT

LABOUR BODIES

- Committee on diversity and work-life balance.
- Inter-business diversity and work-life balance project team.



05. LEVEL OF EMPLOYEE SATISFACTION

ENDESA strives to know and be in tune with the concerns of its employees. It uses surveys and other means to make a follow-up of those concerns in an on-going analysis that aims to improve the workforce's level of satisfaction.

05.1. SURVEY OF THE LABOUR ENVIRONMENT AND COMMITMENT

ENDESA carried out a global survey of the labour environment and commitment in December 2007. The survey was answered by 15,011 employees, i. e. 60.7% of the total workforce.

PARTICIPATION IN THE 2007 GLOBAL SURVEY ON THE LABOUR ENVIRONMENT AND COMMITMENT

Participating areas	Level of participation (%)
Spain	40.51
Corporate departments	83.11
Energy management	64.74
DG Endesa Red	32.54
DG Sales	85.78
DG Generation	26.19
European parent company	100
Latin American parent company	77.55
Latin America	81.90
Chile	85.09
Peru	80.32
Colombia	93.94
Argentina	69.50
Brazil	85.70
Global	60.71

Of the 11 categories studied, the two highest scored by employees were occupational health and safety (79% positive) and job satisfaction and motivation (75% positive). All categories were scored at over 50%, with equal opportunities (59% positive) and professional development (58% positive) showing the greatest room for improvement.

The Commitments Index scored 80% positive responses globally. By region, the results were: Spain 73%, Latin America 84% and Europe 70%. 91% of employees who took part in the survey said they were happy with their jobs, and 88% said they were proud to work at ENDESA.

This results will be used to put plans of action in place to explore critical areas for improvement in each Company management unit, in order to meet the survey's aims. The plan is to associate the success of the labour environment/commitment action plans with the management of managers' performance, making them a goal for anyone who is in charge of a team.



05.2. QUALITY IN SYSTEMS AND PROCESSES

ENDESA also uses a quality assessment of processes and systems to monitor satisfaction and the labour environment. One important instrument is the assessment quality thermometer, which takes place annually. The tool takes into account the opinion of the as-

sessors and those who are assessed during the various stages of the performance management system, from agreed aims to monitoring agreements, assessment, calibration, feedback and the consequences of assessment and, finally, the plan for individual development and variable retribution.

The survey on self-service shows the degree of satisfaction with Nostrum's self-services for managers and employees in Spain. Nostrum's self-services are tools that the human resources management system makes available to managers and employees so they can obtain relevant information for team management and individual management. In 2007, ENDESA used the outcomes of the survey made in December 2006 to develop several plans for improvement, focusing on the reputation and visibility of the self-services on the Corporate Panel, as well as the transactions related to self-service, thereby preventing duplicated access. Communication using unconventional channels were also designed to launch new transactions and information related to the self-services.

05.3. CHANNELS FOR COMMUNICATION WITH EMPLOYEES

ENDESA promotes fluid contact with its employees by setting up several channels and tools. Some of the highlights of the in-house communication channels are internal comunicués (Direct Line), the Corporate Intranet, the magazines Actualidad Endesa and Endesa America, Notices, and three recent initiatives: working breakfasts between top managers and employees, the dynamism mailbox and the "canalEndesa" channel.

ENDESA also carries out campaigns and other in-house communications on the occasion of relevant processes for the Company and its businesses, implements new corporate projects and initiatives and other actions.

Currently, ENDESA's main permanent in-house communication channels are:

Chanel	Description
Corporate Portal	A system based on Intranet technology that the Company uses to give its employees detailed information at company level and on its businesses, management tools to facilitate their functions, and a range of services for team work. ENDESA employees can log onto it from any laptop connected to the internet.
Línea Directa (Direct Line)	A form of communication that gives employees information on relevant company actions and events at the internal and external level. It is posted in print on notice boards and showcases, in pdf via email and via the Corporate Panel.
Actualidad Endesa	A corporate magazine, mainly for ENDESA employees in Spain, with news, articles and reports on the Company's main internal and external activities. It is published in print at each workplace and via the Corporate Portal in digital form.
Endesa America	A corporate magazine, mainly for the employees of ENDESA subsidiaries in Latin America, with news, articles and reports on the main internal and external activities of ENDESA and the subsidiaries. It is issued in print and via the subsidiaries' respective intranets.
Messages	A communication to notify employees of specific in-house issues (vaccination campaigns, work schedule, and similar issues). It is posted in print on notice boards and showcases, in pdf via email and via the Corporate Panel.
canalEndesa	A network of TFT screens installed in the main workplaces that give centralized programmes with news, videos, charts and reports on the Company's main data and operations. Its primary purpose is to provide access to key Company information to those who do not have a laptop at their workplace or whose job involves high levels of mobility.
Working breakfasts between the CEO and employees of the Company	Working breakfasts between groups of employees and ENDESA's CEO. In Latin America, meetings of employees with the Managers and Managing Directors of the subsidiaries. These meetings permit representative groups of employees to relate experiences and issues of interest to top-level management and to receive information first hand from the heads of the Company. Some of the most popular issues discussed at the meetings have been the future of the Company, workplace health and safety, customer-service systems and the work-life balance.

Channel	Description
Dynamism Mail Box	An in-house communication channel for employees wishing to e-mail those in charge of the Job Replacement Competencies Centre (e-mail address: dinamización@endesa.es) to express their interest in any future professional opportunities that could arise within the Company. All employees who have contacted the Dynamism Mailbox are evaluated to identify their interests and professional profile, with a view to considering them as potential candidates for planned job vacancies in the course of the year.
Job opportunities	A communication to notify employees of calls for job vacancies. It is posted in print on notice boards and showcases, in pdf via email and via the Corporate Panel.
Notice boards	Notice boards are attached to walls at workplaces and are used to post corporate notices and information in printed form.
Free expression notice boards	Notice boards attached to the wall at workplaces and used by employees to post personal offers and similar notices that may be of interest to other people who work at the centre.

05.4. CLIMATE OF DIALOGUE AND COLLECTIVE AGREEMENT

EENDESA continued its customary policy of dialogue and collective agreement in a context of on-going respect for freedom of association.

As at 31/12/07, there were 49 collective agreements in place at ENDESA's subsidiaries in its eight most important countries of operation, of which 42 were still effective and the other 7 were being negotiated.

STATUS OF COLLECTIVE BARGAINING AT ENDESA

	Spain		Latin America		Europe*		Total	
	Agreements	Workers Affected	Agreements	Workers Affected	Agreements	Workers Affected	Agreements	Workers Affected
Agreements	5	11,895	41	7,936	3	1,785	49	21,616
Agreements in force	4	11,820	35	5,503	3	1,785	42	19,108
Agreements under negotiation	1	75	6	2,433	0	0	7	2,508

* Figures of last quarter are an estimation due to a lack of reporting related to the announcement of disinvestments of assets in Italy, France, Poland and Turkey.

**21,616 ENDESA employees
are covered by collective
agreements**

In 2007, collective agreements affecting 7.5% of ENDESA's workforce were renegotiated. In Spain, there were 5 collective agreements in force at the end of 2007, 4 of which were in force and 1 of which was being negotiated. In all, these agreements affect 11,895 people. Endesa Ingenieria signed its first collective agreement in 2007.

The key standards of the 2nd Endesa Group Framework Agreement, in force throughout 2007, stipulated that organisational changes should be communicated to company representatives with sufficient advance notice, explaining the reason for the measures and their impact on employees.

In 2007, a new negotiation was under way to sign ENDESA's Third Framework Agreement, which culminated successfully in April 2008. The agreement replaces the II Framework Agreement that expired on 31/12/2007. 2007 also saw the signing of the Framework Agreement that guarantees the labour conditions that will govern the corporate restructuring operations being implemented by Endesa S.A. and its electric subsidiaries, which replaces the 1998 and 2002 agreements.

In Latin America, as of 31/12/07, there were 41 collective agreements, of which 35 were in place and 6 of which were being renegotiated. These agreements affect a total of 7,936 employees. Nine new collective agreements were signed in Brazil, Chile and Peru during 2007.

Finally, as of this date there were three collective bargaining agreements in Italy and France, all of them in force. In all, these agreements affect 1,785 people.

05.4.1. Trade union representation

ENDESA respects the responsibilities and work of trade union representatives. Union membership among the workforce of ENDESA and its subsidiary companies in Spain, Latin America, and Italy stood at 51%, 63%, and 73%, respectively. ENDESA companies in its eight most important countries of operation had 1,054 employee representatives: 711 representatives in Spain, 175 in Latin America, and 168 in the rest of Europe.

Membership in international labour federations breaks down as follows: International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) 24%; Union Network International (UNI) 11%; Public Services International (PSI) 6%. In addition, 22% of members are affiliated to both the ICEM and PSI. The remaining 37% are members of other organisations.

The second general trade union elections were held in Spain in February 2007, following ownership and corporate consolidation. The election affected 11,788 workers at 616 workplaces at 16 companies. UGT obtained an absolute majority.

STRUCTURE OF TRADE UNION MEMBERSHIP AT THE WHOLE OF ENDESA [%]

ICEM	24
ICEM AND PSI	22
UNI	11
PSI	6
Other	37

06. EQUAL OPPORTUNITIES, DIVERSITY AND ANTI-DISCRIMINATION POLICIES

For ENDESA, managing diversity means valuing, promoting and facilitating the differences in thought processes, genders, cultures, ways of functioning and generations as a way to generate wealth, innovation and learning for the organization and individuals.

ENDESA set up a Diversity and Work-Life Balance Committee in 2007

In 2007, ENDESA set up a Diversity Committee made up of people from the Corporate Communications and Human Resources Departments, and from its businesses. It also defined a global balanced scoreboard for diversity and held two seminars on diversity for managers. Finally, it designed an online course on diversity management, which will be published on a single globally accessible platform.

06.1. EQUAL OPPORTUNITIES

In Spain, Organic Act number 3/2007, dated 22 March, for effective equality between women and men obliged companies with more than 250 workers to set up a equality plan. The plans are to establish orderly and systematic measures for companies to attain equal treatment and opportunities for women and men.

For ENDESA, discrimination is treated as serious misconduct to be dealt with the relevant bodies in their codes of conduct. No complaints were lodged in relation to discrimination in 2007.

As a previous and necessary step for compliance with this obligation, ENDESA diagnosed the status of gender equality in Spain in 2007. In addition, negotiations for the Third Framework Agreement

included the approval and implementation of the Equality Plan as a routine item.

ENDESA'S FEMALE WORKFORCE (% of the total)

	2005	2006	2007
Spain	16.4	15.6	17.2
Latin America	18.0	17.0	16.9

STRUCTURE OF ENDESA'S WORKFORCE IN SPAIN BY SEX AND CATEGORY

	2006		2007	
	Men	Women	Men	Women
Executives and university graduates	18.7%	4.3%	18.99%	5.10%
Employees with college diplomas	23.7%	3.5%	24.1%	4.08%
Middle management	22.3%	3.4%	22.27%	3.7%
Administration/manual workers	19.7%	4.5%	17.40%	4.40%
Total	84.4%	15.6%	82.72%	17.28%

The recruitment of people with disabilities increased significantly in 2007. In Spain, important efforts were made at all ENDESA's companies to update the legal requirement to hire disabled personnel with the launching of a plan for the integration of people with disability. To comply with this obligation, disabled personnel were recruited directly and other options set forth in current legislation were also used. A statement on the exceptional nature of all ENDESA's companies in Spain was applied for and obtained. The labour authorities checked the companies' visitor books to verify their compliance with the obligation.

06.2. PROMOTION OF LOCAL EMPLOYMENT

One of the traditional values of ENDESA's business track record is the depth of its commitment to the countries and territories where it operates. The increase in the capacity of local response and local human capital are the strategic criteria the Company applies to select its suppliers.

In 2007, ENDESA purchased materials, equipment, work and services totalling Euro 5.802 billion, an increase of 29% on the previous year. The savings attained in the area of purchase management stood at around 5.5%.

The distribution of purchase management shows ENDESA's important contribution to the development of local economies. In 2007, ENDESA's total volume of purchase in Spain and Portugal amounted to Euro 3.742 billion, in increase of 21% compared to the previous year. In the European business, the total volume of purchases was Euro 509 million in Italy and Euro 131 million in France. Finally, the total purchase volume in ENDESA's Latin American business amounted to Euro 1.420 billion in 2007, a 39% increase of compared to the previous year.

The workplace safety of the employees of contractors requires a comprehensive and cross-cutting approach. Therefore, in 2006 ENDESA drew up a protocol to provide its businesses with guidelines adaptable to each local scenario and to have the relevant management information regarding contracting of works and services. The protocol, called N020 for the contractor health and safety management, was approved by the Company's Management Board at the beginning of 2007.

06.3. REJECTION OF THE LABOUR OF MINORS AND FORCED LABOUR

ENDESA expressly condemns child labour and forced labour in its Code of Conduct, and makes the commitment extensive to its suppliers, ensuring that its contractors comply with current legislation in the countries where it operates. In 2007, there were no breaches of such regulations.

During the year, ENDESA continued to cooperate with the Youth Employment Project in Latin America. Programmes for school grants and nurseries as a measure to support children's schooling, and initiatives to eradicate extreme poverty and hunger have an indirect impact on the eradication of forced work and child labour. The information on such initiatives can be found in the chapter on the Company's Commitment in this Report.

06.3.1. Evaluation of Endesa Chile contractors' compliance with human rights

All Endesa Chile contracts and suppliers include criteria and investigation on Human Rights. None of them were rejected for that reason in 2007. Contract Inspectors continued to make on-site assessments. Assessments of contractors' performance include compliance with safety standards, labour laws and the treatment of personnel. During the year, 114 contracts awarded to 116 contractors were studied, which represents more than 80% of the contractors who provided manual labour for the company's industry.

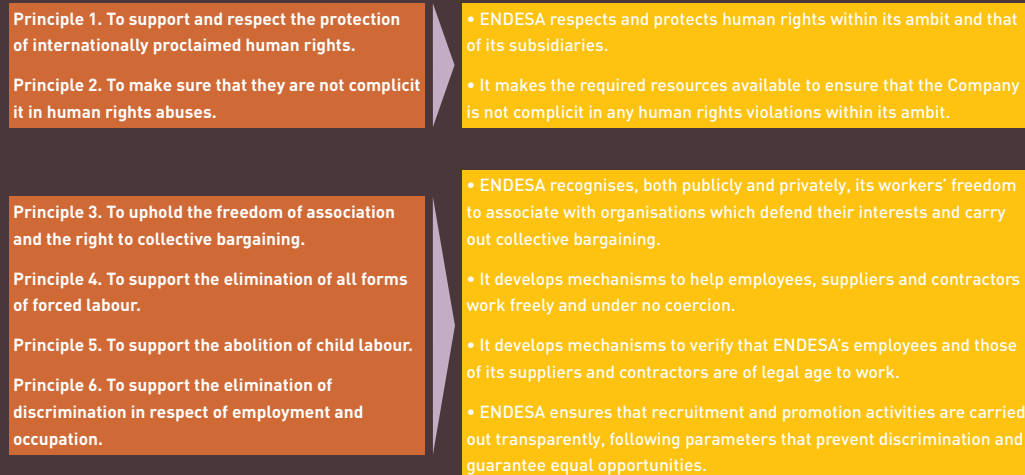
The most valued aspects were compliance with labour laws (85.9%); compliance with environmental laws (83.44%) and treatment of personnel (83.40%).

Since 2006, Endesa Chile requires its contractors for labour-intensive services to give their employees a wage that is higher than the legal minimum wage.

06.4. UN'S GLOBAL COMPACT LABOUR REGULATIONS AND PROTECTION OF HUMAN RIGHTS

By adhering to the UN's Global Compact, ENDESA has undertaken to strengthen the protection of human rights within the sphere of influence of the Company and its subsidiaries by complying with its first two principles. In turn, principles 3, 4, 5 and 6 of the Compact refer to labour regulations.

The Company's 7 Commitments to Sustainable Development promote compliance with the same principles. The commitments include the health, safety, and personal and professional development of Company employees, a commitment of good government and ethical conduct, and a commitment to the social and economic development of the countries in which it operates.



07. HEALTH AND SAFETY

ENDESA considers health and safety an important asset which must be guaranteed across the board. Therefore, it has publically announced its commitment to the health, safety, and personal and professional development of the people who work for the Company. It meets the commitment by developing a broad range of initiatives to attain excellence and become an international benchmark in this area. It is worth mentioning that in the above-mentioned 2007 study on the labour environment, health and safety were the most valued factor, with 79% satisfaction.

**Health and Safety was
the most valued factor in ENDESA's 2007
Study on the Labour Environment,
with 79% satisfaction**

07.1. HEALTH AND SAFETY POLICY

ENDESA's workplace health and safety policy derives from the Company's Vision and Values and its 7 Commitments to Sustainable Development. These documents also inspire the ENDESA workplace health and safety management model. The policy mentions that ENDESA makes these same health and safety conditions extensive to anyone who works for the Company and promotes their active participation according to the principles below:

- **Leadership:** People who work for ENDESA are required to be leaders in health and safety, and to integrate its principles in their day-to-day operations:

- The Company's Management states its commitment to lead the health and safety management and to voluntarily adopt international agreements and regulations of the UN, ILO, OHSAS, and WSD, to boost its commitment beyond legal requirements.
- Direct management and people managers lead the implementation of workplace health and safety by their personal example and active role, and by requiring compliance with the Company's health and safety policy. Awareness building, motivation and training for collaborators are the keys to have an impact on attitudes at all levels of collaboration.

**ENDESA's prevention culture
is based on awareness building,
commitment and compliance with health
and safety guidelines by everyone, including
the employees of contractors**

- **Attitude of prevention:** ENDESA promotes a constant assessment of workplace accidents and workplace health and safety in its business processes in order to set and update systematic plans of action that improve working conditions and monitor unsafe conditions and conduct.
- **Search for excellence through constant improvement:** The people who work at ENDESA can be distinguished for their sustained search for excellence based on a philosophy of constant improvement that applies to the entire management chain and human capital managers, and to all workers. Their aim is to attain top levels of efficiency in accident prevention.
- **Competition:** ENDESA regards competence as a key pillar for the safe conduct of the people who work for the Company. It presupposes that all company workers and the workers of contractors are aware of the hazards and of the means to prevent

them. Workers are expected to have a permanent attitude of self-protection in the course of their day-to-day work.

07.2. RELEVANT HEALTH AND SAFETY INITIATIVES IN THE COMPANY'S BUSINESSES

Most of ENDESA's initiatives with regards to health and safety are developed through a long-term corporate initiative called the Apollo Project. The project was honoured with the Dupont award in 2007, in the Sustainable Business category. Its aim is to promote the Company's improvement in health and safety. A series of initiatives were undertaken by the Apollo Project. ENDESA'S companies and businesses on the American continent have developed several initiatives to implement corporate health and safety guidelines under the generic name of Latam Apolo.

The business in Spain and Portugal continued to develop its 2005-2009 Strategic Plan for the Prevention of Workplace Accidents (Praevenio Plan), which aims to prevent workplace accidents and make ENDESA a Spanish benchmark in the prevention of workplace accidents.

The global Apollo Project to achieve a radical improvement in the Company's workplace health and safety was honoured with the 2007 Dupont award in the Sustainable Business category

In 2007, ENDESA's workplace health and safety policy was drafted and approved by the Management Board and signed by the Managing Director and the General Managers of the Businesses. In line with the Policy, ENDESA's Vision and Corporate Values were

amended to make explicit reference to health and safety. As a result of the amendment, the Company's Vision now reads:

ENDESA'S VISION

- ENDESA is an energy sector operator and provider of associated services, focused on electricity.
- A responsible, efficient and competitive multinational company, committed to safety, health and the environment.
- A company ready to compete at global level.

It also includes an eighth value to the Company's Corporate Values:

CORPORATE VALUE OF HEALTH AND SAFETY

- We make a firm commitment towards occupational health and safety by promoting a preventive culture.

**The publication that contains
ENDESA's Health and Safety Policy
was sent individually to more
than 80,000 Company and contractor
employees worldwide**

2007 also saw the drafting of ENDESA's workplace health and safety model, which was approved in the course of the year by the Company's Management Board and published in executive magazines. It is an open health and safety management model that is capable of integrating international standards, such as the OHSAS 18,001.

OHSAS 18,001 CERTIFICATION: 100% OF ENDESA'S GENERATION COMPANIES IN LATIN AMERICAN AND OVER 80% OF THE DISTRIBUTION COMPANIES HAVE THIS CERTIFICATION.

By the end of 2007, all of ENDESA's generation companies in the region and four out of five distribution companies had attained the certification of their workplace health and safety systems in compliance with the OHSAS 18,001 standard.

The business in Spain and Portugal attained the certification of the distribution markets in the Balearic Islands, Canary Islands and Centralized. In the generation field, certification of the As Pontes, C'as Tresorer , Besós, San Roque, Tarragona and Colón plants.

The first implementation of the Delfos IT system entered production in Spain in 2007. The system consists in a computer platform for workplace health and safety management that is shared by all ENDESA companies, although local peculiarities exist due to differences in health and safety legislation. The implementation was launched in Latin America in September, beginning with Colombia, where additional functions were added to the system. Subsequently, the final design will be exported to the companies of the other countries where ENDESA operates.

The initiatives undertaken within the framework of the Praevenio Business Plan in Spain and Portugal during the year included an assessment of 1,290 people for psychosomatic hazards at Endesa, S.A. and Endesa Servicios, Likewise, the Action Plan on Labour-related stress and the Action Plan to combat muscular and skeletal disorders was implemented in all of the businesses' lines.

In Latin America, programmes for the prevention of cardiovascular diseases and for workers in hazardous jobs were implemented in addition to the regular medical checkups for employees provided by the company. Checkups and talks on nutrition and physical exercise were given for the prevention of cardiovascular diseases. The com-

panies also carried out medical monitoring and preventive initiatives for workers in hazardous jobs.

The alignment of ENDESA's organization of workplace health and safety is boosted with the setting up of accident reduction goals in the context of a common balanced scorecard. During the year, impact ratings (frequency, seriousness, absenteeism and number of death by accidents ratings) were implemented in the businesses. Progress in the definition and development of some management and preventive ratings was made in Latin America. The main rating was the Workplace Accident Prevention Rating (WAPR) , which quantified the hazard detected in observations and inspections of operations. The WAPR rating sets the procedure for performing work inspections and observations. It was implemented in the distributor companies, in CAM and subsidiaries, defined for the generation business.

In addition, 33 audits of health and safety management systems were performed in the business' workplaces in Spain and Portugal, due to the provisions of the Spanish Workplace Accident Prevention Act; 32 of the workplaces obtained the respective certification. In Latin America, audits of health and safety management and management systems (OHSAS) were carried out in Chile, Brazil, Argentina, Colombia and Peru.

Optimal management of health and safety awareness and the attainment of set goals are a key tool for the standardization of occupational health and safety regulations. It is one of the commitments in ENDESA's workplace health and safety model, aimed at transferring individual awareness to the company's global awareness. Corporate workplace health and safety events and regional events are organised for that purpose. In 2007, it was the turn of the regional Health and Safety Event for generation in Latin America. Generation representatives from Peru, Argentina, Brazil and Chile, and distribution representatives from Peru and Colombia attended the event. A Forum on corporate prevention is also organised on a quarterly basis. Representatives of all of the businesses attend to discuss relevant workplace health and safety issues and to coordinate initiatives.

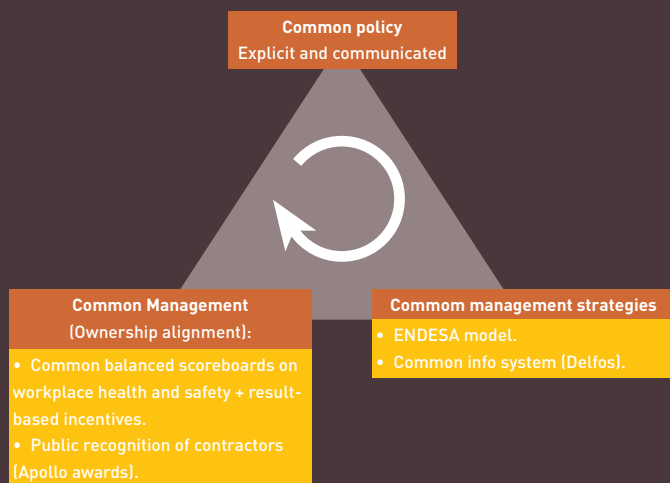
Finally, the new private Cooperation Space (ECO) of Endesa International's Committee for workplace health and safety (mini health and safety ECO) was published on the corporate intranet. The Mini Eco consists of a shared work space which provides detailed information on the latest workplace health and safety events, news of corporate projects, data and indicators, and the status of OHSAS 18,001 certifications, among other items. The Mini Eco was presented to the community of prevention experts in the Latin American business in order to secure their active and permanent participation through suggestions to improve it.

07.3 A BOOST FOR THE HEALTH AND SAFETY MANAGEMENT OF SUPPLIERS AND CONTRACTORS

ENDESA assumes the extension of its workplace health and safety responsibilities to its suppliers and contractors. As mentioned above, at the beginning of 2007 the Management Board approved the N.020 Contract Personnel Management standard on workplace health and safety, including workplace safety criteria for assessing the performance of partner organisations.

APOLLO PROJECT: WORKPLACE HEALTH AND SAFETY AS A SUSTAINABLE IMPACT IN THE BUSINESS

The Apollo Project is a corporate initiative that aggregates several of the workplace health and safety projects of ENDESA's companies and businesses. Its aim is to position to the Company as a world electric benchmark in health and safety and to reinforce its position as a socially responsible company. The Apollo Project initiatives focus on three key areas, to which we should add a fourth area: the constant monitoring and improvement of the other three areas.



The first field of action is the drafting and dissemination of ENDESA's Corporate Policy on Workplace Health and Safety, as the expression of the Company's public commitment to the issue before its workers, contractors and the larger community. As mentioned above, its dissemination was preceded by amendments to ENDESA's Vision and Values for the reinforcement of certain aspects of workplace health and safety.

The second field of action consists in making two common management tools available to ENDESA's businesses and companies: ENDESA's workplace health and safety management model and a corporate system for workplace health and safety IT management (Delfos). The former describes the conceptual and management framework to which any given workplace health and safety IT system should be adapted. The latter provides a common computer application for the day-to-day management of workplace health and safety. The final aim of the two tools is for all ENDESA businesses and companies to share a common workplace health and safety philosophy and to operate accordingly with standard, verified quality procedures, while boosting training actions for executives and human capital managers.

Field three sets the criteria for assessing and incentivating good workplace health and safety practices in the Company's units and among company and contractor employees. It includes the setting of common management measurements and ratings. In this context, workplace health and safety criteria were integrated into the assessment of tenders for hiring contractors in 2007.

In the area of prevention management of contractor personnel in the business in Spain and Portugal, during the period more than 30,000 jobs were reviewed under the framework of the Praevenio Plan to ensure compliance with current workplace accident prevention regulations. The project for alliances with contractors was also continued. Its aim is to transfer ENDESA's preventive culture to contractors' workers by applying it in the Canary Islands distribution market, in the review of Group I at the Mequinenza hydro plant, and in other works executed by UPOM in the Canary Islands and the thermal plant at Compostilla.

With regards to training in workplace health and safety, the Workplace Health and Safety Event for ENDESA executives was held at the international level in 2007, with 3,700 hours of training in all. Five Awareness Building Events were held in the business in Spain and Portugal, which were attended by 472 executives and team managers. Other courses were also held, to a total of 135,394 hours of training, which represents a 27.4% increase in the training hours given in 2007. In Latin America, training included initiatives on workplace health and safety policies, workplace health and safety regulations, occupational health and safety management systems (OHSAS 18,001), workplace accident prevention, emergencies and first aid.

The training initiative in Latin American were also extended to other groups, particularly to contractor's workers. Concretely, they were given training in safety regulations and OHSAS management systems with the aim of lowering the workplace accident indicators and to promote the implementation of management systems in their companies.

COMPANY-FAMILY COOPERATION IN ACCIDENT PREVENTION

ENDESA's Latin American companies carried out an important job of raising the awareness of workers' families with regards to the support they should give workers so they will pay strict attention to safety regulations. The aim is to raise family's awareness that the responsibility for safety is a shared goal.

PUBLIC RECOGNITION OF THREE INITIATIVES OF ENDESA'S PARTNER COMPANIES

In 2007, ENDESA made an international call to the first edition of the Apollo Awards for partner companies. The aim of the awards is to promote workplace health and safety management excellence and to develop new initiatives.

The recognitions were proposed by an independent international jury and ratified by ENDESA's Management Board. The awards were:

- Apollo Award for the "Occupational Health and Safety Plan in the Construction Project for the Hydroelectric Plant at Palmucho" set up by the SALFACORP Company (Chile), for their proven commitment to the workplace health and safety culture.
- Apollo Award to the initiative "Measurement of the Identification, Reporting and Monitoring of Unsafe Conditions with Portable Digital Instruments (PALM/PDA)" undertaken by the FYRCCO Consortium (Colombia), for their meritorious application of new technologies to workplace health and safety.
- Special Apollo Mention to the initiative "Grounding Device for the Aerial-Underground Conversion of Medium Voltage Power Lines" of the Villa Flores Martin Morales Montajes Electricos Company (Spain), for its meritorious innovation in operational grounding procedures.

With these 2007 Apollo Awards, ENDESA expresses its public commitment to workplace health and safety of those who work for the Company, whether they are Company employees or the employees of partner companies.

Currently, contractors make up 70% of the workforce linked to ENDESA. That is why ENDESA encourages its contractors to share their best practices on prevention.

07.4. DEVELOPMENT OF THE MAIN WORKPLACE AND SAFETY INDICATORS

In 2007, workplace health and safety indicators showed an important improvement in workplace accident levels in all of the Company's businesses, showing a continuation of the trend of previous periods.

- The accident frequency rating for Company personnel, which measures the number of accidents with sick leave per million of hours worked, improved 21.7% as compared to the previous year (5.05% in 2007 compared to 6.45% in 2006).
- The rating of the seriousness of workplace accidents for Company personnel, which measures the number of days with sick leave per million of hours worked improved 15.8% (206.6% compared to 245.4%). The total number of calendar days lost for this reason came to 10,195 days (around 0.2% of the time worked).

**A clear improvement of accident levels
in all of ENDESA's businesses**

In the development of indicators by businesses, we would highlight that:

- The accident frequency rating diminished by 22.6% in 2007 as compared to 2006 (7.6 compared to 9.8, respectively) in the electrical business and in ENDESA's mining industry in Spain; 13.8% in the Latin American business (2.8 compared to 3.2) and 42% in Europe (8 compared to 13.9).
- The seriousness rating diminished 10% in the electrical and mining business in Spain (406.1 compared to 451), 22% in Latin America (45.3 compared to 57.2); and 42.8% in Europe (245.1 compared to 428.6).
- Absenteeism for common illnesses and non-work related accidents, measured in percentages, showed a different develop-

ACCIDENT RATING (Frequency Index)*

	2004	2005	2006	2007	% change 2007/06
Spain (Electricity & mining businesses)	14.26	11.95	9.80	7.59	-22.6
Rest of Europe	14.25	9.04	14.20	8.04**	-43.4
Latin America	3.80	4.76	3.19	2.75	-13.8
Total	9.27	8.12	6.45	5.05	-21.7

* Accident rating: Number of accidents resulting in sick leave per million hours worked.

** In the data for Europe, the data for Endesa Italy are for 30/9/2007.

SERIOUSNESS RATING *

	2004	2005	2006	2007	% change 2007/06
Spain (Electricity & mining businesses)	770.0	710.2	451.0	406.1	-10.0
Rest of Europe	820.9	630.1	428.6	245.1**	-42.8
Latin America	79.0	232.1	57.2	45.3	-20.8
Total	429.7	385.9	245.4	206.6	-15.8

* Seriousness rating: Number of accidents resulting in sick leave days per million hours worked.

** In the data for Europe, the data for Endesa Italy are for 30/9/2007.

No. of workplace deaths		2004	2005	2006	2007
Spain (Electricity & mining businesses)	Own	1	0	4	0
	Contractors	8	6	4	2
Rest of Europe	Own	0	0	0	0*
	Contractors	1	0	0	0*
Latin America	Own	0	0	0	0
	Contractors	4	15	10	7
Total	Own	1	0	4	0
	Contractors	13	21	14	9

* In the data for Europe, the data for Endesa Italy are for 30/9/2007.

ABSENTEEISM DUE TO COMMON ILLNESSES AND NON WORK-RELATED ACCIDENTS *

	2004	2005	2006	2007
Spain (Electricity & mining businesses)	3.0	3.2	3.2	3.2
Europe	2.7	3.6	3.5	2.8**
Latin America	2.2	2.5	1.9	2.6
Total	2.9	3.2	2.9	2.9

* Percentage of workdays lost due to common illness and non work-related accidents

** In the data for Europe, the data for Endesa Italy are for 30/9/2007.

WORKERS REPRESENTED IN THE HEALTH AND SAFETY COMMITTEES [%]

Employees	100
Address	100

ment. In Spain, the electrical and mining business remained at the same levels of the past three years (3.2%); in Latin America it increased by 36.8% (2.6 compared to 1.9), although it was still the lowest of the three businesses; and in Europe it improved 20% (2.85 compared to 3.5).

In 2007 there were 9 unfortunate deaths caused by accidents, all of them of contractor personnel, compared to 18 in 2006. This datum confirms the positive trend of less labour-related mortality at ENDESA, which was situated in 2007 at the 50% average for the 2004-2005 period. Of the 9 workplace deaths, 7 occurred in Latin America, where 76% of ENDESA's workforce is managed by third parties.

Commitment to good governance and ethical behaviour



<p>27 meetings of the Board of Directors</p>	ENDESA'S APPROACH	PRINCIPAL MILESTONES
<p>93.5% of shareholders represented at the Extraordinary General Meeting</p>	<ul style="list-style-type: none"> ■ ENDESA wishes to become a benchmark for its commitment to sustainability and integrity in its Corporate Governance practices. 	<ul style="list-style-type: none"> ■ Publication of the Annual Corporate Governance Report. ■ Implementation of systematised risk analysis in all countries in which the company operates in relation to the principles of the UN Global Compact, and comparison with the practices of other companies in its business group.
<p>76% of complaints received in 2007 via the Ethics Channel resolved by year's end</p>	PRINCIPAL POLICIES	CHALLENGES IN 2008
<p>7 countries studied to determine their social and environmental risks</p>	<ul style="list-style-type: none"> ■ Strengthen procedures and practices for transparency of information. ■ Strengthen and extend internal standards and procedures for corporate integrity. 	<ul style="list-style-type: none"> ■ Further explore the implementation of systematic measures to assure compliance with the principles of the UN Global Compact.

01. CORPORATE GOVERNANCE

ENDESA guides its behaviour in accordance with the principles set out in the Company's articles of association, on which all the regulations, codes and standards described in this chapter are based.

The Company's articles of association contain, together with the principles that guide the governance of the Company, the mandatory legal provisions and the bodies responsible for the governance of the Company, namely, the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

These principles include:

- Transparency.
- Directors' duty to diligence and loyalty.
- Respect for shareholders' rights.
- Encouraging shareholders' involvement in decision-making.

The **Shareholders' Meeting Regulations** arrange the mechanisms which provide information and encourage the exercise of shareholders' rights to take part in debates and to vote to strengthen shareholder participation.

The Board Regulations regulate the organisation and functioning of the Board of Directors in accordance with Article 36 of the Corporate Bylaws. They are based on three concepts: promoting transparency in the conduct of the Company's governing bodies, fostering effective business management, and the assumption of responsibility in respect of the Company's shareholders by Senior Management and the Board of Directors.

Also, ENDESA has deployed Internal Rules for Conduct on Stock Markets. These regulations are based on three concepts: promoting transparency in the conduct of the Company's governing bodies, fostering effective business management, and the assumption of responsibility in respect of the Company's shareholders by Senior

Management and the Board of Directors. These concepts are the same as those that underpin the Corporate Integrity Rules explained below.

ENDESA publishes an Annual Corporate Governance Report, containing detailed information on the issues covered in this chapter.

01.1. GOVERNANCE STRUCTURE

The Company's organs of governance are the General Meeting of Shareholders, the Board of Directors and the Executive Committee.

01.1.1. General Meeting of Shareholders

The General Meeting of Shareholders is the meeting which, observing the relevant formalities and legal requirements, deliberates matters within its ambit and makes decisions by majority vote to express the wishes of the Company. The Company has been making considerable efforts to achieve the largest possible participation of Shareholders at the General Meetings by giving maximum publicity about the AGM via new channels of communication with Shareholders: live broadcasting of AGMs on the Company's website, remote voting and proxies via ordinary post and email.

The Board of Directors convenes the Annual General Meeting (AGM) to be held within the first six months of each financial year. The shareholders themselves may also convene a meeting whenever they consider it to be in the Company's interest or if requested by a number of shareholders holding at least five per cent of the Company's share capital.

Two shareholders' meetings were held in 2007: the AGM on June 20th and an Extraordinary General Meeting on September 25th. A record quorum was achieved at this extraordinary meeting, with 93.5 per cent of the capital.

The Extraordinary General Meeting approved the amendment of four Articles in the company's Articles of Association. article 32 (limitations on voting rights), article 37 (number and types of directors), article 38 (directors' term of office) and article 42 (cases of directors' incompatibility).

01.1.2. Board of Directors

The principal mission of the Board of Directors, which is made up of at least nine and not more than fifteen members, is to manage the governance of the Company. The Board enjoys full powers to direct, administer and represent the Company in the pursuit of the

business that constitutes the object of the Company. It fixes the general management strategy, plans and management policy for the Company and its holdings, defines the risk profile and determines the information and communication policy. Its functions also include supervising the performance of senior management and establishing and supervising the information systems established with different shareholder groups.

The Board of Directors met 27 times in 2007.

Office	Member	Date	Type	Committee
Executive Chairman	José Manuel Entrecanales Domecq	18.10.2007	Executive/Nominee	EC
Vice Chairman	Andrea Brentan	18.10.2007	Nominee	EC, ACC, ARC, EFIC, IPSC
Chief Executive Officer	Rafael Miranda Robredo	11.02.1997	Executive/Nominee	EC, IPSC
Members	Carmen Becerril Martínez	18.10.2007	Nominee	CNR, EFIC, IPSC
	Luigi Ferraris	18.10.2007	Nominee	EC, EFIC, IPSC
	Claudio Machetti	18.10.2007	Nominee	EFIC
	Valentín Montoya Moya	18.10.2007	Nominee	EC, ACC, CEFI, COPIES
	Esteban Morrás Andrés	18.10.2007	Executive/Nominee	EC, EFIC, IPSC
	Fernando d'Ornellas Silva	20.06.2007	Independent	ACC, ARC
	Borja Prado Eulate	20.06.2007	Independent	ACC, ARC
Non-Executive Secretary	Salvador Montejo Velilla	01.07.1999	—	EC, ACC, ARC, EFIC, IPSC

EC- Executive Committee	ACC-Audit and Compliance Committee	ARC- Appointments and Remuneration Committee
Chairman: José Manuel Entrecanales Domecq	Chairman: Borja Prado Eulate	Chairman: Fernando d'Ornellas Silva

EC: Executive Committee
ACC: Audit and Compliance Committee
ARC: Appointments and Remuneration Committee
EFIC: Economic, Financial and Investment Committee
IPSC: Industrial Plan, Strategy and Synergies Committee

01.1.3. Executive Committee

The Executive Committee will be chaired by the Chairman of the Board. The Managing Director and four Board members are also members of the committee. The committee's remit includes adopting resolutions corresponding to powers delegated by the Board of Directors, studying and proposing guidelines to define the business strategy and supervising their implementation. The committee also studies alliances and agreements with other companies, which, owing to their magnitude or nature, are relevant for the company, as well as approving the Company's annual budget and medium-term financial operations and action programmes.

The Executive Board met 33 times in 2007.

01.1.4. Committees

The **Audit and Compliance Committee** is composed of four Board members. Its main function is to safeguard good corporate governance and transparency in all the Company's economic and financial actions and external auditing, as well as internal compliance and auditing.

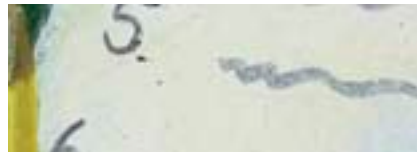
The Audit Committee met eight times in 2007.

The **Appointments and Remuneration Committee** is composed of four members of the Board of Directors. It is responsible for, among other things, informing and proposing the appointment of Directors to the Board; it will also inform about their remuneration and of any appointments to Senior Management and their remunerations. This committee met eight times in 2007.

The mission of the **Economic, Financial and Investment Committee** is to report to the shareholders, receive and study monthly information on ENDESA's results, review the annual budget and study any major investments, acquisitions and supply purchases. The committee is composed of four members, two of whom are non-Board members. This Committee met once in 2007.

The main objective of the **Industrial Plan, Strategy and Synergies Committee** is to determine Company strategy, coordinate implementation of its industrial plan and study any existing synergies. The committee is composed of six members. The Industrial Plan, Strategy and Synergies Committee met four times in 2007.

The Board may also resolve to set up Advisory Councils which, without the status of corporate bodies, can study and report on any issues that Board considers to be of interest to the performance of its functions. The Board, upon the Chairman's proposal, will approve the appointments of Advisory Council members, who must be individuals of recognised prestige by virtue of their professional background.



01.1.5. Remuneration of Directors in 2007

(In Euro)

	Members	Chairman up to 18/10/2007	Chairman since 18/10/2007	Chief Executive Officer	Total
Fixed remuneration	624,422	1,044,331	267,827	1,174,873	3,111,453
Variable remuneration	1,167,296	2,512,954 (1)	—	1,419,091	5,099,341
ENDESA attendance fees	901,517	122,206	6,010	130,219	1,159,952
Attendance fees other companies	286,477	—	—	147,473	433,950
Other remuneration	778	14,100,777 (2)	—	28,114	14,129,669
Total	2,980,490	17,780,268	273,837	2,899,770	23,934,365

(1) The Chairman's variable remuneration includes compensations under this heading for 2006 and the proportional part of 2007, due to the removal of Mr. Pizarro on 18 October 2007.

(2) "Other compensation" in 2007 includes contractual compensation for Mr. Pizarro for his removal on 18 October 2007.

01.2. DIRECTORS' RESPONSIBILITIES. CASES OF INCOMPATIBILITY

The Company's Directors undertake to assume the following responsibilities:

- Contribute towards the Board's duty to run and supervise the management of the Company and act with royalty and diligence in the performance of their duties.
- Abstain from participating in any deliberations and votes related to proposals for appointments, re-elections or dismissals that affect them.
- Not reveal any confidential information to which they have access in the exercise of their offices, even after leaving the Board. Not make use of any such information until it is in the public domain.
- Not make use of any non-public Company information for private purposes, except in the absence of any prejudice to the Com-

pany or if the information is irrelevant for operations to acquire or sell Company stock. Not make personal use of the Company's assets or use their position within the Company to obtain any financial advantage unless providing a corresponding consideration in return.

- Not make use for personal gain of any option to make a commercial investment or carry out a commercial operation learned about during the course of the exercise of their offices.
- To make no personal gain from any possibility of making an investment or commercial transaction which comes to their notice in the discharge of their duties.

Incompatibilities of Directors: Individuals who have incurred in the prohibitions set forth in Art. 124 of the Spanish Companies Act and other legal provisions.

02. GOOD GOVERNANCE

Access to the Ethics channel in all countries within ENDESA's consolidation perimeter

76% of complaints received in 2007 via the Ethics Channel resolved by year's end

02.1. ETHICAL CODE. COMPLIANCE WITH THE COMPANY'S PRINCIPLES

ENDESA has deployed a set of Corporate Integrity Rules: the Senior Management Charter, the Managers Charter and the Code of Conduct for Employees.

These three codes establish the guiding principles for the behaviour and actions of the groups at which they are aimed, always in line with ENDESA's values: people, occupational health and safety, team work, ethical conduct, customer focus, focus on results, innovation and community and environment.

The Employee Code of Conduct applies to all persons working at ENDESA and the subsidiaries and companies in which it is the majority shareholder. In the companies in which ENDESA holds a non-controlling stake, it proposes that their governing bodies should approve a similar or identical Code of Conduct.

Suppliers working for ENDESA are also made aware of the content of the Code of Conduct so that they feel involved.

There are three general principals guiding the actions and behaviour of employees: Ethical Conduct, Professionalism and Confidentiality. For Senior Management and Directors, a fourth principle is added: Dedication.

Three principles govern the actions of all ENDESA employees: Ethical Conduct, Professionalism and Confidentiality

The Company's operational standards and procedures, as well as establishing the criteria to be adhered to in all activities throughout the organisation, are aimed at assuring awareness of and compliance with the rules of governance and the guidelines established by the Company's management, always subordinate to the legal prerequisites prevailing in countries where the Company is active and the bylaws and regulations of the Companies that make up the Group.

MANAGEMENT CHARTER AND CODE OF CONDUCT INTERPRETATION AND MONITORING COMMITTEE

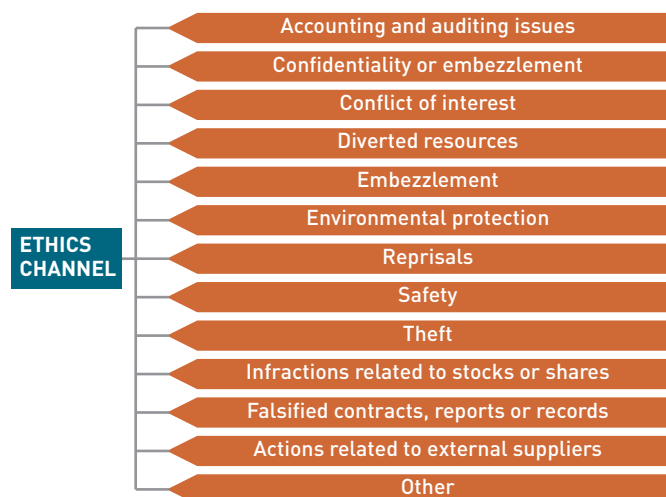
In compliance with the provisions of the Management Charter and Employee Code of Conduct, the Management Charter and Employee Code of Conduct Interpretation and Monitoring Committee was set up on 29 November 2004.

The main remit of this committee is to interpret these two regulations for the purposes of queries, authorisation requests, taking measures in cases of breach and issuing reports. The committee is composed of the Corporate Auditing, Legal and Human Resources Directors. The committee's actions include approving the Regulations for the Application of the Management Charter, the Employee Code of Conduct and the Incompatibility and/or Non-Concurrence Compacts.

02.2. ETHICS CHANNEL

ENDESA has set up an Ethics Channel, which can be accessed via the corporate website, so that all members of the Company's interest groups can report, securely and anonymously, any unethical or illegal conduct that they consider to have occurred in the course of the Company's activities. The procedure established for the functioning of the channel ensures confidentiality, since the Channel is managed by an external company (Ethics-Point), through which any complaints or communications are processed.

The Ethics Channel classifies complaints in accordance with 13 corporate management fields, arranged in accordance with aspects of ENDESA's Code of Conduct, thereby optimising the monitoring of compliance with the principles of conduct in internal audits. In all, the channel received 56 complaints in 2007.



TYPES OF COMPLAINT MADE VIA THE ETHICS CHANNEL (%)

	2006	2007
Improper activities by external suppliers	19	20
Embezzlement	14	11
Conflicts of interest	14	20
Accounting items	5	9
Safety	5	0
Business opportunities	5	2
Falsified contracts	3	2
Settling of scores	3	2
Use of privileged information	0	0
Improper use of Company property	0	0
Environment and health	0	4
Other	32	30

Since the Ethics Channel was launched, the main topics of reports by those who have used the Channel have been improper behaviour by suppliers, embezzlement of assets and conflicts of interest.

The Ethics Channel is available in all five languages used in the countries where ENDESA operates, and can be accessed by employees in Argentina, Brazil, Chile, Colombia, Spain, Portugal, France, Italy and Peru.

Investigations of 76 per cent of the cases reported via the Ethics Channel in 2007 were concluded by the year's end, and 25 per cent of the complaints made resulted in corrective measures being taken, either by ending relations with contractors or dismissing the employees involved in cases where such action was appropriate.

21 per cent of the complaints identified as possible fraud corresponded to requests for investigation made by the actual business divisions involved, after anomalies had been detected.

To ensure that the complaints received via the Ethics Channel are dealt with properly, ENDESA has a Corporate Audit Department, which reports to ENDESA's Board of Directors via its Audit and Compliance Committee, which centralises and channels all complaints. Reports made via channels other than the Ethics Channel are forwarded to the Corporate Audit Department, in accordance with ENDESA's internal procedures.

Also, since January 2007, the Corporate Audit Department has a Fraud Prevention unit exclusively available for the Ethics Channel, to manage any complaints received via any medium and develop mechanisms to prevent the risk of fraud.

The Corporate Audit Department acts independently of the opinions and actions of all the other departments in the organisation. It has access to all the Company documents necessary for the performance of its functions, monitors the implementation of the recommendations included in its audit reports and selects external auditors.

ETHICS CHANNEL AND RESPONSIBLE CONTRACTING

One of the initiatives resulting from the application of the Ethics Channel has been the detection of irregular behaviour in contracting processes at one of ENDESA's Latin American companies. Following a complaint received via the Ethics Channel, the existence was discovered of agreements between certain ENDESA managers and contractors, as a result of which the contractors were hired without necessarily complying with the Company's contracting policies. Confirmation of the veracity of the complaint led to the dismissal of 16 people from one of the Endesa Group's companies.

DISTRIBUTION BY GEOGRAPHICAL AREA OF COMPLAINTS MADE VIA THE ETHICS CHANNEL (%)

	2006	2007
Europe	16	27
Spain	16	23
Rest of Europe	0	4
Latin America	84	73
Argentina	19	17
Brazil	8	10
Colombia	11	13
Chile	16	29
Peru	30	4

TYPE OF COMPLAINTS MADE VIA THE ETHICS CHANNEL (%)

	2006	2007
Resolved	81	76
Led to corrective measures/sanctions/redesign of	16	25
Baseless	14	31
Operational	51	20
Open in progress	19	24
Operational in progress	8	0
Non-operational in progress	11	24



03. BUILDING CONFIDENCE IN SOCIETY

Building confidence in society is a key issue for ENDESA. To achieve it, the Company fosters management in which the protection of information is fully integrated into its day-to-day business. Particular attention is paid to protecting the data of customers, employees and suppliers, always in accordance with the instructions set out in the General Data Protection Act.

Another key factor in ENDESA's goal of building relationships with interest groups based on trust is transparency in all the Company's corporate-governance practices. In particular, the Company takes the necessary steps to ensure that its relationships with governments and political parties are transparent.

ENDESA has also adhered to a number of international initiatives related to these issues, such as the UN Global Compact and the principles of corporate governance of the Organisation for Cooperation and Economic Development (OCED).

03.1. RELATIONS WITH PUBLIC AUTHORITIES

One of the cornerstones of ENDESA's efforts to build confidence among its interest groups is total transparency in the Company's dealings with public authorities.

In 2007, ENDESA has continued to work in partnership with public institutions to develop innovation and development projects. In all, approximately 15.5 million euros have been obtained in grants, subsidies and interest-free loans.

It should be mentioned here that in 2007 the Spanish State Industrial Holdings Corporation (SEPI) sold its 2.9 per cent stake in ENDESA's share capital, in response to the takeover bid made by ENEL and Acciona.

There are no outstanding claims, actions, judgements or lawsuits against ENDESA which, due to their amount, could affect the equity balance or solvency of the Company or the Group as a whole.

However, lawsuits and arbitration that were current in 2007 exist, involving their relationship with the Public Administration and which, meeting ENDESA'S commitment to transparency, are given below:

Currently there are three proceedings against ENDESA Distribución Eléctrica which will probably involve the obligation of attending several claims: Two are related to forest fires in Catalonia and one to the incidents in the supply which took place in Barcelona city on the 23rd of July 2007.

Additionally, in Spain, the State Public Accounts Department has reached negative conclusions in its report on certain subsidies received by ENCASUR. If its findings are accepted, the Company would have to pay back approximately Euro 37 million. Additionally, in the outstanding lawsuits with the Tax Authorities for Corporate Taxes arising from the spin-off of SEPI in 1997, the Spanish Supreme Court ratified the judgement of the Central Criminal Court in Madrid (Audiencia Nacional) in November 2007, acknowledging ENDESA's right to apply the deductions as it did at the time.

A lawsuit is still outstanding with the Polish Finance Ministry over differences in the deadline for and amount of agreed investments in 2001 in tangible assets in the purchase of Elektrociepłownia Białystok S.A.

There are three outstanding lawsuits with the Tax Authorities in Brazil: over payment of taxes for its subsidiary Ampla which was resolved satisfactorily for ENDESA at second instance in the administrative courts; for whether or not Ampla was obliged to pay Contributions for Financing the Spanish Social Security system; and for the import duty classification for parts for the Fortaleza power station.

At Edesur, the awards of public procurement are pending renegotiation due to the enactment of the Public Emergency and Reform of the Regime Law in 2002. Given the lack of agreement, the Chilean Edesur shareholder companies submitted an application for arbitration to the International Centre for Settlement of Investment Disputes in 2004. The agreements signed under the arbitration in 2006 are currently suspended at the request of the parties and the case is still at a halt.

03.2. ADHESION TO INTERNATIONAL INITIATIVES

By adhering to international initiatives, ENDESA acquires a public commitment to its interest groups, while demonstrating its commitment to good governance and generating a business movement in which corporate responsibility is a management constant.

03.2.1. OECD principles for multinationals OECD Corporate Governance Principles

In 2005, ENDESA included among its principles for good corporate governance those established in the OECD Corporate Governance Principles issued in 1999 and revised in 2004, and takes them into account in its management taking any action necessary to assure compliance.

These principles are non-binding and represent a common basis that OECD member states consider essential for the development of good governance practices. They are intended to be concise, understandable and accessible. Their ultimate purpose is not to replace governmental or private-sector initiatives in this area.

OECD principles	ENDESA's initiatives in 2007	Progress
The corporate governance framework must protect shareholders' rights.	www.endesa.es undertook special initiatives to inform shareholders and provided access to all the documents involved in the takeover bid process. Further specific information on socially responsible investments was provided.	✓
The corporate governance framework must ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders must be given the possibility to receive effective compensation for any violation of their rights.	The Investor Relations Department ensured that the Madrid and New York offices and the Shareholders' Office in Madrid were better equipped to handle the increase in information requests from shareholders, analysts and investors during the takeover bid process. The Shareholders' Office dealt with a total of 42,000 telephone enquiries and 8,000 on-site visits from private investors, and concluded more than 2,400 information mailings either by post or e-mail. A further 25,500 visits were made to the Company's other offices. www.endesa.es provided access to documentation involved in the takeover bid process.	✓
The corporate governance framework must recognise the rights of social interest groups stipulated by law and foster active cooperation between societies and these entities in wealth and job creation, and ensure that companies are financially sound.	To leverage its staff's expertise, it drew up new policies to enhance the new integrated talent management framework. <ul style="list-style-type: none"> • Work/life Balance, Diversity and Equality Policy. • Recruitment and Integration Policy. • Talent Identification and Management Policy. • Remuneration Policy. 	✓
The corporate governance framework must ensure that timely and accurate disclosure is made on all material matters regarding the Company, including its financial situation, performance and governance.	A report on remuneration was prepared, thereby increasing the level of transparency. It increased the amount and scope of information provided the previous year, in a context of higher demand for information on the Company and the takeover bid process than in 2006.	✓
The corporate governance framework must define the Company's strategic guidelines, effective control mechanisms on management by the Board and the Board's responsibilities towards the Company and its shareholders.	It continued to implement the refresher programmes for the Board of Directors regarding the Company and its Corporate Governance rules.	✓

03.2.2. UN Global Compact

The Global Compact is an international initiative promoted by the UN in order for companies, international workers' organisations, non-governmental organisations and other entities to make a commitment to undertake, adopt, support and promote ten basic universal principles related to respecting human rights, labour regulations, the environment and the fight against corruption and bribery.

Adherence to the Global Compact involves the commitment by signatories to implement its ten principles in their day-to-day management and activities and report annually to the UN and society as a whole, with publicity and transparency, on the progress made in this process.

ENDESA adhered to the UN Global Compact in 2002. Since joining, the Company has played a very active role in supporting, promoting and publicising the principles of the Compact by integrating them into all aspects of internal management within the organisation, reporting on its progress and fostering public awareness of its principles. The Company has built the Global Compact principles into its Mission, Vision and Values and Rules on Corporate Integrity, as well as its commitments for sustainable development. Senior management reviews the company's commitment to the Global Compact on an annual basis.

From an operational point of view, ENDESA has individually extended its commitment to the Global Compact principles to all the areas of action of its subsidiaries, both in Europe and in Latin America. This action has been based on the *Guide for the Development and Implementation of the UN Global Compact Principles at ENDESA and its Subsidiaries*, a document prepared by the Company to reflect on the specific meanings of the Global Compact commitments and set out the measures and resources necessary to comply with them. The Company has also transferred its commitment to the UN Global Compact to its external suppliers through a Corporate Responsibility Protocol.

ENDESA understands that active involvement in the UN Global Compact means playing a relevant role in the institutions related to it. This is why ENDESA is a founder member of the Spanish UN Global Compact Association (ASEPAM), of which it has served as Vice Chairman since 2006, extending this presence to other Companies where the Company is actively involved, such as Chile, Argentina, Peru, Colombia, Brazil, France, Italy and Portugal. In 2007, as in previous years, ENDESA participated in UN Global Compact training forums, sharing its experiences at a local and international scale. The Company participated in a workshop held in Geneva and at the leaders' summit held in the same city in July 2007, represented by the CEO of the Company and the Managing Director of ENDESA's Spanish and Portuguese business.

Also in 2007, ENDESA launched a pioneering initiative to have a tool to allow it to systematically assure compliance with the UN Global Compact principles throughout its ambit of action and in all management departments of its business group. With this in view, the Company launched an ambitious project via which the generic risk of failing to comply with the ten principles of the Compact has been identified and assessed in each of the countries where ENDESA is present, defining the standards to be required of companies operating in those countries, and assessing the actual performance of each of its companies against the benchmark of these standards, in order to detect any areas lacking management tools to assure systematic compliance with these principles and so act to correct any such deficiencies.

In order to determine the overall risk level by country and for each of the four areas of the UN Global Compact (human rights, employment practices, environment and combating corruption), a methodology based on external standards has been established. Objective, quantifiable, universal standards have been selected from various international organisations of recognised prestige (Natural Resources Institute, Freedom House, World Bank, Transparency International, etc) in these four areas. As a result of this study it has been possible to assess objectively the status of social and environmental

risk involved in ENDESA's operations globally, in each country and for each area of the UN Global Compact, detecting the key risk areas at each of these three levels.

ENDESA has studied the risk by country in each of the four areas of the UN Global Compact in order to take the action necessary to assure compliance with its principles

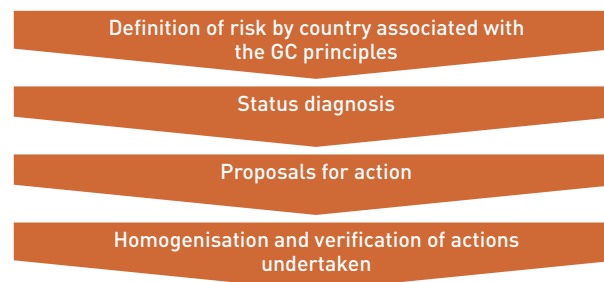
Subsequently, following the study of various documents from key public and private international organisations (UNO, ILO, UNICEF, Amnesty International, Ethos Institute, etc), the standards that ENDESA considers that these organisations recommend for the management of companies that wish to comply with the Global Compact principles were defined. One of the main conclusions of this study was that, given that ENDESA operates in countries with different socioeconomic environments where the risk of breaching the Global Compact principles varies greatly, across-the-board standards cannot be drawn for all of them. It is therefore necessary to include local sensitivity and adapt the standards to the risk of breach in each country, by being more demanding and therefore setting increasingly rigid standards as the risk of breach of the Global Compact principles increases.

Subsequently, the situation has been diagnosed at all the companies within the Endesa Group's consolidation perimeter, except Endesa Europe, covering 95% of the total workforce, reviewing the degree of compliance with the principles through a questionnaire. Procedures and areas of action have been identified to ensure that

ENDESA and its subsidiaries can be sure that sufficient mechanisms are in place to uphold the Global Compact in all management areas, from fixing strategies and policies, via processes, procedures and training, to communications and training procedures and processes. To prepare this questionnaire, 25 tools from 17 institutions were used.

Finally, based on the study carried out, actions were proposed for each Group company, according to the country risk and the starting point for each. The following table shows the common actions suggested for all companies in countries with equal risks in each of the four areas of the UN Global Compact. The actions recommended for companies operating in countries with a low risk are also applied to other Endesa Group companies operating in countries where the risk is higher.

The process followed is shown illustrated below.



The actions undertaken will be homogenised and verified in 2008.



UN Global Compact principles		Main actions suggested according to risk
Human rights	<ol style="list-style-type: none"> 1. Support and respect the protection of internationally proclaimed human rights. 2. Avoid involvement in human-rights abuses. 	<ul style="list-style-type: none"> • Countries with a medium/high risk: include risks related to human rights in risk systems (Peru); define human-rights targets linked to measurable indicators; specific procedures for security forces; participate in events and forums organised by third parties for awareness-building and exchanges of best practices in relation to human rights. • Countries with a moderate risk: Define a system of specific indicators associated with human-rights goals. • Countries with a low risk: Define a formal public commitment to human rights separate from the Group's corporate policies; institutional policy that avoids involvement in communication campaigns that could be offensive from a human-rights viewpoint.
Employment standards	<ol style="list-style-type: none"> 3. Uphold freedom of association and the effective recognition of the right to collective bargaining. 4. Eliminate all forms of forced or compulsory labour. 5. Effectively abolish child labour. 6. Eliminate discrimination in respect of employment and occupation. 	<ul style="list-style-type: none"> • Countries with a moderate risk: Set gender-diversity targets for the workforce and appoint women to positions of responsibility. Training courses on employment rights for external suppliers: publicly communicate the number of incidents or disputes related to employment rights.
Environment	<ol style="list-style-type: none"> 7. Support a precautionary approach to environmental issues. 8. Undertake initiatives to promote greater environmental responsibility. 9. Encourage the development and diffusion of environmentally friendly technologies. 	<ul style="list-style-type: none"> • Countries with a moderate risk: Establish the necessary procedures for interest groups to participate in defining the Company's environmental commitment; set targets, monitoring and control of indirect emissions in the supply chain; measure impact on biodiversity in the local environment.
Corruption	<ol style="list-style-type: none"> 10. Work to combat all forms of corruption, including extortion and bribery. 	<ul style="list-style-type: none"> • Countries with a medium/high risk: establish formal procedures for dialogue with public authorities and multilateral organisations on combating corruption; training adapted to the employee's position, exposure to risk and responsibility; publication of specific report on the progress of the programme to combat corruption and bribery. • Countries with a moderate risk: define a programme to implement the commitments acquired to combat corruption and bribery. • Countries with a low risk: Use of an international benchmark to define the anti-corruption commitment; report on the number of incidents related to bribery and corruption detected and how many of these correspond to an actual breach.

Commitment to environmental protection



36.5% fewer
specific CO₂ emissions
in 2007 compared
with 1990

Portfolio of over
40 MDL
projects in 2007

90% of all the
energy produced
by ENDESA covered
by environmental
certification

1.482 billion
euros accumulated in
environmental assets

ENDESA'S APPROACH

ENDESA is a company that applies criteria of excellence to its environmental management and behaves responsibly in terms of its environmental compact and conserving the environment in the community where it operates. Its corporate culture includes applying environmental awareness to the management of all its processes and systems and the behaviour of all the Company's employees.

PRINCIPAL MILESTONES

- Strategic Environment and Sustainable Development Plan (PEMADS) 2003–2007 concluded with 95 per cent of targets met.
- New, more ambitious targets and programmes set in the Strategic Sustainability Plan (PES) 2008–2012.
- 36.5 per cent reduction in specific CO₂ emissions compared with 1990. The target fixed in the PEMADS for 2007 was 35 per cent.
- 557.3 MW renewables capacity on the Iberian market in 2007, 30.5 per cent higher than in 2006.
- Commissioning of Canela windfarm (18 MW), the first facility of its kind by ENDESA in Latin America.
- 188 MW of wind power commissioned in Italy.

PRINCIPAL POLICIES

- Development of systems to identify, assess, manage and control environmental liabilities and assets.
- Fostering integrated water management in all business phases.
- Strengthening initial project-assessment systems to increase their legitimacy and credibility.
- In-depth exploration of systems for managing emissions regulation.
- Defining and strengthening biodiversity-conservation commitments and programmes.
- Progress in the global certification of integrated management systems.

CHALLENGES IN 2008

- Approval and launch of the Strategic Sustainability Plan 2008–2012.
- Incorporation of a new company (Newco Renovables) to bring together ENDESA's renewables assets in 2008.
- Development of the Environment Plan 2008–2012.
- Contribution towards the development of a new global, sustainable energy model in line with the basic tenets of the Company's Strategic Plan presented to markets in 2008.

01. CONTEXT

In 2007, ENDESA ended a cycle of planning and managing its environmental commitment. The PEMADS (2003–2007), which concluded during the year, has been a landmark in the Company's history for a number of reasons:

- First time that a sustainability strategy has been structured.
- First time that a strategy has been defined to combat climate change.
- First time that all the Company's business units have been involved in these issues.
- First time that environmental activities have been planned in an integrated way, precisely allocating resources and assigning responsibilities.
- First time that a strategic environmental plan has been approved by the Company's Management Committee and submitted to the Board of Directors.

The PEMADS has therefore created a framework that will facilitate progress by ENDESA with regard to sustainability, the environment and the fight against climate change:

The experience acquired with the PEMADS has served as the basis for the future Environment Plan 2008–2012, which develops the commitment to our environment made in the Strategic Sustainability Plan 2008–2012, through which ENDESA intends to address:

- Integrated water management.
- Environmental risks and liabilities.
- Efficient environmental management.
- Management of biodiversity conservation.

This will be achieved by improving how indicators are defined, organising environmental reporting and introducing new techniques, such as ecological footprints, with a view to carrying out thorough control of environmental issues.

01.1. ENVIRONMENTAL POLICY

ENDESA's Environment Policy is in accord with its corporate values and includes caring for and conserving the environment and using resources efficiently as key forms of conduct for the Company. This commitment is fully integrated into ENDESA's strategy and therefore its management's decision-making.

In 2007, ENDESA continued to implement numerous initiatives to protect the environment and reduce the environmental impact of its activities. The main guidelines in this respect were:

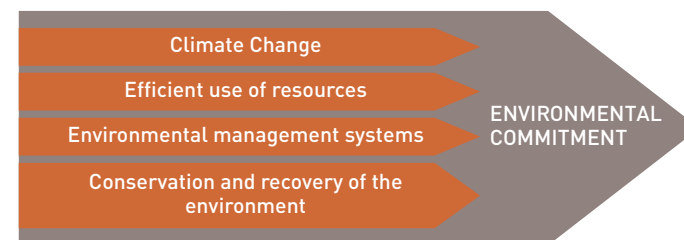
- Responding to the risks and opportunities of climate change by being proactive in the regulatory ambit, seeking opportunities related to energy efficiency, MDL projects and strengthening the use of renewables, and progress in minimising greenhouse gases by implementing new technological developments.
- Implementing Environmental Management Systems (EMSs) at all the Company's facilities, with a view to minimising the environmental impact caused by effluents, emissions and waste.
- Ongoing improvement, optimisation and application of the most efficient technologies available for the various production processes.
- Conserving and recovering the natural environment and biodiversity in areas near the Company's facilities, applying the best technologies and solutions available.

Spanish organisations

- Aenor (Spanish Association for Standardization and Certification) Technical Standards Committee for Climate Change and Renewable Energies.
- UNESA Work Group on Climate Change.
- Spanish CO₂ Platform, whose CENIT CO₂ project (National Strategic Consortium for Technical Research into CO₂) is making a considerable R&D effort to combat climate change. The main aim is to reduce CO₂ emissions and increase the efficiency of processes, as well as the capture and storage of the gas.
- Founder member of the Spanish Hydrogen Association together with 33 other companies, 17 research centres and various public institutions.
- Collaboration, since its inception, with the Foundation to Develop New Hydrogen Technologies in the Aragon region.
- Ministry of Education and Science's Special Strategic CO₂ Project.
- Work Group on Climate Change and Energy of the Environment Foundation (Entorno). In 2007, ENDESA participated actively in the publication eCO₂nomía: Business leadership towards a low-carbon economy, sharing its experiences and reporting on success stories.
- @02 Project: Multidisciplinary Project involving both the private and public sectors with the aim of identifying and implementing solutions to meet long-term emission-reduction targets.

European and international organisations

- Carbon Disclosure Project Initiative committed to transparency in the conduct of companies in matters related to climate change.
- Eurelectric (European Electricity Industry Association): through the voluntary Energy Wisdom Programme (EWP) initiative, projects focused on improving energy efficiency and reducing greenhouse gases; Climate Change Work Group and subgroup on flexible mechanisms. Economy and Environment Work Group. CCS Task Force and Task Force on EU ETS.
- ENDESA and CIRCE (Energy Resources and Consumption Research Centre) are the only Spanish representatives on the European Zero Emissions Fossil Fuel Power Plants (ZEP) platform. The main objective of this platform is to take the necessary technological steps to achieve clean thermal generation in the future, by eliminating emissions at facilities of this type by 2020.
- Founder member of IETA (International Emissions Trading Association). Participates in several of the association's work groups, including those on European emissions trading and CO₂ capture and storage.
- Participation in RDI projects of the Seventh European Framework Programme on CO₂ capture and storage: Dynamis, Cachet, C3-Capture, Geocapacity and Nanoglwa.
- Member of the European computer network CO₂NET with studies on CO₂ capture and storage.
- Member of the E8 Climate Change Group.
- Spanish Carbon Fund Participants Committee.
- Presence at CARBON EXPO 2007 in Cologne and Singapore.
- GROCC work groups and meetings.
- EU group within the ECCP on CCS.
- Participation in the 3C (Combat Climate Change) initiative
- Member of the EU NEEDS (New Energy Externalties for Sustainable Development) Project Advisory Council.
- Signatory to "The Bali Communiqué on Climate Change" together with over 80 other leading international companies.
- Energy and Climate Change Work Group of the European Round Table of Industrialists (ERT) EUROCOAL.



ENDESA is a member of many national and international organisations and work groups, many of which do pioneering work to research and develop solutions to protect the environment and solutions to global challenges, such as climate change. ENDESA contributes its experience in many areas related to the environment and climate change. The objectives of these organisations and work groups range from preparing positioning, regulation analysis and energy-policy documents (as in Eurelectric and IETA), and promoting and developing RDI projects (e.g. ZEP and DYNAMIS), to reporting on issues and information on ENDESA's activities related to climate change (such as the Carbon Disclosure Project) and advising on environmental projects (NEEDS Project).

01.2. ENVIRONMENTAL INVESTMENTS AND EXPENDITURE

ENDESA's environmental-investment policy is focused on gradually reducing its emissions by means of constant improvement of the efficiency of the Company's facilities. Abaco technology, which improves the energy efficiency of large combustion facilities, is an example of investments of this type. It is also a goal of the policy to install new capacity by using renewable generation technologies and CCGT.

In 2007, ENDESA's invested 19% more in environmental assets

ENDESA's accumulated environmental investments in 2007 stood at Euro 1.482 billion, 19 per cent more than in 2006, while the accumulated expenditure attributable to environmental matters was Euro 109 million, maintaining the level of expenditure in 2006.

ACCUMULATED INVESTMENT IN ENVIRONMENTAL ASSETS

(Millions of Euro)

2005	2006	2007
1,002	1,245	1,482

Where do ENDESA's environmental investments mostly go?

- Waste-management infrastructures.
- Reducing visual impact.
- Buying carbon certificates.
- Environmental improvements to service quality.
- Reducing internal losses resulting from transforming and distributing electricity.

What form does ENDESA's environmental spending mostly take?

- Environmental protection.
- Regenerating areas of high ecological value (rubble tips, reforestation).
- Environmental studies.
- Implementing environmental management systems.
- Management of industrial waste, emissions and effluents.

A fundamental premise of ENDESA's environmental policy is to reach go beyond mere compliance with the laws and regulations in force in the markets where it operates. In 2007, the Company received no significant sanctions for environmental breaches, although two court cases are pending against Endesa Distribución Eléctrica in Spain, which could result in the obligation to meet several damages claims resulting from forest fires in Catalonia.

At the Bocamina and Tarapacá power plants in Chile, which are owned by Endesa Chile, two environmental incidents were recorded in 2007, both of which were duly and promptly controlled. They consisted of a fuel-oil leak in a storage pipe at Bocamina and pollution by coal

dust at salts stockpiles on land adjoining the Tarapacá plant. In both cases action was taken immediately, applying measures to mitigate the incidents in accordance with the respective EMSs. There was therefore no impact on the environment at either of the facilities.

02.

CLIMATE-CHANGE SOLUTIONS AND IMPROVING ATMOSPHERIC IMPACT



02.1. END OF THE PEMADS CYCLE (2003–2007) AND NEW FUTURE PLAN FOR CLIMATE CHANGE

Climate change is one of the main environmental concerns of ENDESA's shareholders, investors, employees and customers. The Company has made a steadfast commitment to combating climate change. Until the end of the current cycle, this commitment took the form of the Strategic Environment and Sustainable Development Plan (PEMADS) 2003–2007.

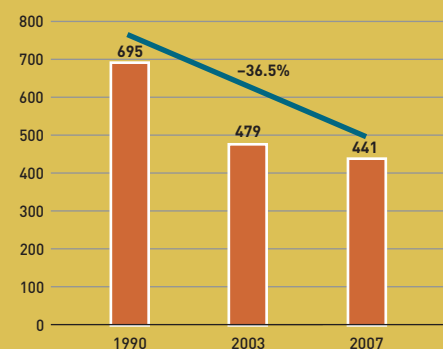
In 2003, with PEMADS, ENDESA defined its strategy to combat climate change for the first time. The Company thus made a firm commitment to reducing greenhouse emissions by fixing the target of achieving a 35% reduction in specific CO₂ emissions at its facilities by 2007 compared with the 1990 level. Eventually, it proved possible to reduce these emissions from 695 g CO₂/kWh in 1990

EVOLUTION OF ENDESA'S SPECIFIC EMISSIONS

(kgCO₂/kWh)

	2005	2006	2007
Spain and Portugal	0.54	0.50	0.50
Italy	0.5	0.53	0.53
France	0.92	0.92	0.88
Europe	0.62	0.53	0.62
Argentina	0.31	0.31	0.39
Chile	0.15	0.14	0.29
Peru	0.22	0.23	0.20
Colombia	—	0.006	0.04
Brazil	0.04	0.02	0.001
Latin America	0.18	0.16	0.24
ENDESA	0.44	0.42	0.44

EVOLUTION OF ENDESA'S SPECIFIC EMISSIONS

(gCO₂/kWh)

to 441 g CO₂/kWh in 2007, 36.5 per cent, i.e. surpassing the target fixed in 2003.

ENDESA reduced its specific CO₂ emissions by 36.5% over the 1990-2007 period, thereby surpassing the target set in the PEMADS 2003-2007, which was 5%.

ENDESA's indirect greenhouse emissions, i.e. those not resulting from generating electricity, such as those caused by car journeys or other means of transport, are so negligible as to be irrelevant in comparative terms.

ENDESA has made a major effort to respond efficiently to the increase in demand for energy

The calculation of the emissions avoided by deploying the initiatives taken during the PEMADS period shows that ENDESA has substantially met its commitment to reduce emissions.

2007	Output (GWh)	t CO ₂ avoided
CHP	655	27,510
Mini-hydro	519	226,284
Wind	2,381	1,038,116
Biomass	122	0
USW	101	0
Solar	0	0
Waste treatment	0	0
Total	3,778	1,291,910

The targets set in 2003 to minimise a significant risk became a commitment that today is also a market opportunity.

The 2008–2012 PES includes support for a new global, sustainable energy model in ENDESA's target markets, accepting the challenges posed by the European Energy Policy. The PES supports ENDESA's climate-change commitments in four key areas and associated programmes:

MONITORING AND PARTICIPATION IN A REGULATORY FRAMEWORK IN CONSTANT EVOLUTION

Climate change is now one of the main social demands being made of companies in the energy sector. The issue is one of such importance that it could completely change the rules of the game for this sector in the years to come. This context is affected by multiple and substantial changes within national, regional and global regulatory frameworks. ENDESA is taking part in all the key meetings and relevant sector initiatives, monitoring and proactively studying any new regulatory development. The Company also makes its knowledge and position public by participating in forums for information and exchange, debates and consulting processes.

THE EUROPEAN UNION (EU) REGULATORY FRAMEWORK

In early 2007, the European Commission announced the Strategic European Energy Review (SEER), based on the three strategic Lisbon approaches: sustainability, competitiveness and supply security. The SEER is based on the following long-term targets:

- 20% increase in energy efficiency.
- 20% reduction in CO₂ emissions compared with the 1990 level.
- Raise the proportion of renewables in the energy mix to 20%.

The SEER also contains a study of the evolution of the interior energy market, issues communications on clean coal and proposes an indicative plan for the future development of nuclear energy.

2007 saw the culmination of major progress made in the development of the interior energy market, another ambit that is of great relevance for ENDESA:

The “Green Package”

The Green Package contains the European Commission's key studies and proposals to help the EU to meet its commitments to combat climate change:

- **The Directive proposal to improve and extend emissions trading** is intended to set the legal framework for emissions trading in the 2013–2020 period, by the end of which emissions should be reduced by 20% compared with 1990 levels. Under this proposal, no free rights will be allocated for the electricity sector, but rather rights will be

auctioned, while for other industrial sectors free allocation will be centralised by the European Commission, decreasing gradually.

- **The Directive proposal on promoting renewable energy** determines that the 27 Member States should share the efforts necessary to reach the common target of renewables accounting for 20 per cent of the energy mix by 2020. The current figure is 8.5 per cent, and the 11.5 per cent increase necessary has been distributed in part uniformly and in part in proportion to each State's GDP. In Spain's case, the final target for penetration by mix coincides with the overall 20 per cent goal.
- **The Directive proposal for CO₂ capture and storage** establishes a favourable context for the implementation of technological solutions for CO₂ capture and storage. A key task, given the importance of assuring the contribution by fossil fuels to the security of the energy supply in a sustainable way. To achieve this, the Commission proposes building 10–12 demonstration plants by 2015, defines guidelines to regulate State aid to cover excess CCS production costs and fixes the basis for storing and transporting CO₂.

THE POST-KYOTO INTERNATIONAL CONTEXT:

The international community is currently negotiating the agreement to take the Kyoto Protocol beyond 2012. These negotiations, which are based on the route map established at the Bali Climate Change Conference in 2007, are expected to be completed by December 2009, when the new treaty is set to be signed in Copenhagen. In Bali, the countries agreed the four cornerstones upon which the climate-change regime should be built from 2012 onwards: mitigation, adaptation, technology and funding.



- Fostering and developing renewable energy sources.
- Leadership in new technological developments for carbon capture and storage, resulting in lower CO₂ emissions and a change in the energy model.
- Developing opportunities related to energy efficiency and co-generation.
- Studying the development of the MDLs portfolio by 2020.

In the first quarter of 2008, ENDESA published the basic features of its Strategic Plan 2008-2012, the priority objective of which is to drive a new global, sustainable energy model in its target markets, based on an energy mix involving more renewable energy and leading to a dramatic reduction in “de facto” CO₂ emissions. To achieve this, ENDESA and Acciona Energía will set up a new company to bring together the renewables assets of both companies under one umbrella. The result will be a company that is a world leader in renewables, with a capacity of more than 6,700 MW. This company will be present in 14 countries on four continents. Its mix will be technologically diversified, making use of wind, thermo-solar, biomass and mini-hydro power.

As a result of this initiative, the improvements to Endesa's ordinary mix thanks to increased hydro and CCGT capacity, and various environmental RDI projects, the joint CO₂ emission factor of ENDESA and the new renewables company will fall from 0.44 tonnes of CO₂/MWh to 0.21 tonnes of CO₂/MWh between 2007 and 2020, an improvement of over 50%.

02.3. ENERGY WISDOM

The Energy Wisdom Programme (EWP) is a voluntary initiative launched by Eurelectric, the European Electricity Industry Association, with the aim of presenting and developing various projects to group the efforts being made by companies in the European electricity sector in the ambit of energy efficiency and reducing greenhouse emissions, as well as allowing their associated companies to share information and knowledge acquired in the course of implementing these projects.

Having participated in the 2003–2004 EWP, ENDESA has contributed to the fourth EWP cycle (2005–2007) with projects focusing on renewables, CCGT, improving energy efficiency in electricity generation and consumption, changing fuels, electricity transport and distribution, forest management and conservation, restoring mines and reusing ash and slag. Thanks to its investment in new technologies, the Company has avoided emitting 15.4 million tonnes of CO₂ into the atmosphere in Spain and Portugal, 10.8 million tonnes in Europe and 38.2 million tonnes in Latin America in the 2005-2007 period.

ENERGY WISDOM PROGRAMME (2005–2007) GHG REDUCTIONS

(Thousands tonne)

	Physical quantities GHG CO ₂		
	2005	2006	2007
Spain and Portugal	5,431	4,968	4,971
Total Europe	3,423	4,018	3,339
Total Latin America	13,015	13,886	11,255

02.4. EMISSIONS TRADING

In 2007, CO₂ prices dropped abruptly from Euro 6.45/ton at the end of 2006 to Euro 0.02/ton in December 2007. This decrease was due to the excess of rights supply that resulted from the generous allocations made under the national allocation plans of certain EU Member States.

ENDESA is currently active on the main European markets (NordPool, Powernext and ECX) and has accounts open in registers in Denmark, France and Spain (RENADE) to optimise the management of its emission-rights position

The allocation quoted for ENDESA in the National Allocation Plan (PNA) was 36.9 million tonnes for 2007. This assignation, which already fell short, combined with the year's low hydro production to

result in rights consumption that was in excess of the quantity allocated. ENDESA took advantage of the low CO₂ prices to buy all its needs on the various markets where it operates, contracting bilaterally with other national and international agents.

With a few to meeting the needs for the second ETS application period, which runs from 2008 to 2012, the Company is involved in several international emission-reduction projects, also known as Clean Development Mechanisms (CDMs), which will enable a significant portion of the obligations acquired to be met by reducing emissions in third-party countries.

02.5. CLEAN-DEVELOPMENT MECHANISMS AND JOINT ACTION PROJECTS

The Kyoto Protocol provides two flexibility mechanisms, besides emissions trading, as a way of obtaining carbon credits: Clean Development Mechanisms (CDMs) and Joint Action (JA) projects.

By using these mechanisms, projects can be undertaken in the so-called "non-Annex I" countries (those with no emission-

EVOLUTION OF EMISSION-RIGHTS PRICES QUOTED FOR PHASE 1 OF THE ETS



EUROPEAN GREENHOUSE-GAS EMISSIONS TRADING

The instruments provided under the Kyoto Protocol to facilitate meeting its targets include trading in greenhouse-gas (GHG) emission rights.

This system began to operate in the European Union on 1 January 2005, through the Directive 2003/87/CE, with the 2005-2007 period conceived as a learning cycle before the Kyoto period proper (2008-2012). The European emission-rights system is structured under national allocation plans (NAPs).

National Allocation Plan 2008-2012 for Spain

The 2008-2012 NAP was published in the Spanish State Journal (BOE) under Royal Decree 1402/2007, which amends Royal Decree 1370/2006 (24 November), under which the NAP for GHG emissions was approved. The NAP: (i) fixes the total volume of rights allocated to the sectors and facilities affected by Act No. 1/2005, including the electricity sector; (ii) defines and describes methodologies for dividing these sector allocations in order to obtain allocations for individual facilities; (iii) announces and delimits the use of carbon credits from projects based on flexibility mechanisms under the Kyoto Protocol. The individual allocation of rights for the facilities included in the 2008-2012 NAP was made under Order PRE/3420/2007 (14 November).

This 2008-2012 NAP fixes a mean annual allocation of 145.973 billion tonnes of rights, adding a reserve of a further 6.277 billion tonnes of annual emission rights (4.3 per cent of the annual allocation), resulting in a total of 152.25 billion tonnes of annual emission rights. This allocation is 16 per cent lower than that of the 2005-2007 NAP and almost 20 per cent lower than the emissions in 2005. For the electricity sector a joint mean annual allocation for the 2008-2012 period of 54.42 million tonnes is fixed, with the possibility of using credits from projects associated with the Kyoto Protocol flexibility mechanisms of up to 42 per cent of the total allocation granted to the sector (i.e. 42 per cent of the individual allocation is applied at the facility level).

In ENDESA's case, its power stations as a whole have been allocated an annual average of 24.3 million tonnes of CO₂, 33 per cent less than the average allocation for the 2005-2007 period.

National Allocation Plan 2008-2012 for Portugal

Under the National Emission Licence Allocation Plan approved on 5 May 2008, Portugal was allocated an annual total of 34.81 million tonnes of CO₂, 14 million tonnes of which corresponds to the electricity sector. Pego power station received an annual allocation of 2.72 million tonnes of CO₂.

National Allocation Plan 2008-2012 for France

Following approval by the European Commission on 26 March 2007, the breakdown of the French NAP by facility was published on 28 June 2007. As a whole, all the sectors were assigned a total of 132.8 million tonnes for the 2008-2012 period, 15% less than under the previous NAP, of which 49 million tonnes was assigned to the electricity sector, compared with 65.3 million tonnes under the previous plan (i.e. a 25 per cent reduction). Also, the use of credits from CDM and JI projects was limited to 13.5 per cent of the allocations, with 3.94 million tonnes per year being assigned to new members.

Endesa France will receive 6.4 million tonnes of CO₂ annually, totalling 32 million tonnes over the 2008-2012 period as a whole.

National Allocation Plan 2008-2012 for Italy

The Italian NAP was approved on 29 February 2008. As a whole the sectors were assigned a total annual mean of 201.63 million tonnes for the period. For the electricity sector, the following clauses will apply:

- The allocation for the electricity sector (existing thermal plants) is 85.29 million tonnes of CO₂.
- For new plants a reserve of 16.93 million tonnes is fixed.
- The allocation for the use of CERs and ERUs is limited to 19.3 per cent.
- No variation in the emission coefficient by technology (alpha) and no production-reduction coefficient by technology (Ti) is included.
- The total allocation for Endesa Italia for the period is 43.9 million tonnes of CO₂.

National Allocation Plan 2008-2012 for Poland

This NAP, which was approved by the European Commission on 26 March 2007 at much lower levels than those proposed by the Polish government, is pending review following a government appeal to the Court of Luxembourg against these cuts. As a whole the sectors are allocated a total of 201.8 million tonnes for the period, i.e. an annual allocation of 40.4 million tonnes, 1.3 million tonnes of which corresponds to Endesa Polska.

The plan will automatically be approved as soon as the government submits a new version incorporating these changes to the European Commission.

limitation commitments) for technology transfer and the reduction of GHG emissions, such as Mexico, Brazil, Colombia, India and China. ENDESA is participating actively in these projects, with a view to reducing emissions in developing countries and transition economies.

**ENDESA has a portfolio
of over 40 CDM projects involving
over 90 million CERs**

ENDESA's own CDM projects include the Callahuanca Power Station Re-powering Project in Peru, the Ojos de Agua Project in Chile, registered in 2007, Canela windfarm in Chile, and the Central American Electricity Link (SIEPAC).

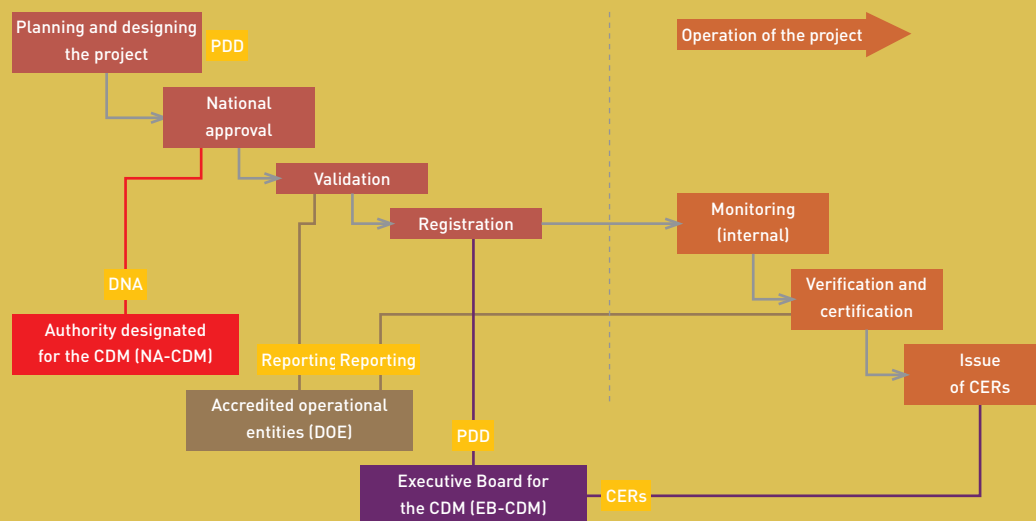
Callahuanca hydroelectric power station is a run-of-river plant, on the Santa Eulalia river, near Lima, Peru. The project consists of extending the plant's capacity so that the additional generation will replace generation by thermal plants. As a result, the plant will be re-powered from 75 to 82.5 MW. Work began in January 2006. The accreditation period is 13 years. The estimated life of the plant if the project was not implemented would be 20 years. The emission factor, calculated from the operating margin and expansion margin of the electricity system, is 456 tCO₂/GWh. The forecast reduction in CO₂ is 240,000 tonnes over the 13 year period planned.

The Ojos de Agua Project in Chile consists of a mini-hydro plant using natural filtration from La Invernada lagoon. The mini-plant will have a rated capacity of 9 MW and generatable production of 60 GWh/year. The forecast reduction in emissions is 20,870 CER/year. The project also has a number of significant external advantages. Since it is a hydroelectric project, its operation will displace the deployment of thermal plants, whose cost per kWh is higher than that of hydro plants. This will contribute towards reducing GHG emissions. Also, the commissioning of the mini-plant will contribute towards reducing the local pollution that would be

caused elsewhere in Chile as a result of building a new thermal plant or extending an existing one, in both cases to generate the equivalent of 60 GWh. The mini-plant will also contribute towards reducing Chile's dependence on natural gas. Finally, the power generated will be delivered to Chile's Central Interconnection Grid (SIC), thereby supplying clean energy and diversifying the country's power sources by introducing non-conventional renewable power while assuring the electricity supply.

Canela windfarm is located in the commune of Canela, in Choapa province, Coquimbo region IV. It was commissioned in 2007 with a capacity of 18 MW and is expected to reach a mean annual generation rate of 47.7 GWh. As a CDM project it has the potential to achieve a reduction of approximately 27,000 t/year. UN registration is currently pending.

The SIEPAC Project is an electricity interconnection project being developed in Central America, from Guatemala to Panama, combining new routes and reinforced existing lines. The developer of the Project is Empresa Propietaria de la Red (EPR), in which ENDESA holds a one-eighth stake. The other shareholders are Central American electricity companies and ISA (Colombia). The line will run for 1,867 kilometres at 230 kV. It will have a capacity of 300 MW in the first stage 600 MW in the second stage. The project will allow more efficient generation units to be deployed in Central American countries. As a CDM project, the forecast capacity to reduce GHGs is about 540,000 t/year. A new methodology proposal has been submitted which is currently being validated by the United Nations.



After over two years' intensive work under the Endesa Climate Initiative (ECI), one of the mechanisms whereby ENDESA has acquired carbon credits, the Company has taken stock to learn lessons and draw significant conclusions.

With this initiative, ENDESA acknowledges the potential of market mechanisms to value reductions in the CO₂ emitted into the atmosphere. The Company's profile has enabled it to offer intangible values that sellers, in a still-incipient market, have recognised as a solid buying option: **in-depth knowledge** of global energy markets and investment projects and the support of a solvent network of local contacts, from a technical viewpoint, knowledge of electricity-generation, landfill-gas-extraction and industrial-gas-elimination projects; as well as the knowledge acquired by ENDESA's environment units in countries where the Company operates. Further added value can be obtained from setting up direct **B2B relations** between sellers and ENDESA, without any intermediaries or brokers, and negotiating with a common industrial-sector vision and understanding. Finally, buyers also appreciate the fact that

ENDESA has also learned the importance of establishing **long-term relationships** with **large operators**, a factor that is assured by a large project portfolio, sequenced over time, with lower transaction costs and additional benefits, such as partnerships and the exchange of expert knowledge.

The uncertainty that characterises this new market is balanced by the opportunities that it offers. In this regard, ENDESA has used CDMs and ACs to be come **even better known outside its traditional markets** and detect new business opportunities. For ENDESA, it is important to forge new business partnerships that go beyond short-term CER/ERU dealings.

Signing contracts that are fair for both parties is a key factor in the success of the carbon market

02.5.1. Carbon funds

In 2007, ENDESA participated in a number of different carbon funds:

- Clean Development Carbon Fund (CDCF).
- Spanish Carbon Fund (FEC).
- Umbrella Carbon Fund (UCF).
- GG-CAP Fund.
- MCCF Fund.

Participating in these funds provides an excellent opportunity to buy carbon credits, diversify the portfolio and risk, and remain in constant contact with the market's best professionals. Also, as a participant in these funds, ENDESA is contributing towards the socioeconomic development of vulnerable communities.

CARBON FUNDS IN WHICH ENDESA IS INVOLVED: OBTAINING EMISSION CREDITS + CONTRIBUTING TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF COMMUNITIES

ENDESA joined a carbon fund for the first time in 2003: it was the **Clean Development Carbon Fund**. The objective was, on the one hand, to assure a number of credits that, although small, would cover part of ENDESA's GHG-reduction needs, and, on the other, to join the work done by the World Bank Carbon Unit, which at the time was the actor with the most experience of this market. This would allow ENDESA to learn how to operate on the carbon market and work independently, thereby contributing towards the development of mechanisms of this type.

The **Spanish Carbon Fund** was launched to address Spanish authorities and companies' need to buy carbon credits. The purpose of the fund is clearly to invest much of its resources into projects being developed in Latin America. Preference is also given to renewables projects. Besides Endesa, the members of the fund are the Spanish government, which holds a majority stake, and the other leading companies in the Spanish energy sector.

The **Umbrella Carbon Fund** is a World Bank fund that buys carbon credits from two major HFC23-reduction projects in China. This initiative was launched to cover the carbon-credit-buying needs of companies needing high volumes, such as ENDESA. 65 per cent of the income generated by

the two companies that own the projects reverts to the Chinese State, which uses it to set up a fund to invest in sustainable-development projects in China.

The **GG-CAP Fund** was launched by Natsource, one of the leading companies on the carbon market. ENDESA has always had a positive relationship with Natsource and decided to join the fund with a view to diversifying its portfolio and risk.

Finally, ENDESA also participates in the **MCCA Fund**, which is jointly managed by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This fund only buys carbon credits of projects funded by the EIB or EBRD in countries where both banks operate, which gives ENDESA a fine opportunity to make contacts on markets to which its access has previously been very limited.

02.6. EMISSION-REDUCTION PROJECTS

Endesa Generación participates actively in various CO₂ capture and storage projects in the national, European and international ambits.

Internationally, ENDESA and the Energy Resources and Consumption Research Centre (Circe) lead Spain's representation on the European technology platform "Zero Emissions Fossil Fuel Power Plants" (ZEP), the main aim of which is to promote clean generation in the future with coal that facilitates the renewal and extension of today's thermal plants, with a view to making it possible to implement zero-emission plants by 2020. ENDESA is an active member of this platform's advisory council and participates in the work groups on technology, deployment, regulation and communication. Endesa Generación's Technology and Innovation Department is directly responsible for the Technology Taskforce and is a member of the Demonstration & Implementation Taskforce. This platform is supported by the EU institutions.

In 2007, the work groups of ZEP platform were restructured, the Flagship Programme was drafted and ENDESA's proposal to develop a demonstration programme for oxycombustion on a supercritical circulating fluid bed (OXY-CFB) technology, with over 90 per cent capture of CO₂ emissions, was accepted.

In the EU ambit, and also within the framework of CO₂ capture and storage technologies, ENDESA participates in the Dynamis, Cachet, C3-Capture, Geocapacity and Nanoglowa projects. In the process efficiency and improvement area, ENDESA is a member of the CFB800MWe project.

In Spain, ENDESA chaired the Spanish CO₂ Platform and Association until the end of 2007 and continues to lead the Cenit CO₂ project (National Strategic Consortium for Technical CO₂ Research). This consortium, which was approved in 2006, is responsible for Spain's largest R&D effort to combat the climate change. Its members include 13 companies and 16 research centres, operating with a budget of Euro 21 million. In 2007, the CENIT OPENAER project, part of the Ingenio 2010 Programme, began.

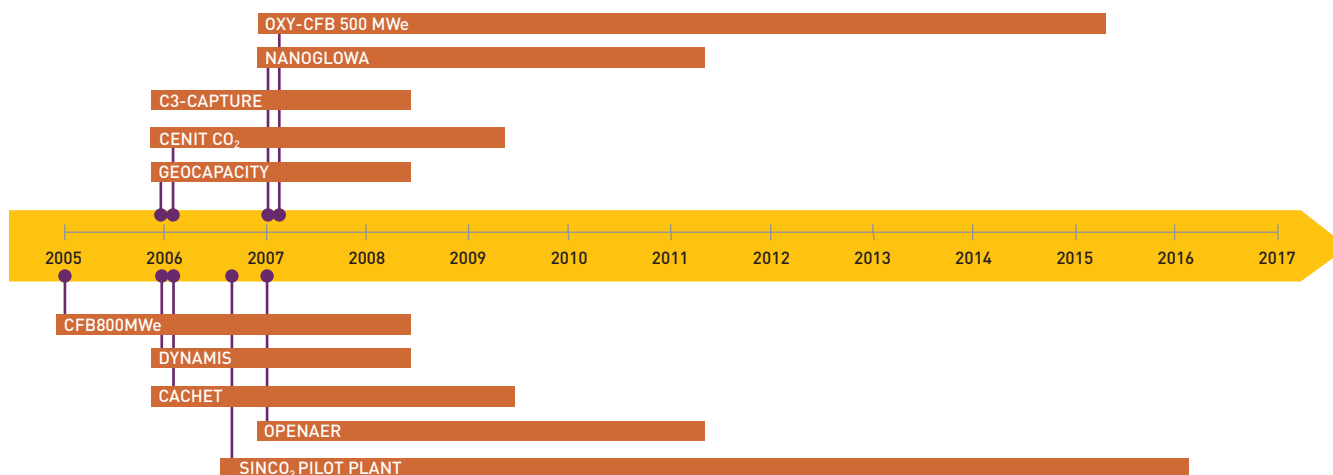
Project	Time frame	Description
OXYCFB500MW Project (Demonstration project)	2007-2011	ENDESA leads this project to demonstrate oxycombustion on an supercritical circulating fluid bed and, by 2015, build, commission and operate a thermal plant with a gross capacity of 500 MW featuring CO ₂ capture. This is ENDESA's first project to feature integrated CO ₂ capture and storage, and it has been presented to the EU Flagship Programme.
Compostilla plant, SINCO ₂ Pilot (demonstration project) CENIT CO ₂	2007-2009	ENDESA leads this demonstration project to design, build, assemble and commission, in synergy with CENIT CO ₂ , an experimental facility that will use regeneratable chemical absorption mechanisms to capture the CO ₂ present in exhaust gases at ENDESA Generación's coal-fired thermal plants. It also allows ENDESA to continue to make progress in technological research and development of CO ₂ capture by developing chemical absorbents.

Project	Time frame	Description
CENIT CO ₂ (Research)	2006-2009	ENDESA leads the Spanish CO ₂ Platform's CENIT CO ₂ , (National Strategic Consortium for Technical Research into CO ₂). Project to research, develop and validate new knowledge and integrated solutions that will allow CO ₂ emissions into the atmosphere to be reduced. For ENDESA it also provides an opportunity to acquire knowledge of CO ₂ -capture, storage and valuation technology.
C3-Capture (Research)	2006-2008	ENDESA participates in the C3 Capture Project to value at a laboratory scale a system with two interconnected fluid beds, using a limestone sorbent, and study the integration of the process at a coal-fired thermal plant. ENDESA's objective is to study the carbonation/calcination process for CO ₂ -capture in post-combustion processes.
Dynamis (Research)	2006-2008	ENDESA participates in this development project for the basic and detailed design of a CO ₂ capture plant in pre-combustion and location of the ideal site to store the gas. For ENDESA, it also provides an opportunity to acquire experience and knowledge of CO ₂ -capture in pre-combustion and geological storage on a European scale, as well as generating electricity with hydrogen.
Cachet CO ₂ (Research)	2006-2009	ENDESA participates in the Cachet CO ₂ project, which will study four new processes to produce hydrogen from natural gas. ENDESA's specific objective is to integrate the new processes for use at CCGT plants and comparison with current technology.
Nanoglowa (Research)	2007-2011	ENDESA participates in this project to develop, optimise and manufacture membranes for CO ₂ -capture at thermal plants and test them at pilot facilities with real thermal-plant gases. ENDESA's objective is to monitor and learn about the development of emerging CO ₂ -capture technologies, specifically membranes to separate the CO ₂ contained in thermal-plant combustion gases.

Project	Time frame	Description
CENIT OPENAER (Research)	2007-2011	ENDESA participates in this project to develop new items for gas turbines (aerial and aero-derived industrial) and allow specific CO ₂ emissions to be reduced, as well as seeking alternatives for the development of a CO ₂ -capture process applicable to CCGT. The project allows ENDESA to develop an initial analysis of the best thermodynamic CCGT layouts working in oxycombustion, studying their technical and financial feasibility.
Geocapacity (Research)	2006-2008	ENDESA participates in this project to develop a common methodology for assessing suitable theoretical sites for CO ₂ storage in Europe and a Web (intranet) tool for queries by participants. ENDESA's specific objective is to learn about the main European sites, at the regional level, being considered by geological institutes and research centres in the participating countries (EU-27 plus China), and the standardisation of criteria applicable to ENDESA's sites.

Project	Time frame	Description
CFB800MWe (Research)	2005-2008	ENDESA participates in this project to scale up the current technology (460 MW) to sizes approaching 800 MWe. ENDESA's specific objective is to increase its knowledge of circulating-fluid-bed technologies at supercritical plants.
Spanish CO ₂ Platform	Open	This is a joint initiative by the MEYC and the Spanish CO ₂ Association (business) to progress with studies of CO ₂ -capture and storage.
Studies by the European platform Zero Emissions Fossil Fuel Power Plants (ZEP)	Open	ENDESA is a member of the Advisory Council and various work groups of the ZEP platform, the main objective of which is to develop thermal-electricity technologies that will allow emissions from plants of this type to be eliminated by 2020.

CO₂ CAPTURE AND STORAGE RESEARCH AND DEMONSTRATION PROJECTS



02.7. AIR QUALITY

ENDESA's emissions policy goes beyond GHGs to cover emissions of any substances that could have a significant impact on the environment, such as sulphur oxides, nitrogen oxides and small solid particles.

The Company carefully watches all such emissions with a view to controlling their characteristics and the volumes emitted, ensuring that they are within the legally established limits, implementing technologies to minimise them and designing corrective measures to counterbalance any impact generated.

In 2007, ENDESA continued to develop the Euro 50 million investment budgeted until 2010 for the technological improvement of the Compostilla thermal plant in León province. This Project involves replacing control systems, automating the coal supply and water plants, updating coal deliveries and replacing components in the turbines, alternators and boilers at the plant.

Other projects in progress:

Project	Actions
Compostilla II and Los Barrios thermal plants	Within the framework of complying with the EU Environmental Directive on Large Combustion Facilities, the execution of the desulphuring plants at turbines 4 and 5 at Compostilla II and at Los Barrios thermal power station in Cadiz province.
Litoral thermal plant (Almería)	Building a desulphuring plant for turbine 1 at Litoral power station in Almería province.
Alcudia (Majorca)	Building a desulphuring plant for turbines 1 and 2 at Alcudia power station in Majorca.
Various plants	In compliance with the Environmental Directive, the installation of low-NOx burners and fuel optimisation continues at a number of the Company's plants.
Abacus Project (Spain)	Within the framework of ENDESA's Strategic Plan for environmental and energy optimisation at its thermal plants, Abacus technology (an Inerco patent) was installed during 2007 in several of the Company's turbines in Spain.

Project	Actions
Italy	Construction of desulphuring units for turbines 1 and 2 at Monfalcone thermal plant.
France	Assembly of desulphuring and denitrification systems at Emile Huchet and Provence 5 power stations.

Sulphur hexafluoride (SF₆) is being used increasingly as an insulator in electrical equipment. ENDESA reports the volumes of SF₆ that it emits to the Ministry of the Environment, although the amounts involved at the Company's facilities are not quantitatively significant. In 2007, these emissions were approximately 0.5 tonnes for Endesa Generación and 0.8 tonnes for Endesa Distribución. These estimates correspond to the application of leak rates supplied by the manufacturers to the equipment in service that contains this gas.

In 2007, the Ministry of the Environment, the Electrical Equipment Manufacturers Group (SERCUBE), the Spanish Electricity Industry Association (UNESA) and the Spanish Electricity Grid (REE) continued too prepare the voluntary agreement to avoid SF₆ emissions throughout the use cycle of electrical equipment during the Kyoto Protocol commitment period 2008–2012. This agreement will mostly be applied in the electricity sector, where SF₆ is mostly used in HV and a considerable amount of MV cut-off equipment, owing to its good performance as an electrical insulator, which at the same time allows compact equipment to be manufactured with lower energy losses.

The final agreement is expected to be signed in 2008. Thus, as a result of this agreement, information will be available in 2008 on gas reloading of equipment, which will make it possible to apply the period between two consecutive reloads and so estimate the annual gas leakage.

Within the framework of the Environmental Management Systems (EMSs) implemented at ENDESA's various businesses, and in compliance with the applicable environmental legislation, the Company is applying across the board European Parliament and Council Regulation (CE) 2037/2000 (29 June 2000) on substances related to

the weakening of the ozone layer, complying with the restrictions on the use of halon and CFCs, and the control and use of CFC, as well as European Parliament and Council Regulation (CE) 842/2006 (17 May 2006) on certain fluorine greenhouse gases, implementing HCFC and SF₆ leakage control accordingly.

EVOLUTION OF ENDESA'S EMISSIONS OF SO₂, NO_x AND PARTICLES

Spain and Portugal	2005	2006	2007
SO ₂ (gSO ₂ /kWh)	6.19	5.67	5.29
NO _x (gNO _x /kWh)	1.89	1.83	1.94
Particles (g particles/kWh)	0.12	0.11	0.09
Italy			
SO ₂ (gSO ₂ /kWh)	0.74	0.96	0.77
NO _x (gNO _x /kWh)	0.41	0.44	0.45
Particles (g particles/kWh)	0.015	0.018	0.010
France			
SO ₂ (gSO ₂ /kWh)	4.10	3.61	3.57
NO _x (gNO _x /kWh)	2.33	2.02	2.14
Particles (g particles/kWh)	0.29	0.22	0.13
Europe			
SO ₂ (gSO ₂ /kWh)	1.66	1.62	1.51
NO _x (gNO _x /kWh)	0.91	0.83	0.89
Particles (g particles/kWh)	0.09	0.07	0.04
Latin America			
SO ₂ (gSO ₂ /kWh)	0.50	0.26	0.41
NO _x (gNO _x /kWh)	0.65	0.20	0.30
Particles (g particles/kWh)	0.67	0.30	0.12
Total			
SO ₂ (gSO ₂ /kWh)	3.50	3.21	3.11
NO _x (gNO _x /kWh)	1.19	1.13	1.24
Particles (g particles/kWh)	0.15	0.17	0.09

03. RENEWABLE ENERGY PLAN

Energy savings and efficiency can be achieved in various ways. One of the most important is special-regime electricity generation, i.e. by means of co-generation, renewables and waste treatment, reduction or combustion.

ENDESA has made a firm commitment to be a leading actor in renewables and has an exceptional track record with these technologies, with a geographical presence and know-how that exceed that of the largest operators worldwide, and the capacity to improve the generation/sales balance on the Iberian market and contribute its human and territorial potential towards growth in this area.

03.1. EVOLUTION OF RENEWABLES IN 2007

ENDESA installed a gross capacity of 638 MW in renewables in Spain and Portugal in 2007, to reach an accumulated capacity by year end of 2,435 MW, 36 per cent more than at the end of the previous year. The average holding in these facilities, calculated according to the percentage held by ENDESA in each of its subsidiaries, is 69 per cent.

If we add to this the capacity of the co-generation facilities in operation, ENDESA was operating a gross special-regime capacity of 2,857 MW by the end of 2007.

ENDESA's own production in co-generation and renewables was 3,777 GWh in 2007, 2,381 GWh of which corresponded to wind energy, 519 GWh to mini-hydro plants, 655 GWh to co-generation, including industrial customers, and the remainder to other technologies. For consolidation purposes, ENDESA's capacity at this type of facility at year end was 1,630 MW, and production was 2,877 GWh.

In Europe, the capacity grew by 215 MW as a result of the commissioning of 188 MW of wind power in Italy, 10 MW at Lehaucourt windfarm in France, and the remaining 17 MW at Sidirokastro windfarm in Greece. Also, Endesa Europa acquired Alcamo windfarm (30 MW), which is still under construction.

In Latin America, in Chile, Canela windfarm became operational, with a capacity of 18 MW.

03.2. ENDESA ECO

Endesa Eco is a company that is 100 per cent owned by Endesa Chile. Its objective is to run and manage renewable-energy projects in Latin America. In December 2007, Canela windfarm came into service, the first of its kind to inject power into Chile's Central Inter-connected System (SIC). It has total capacity of 18 MW.

Endesa Eco is also developing the Ojos de Agua mini-hydro plant project in the Maule area (Chile) which will have a capacity of 9 MW, with a total investment of USD 20 million. It is due to come on stream in 2008.

03.3. WIND ENERGY

At the end of the 2007 financial year, ENDESA had eleven windfarms under construction (seven in Spain and four in Portugal) with a total gross capacity of 386.9 MW, of which 75 MW was in the final stages. In Spain, ENDESA's growth was higher than the sector average, enabling it to increase its market share to 8.1 per cent, compared with 7.8 per cent the previous year.

In 2007, ENDESA's renewables capacity at facilities in Italy underwent major growth

In Italy, Florinas (20 MW), Iardino (14 MW) and Vizzini (24 MW) windfarms, which had been commissioned in previous years, were joined by new facilities at Trapani (32 MW), Montecute (44 MW), Poggi Alti (20 MW), Marco Aurelio Severino (44 MW), Piano di Corda (52 MW) and Serra Pelata (58 MW). It should be noted that the capacity actually operational at Piano de Corda and Serra Pelata windfarms by the end of 2007 was 6 MW and 42 MW, respectively; i.e. the maximum rated capacity had not yet been reached. In addition to these facilities, in July 2007 100 per cent was acquired of the company Merwind, which owns a 30 MW windfarm in development in Alcamo (Sicily).

In France, Lehaucourt windfarm (10 MW) began commercial operations. Also, in August work began on the construction of windfarms at Cernon (17,5 MW), Muzillac (10 MW) and Ambon (10 MW), with building work now well underway, and in October an agreement was reached to acquire Aerodis, a company that develops wind-power projects and has a portfolio of approximately 110 MW. Also in 2007, the necessary licences were obtained to build Kergrist windfarm in Brittany (France), which will have a total capacity of 26 MW. As a result of all these initiatives, ENDESA's portfolio of windfarm projects in operation, construction or development in France exceeded 200 MW by the end of 2007.

03.4. OTHER RENEWABLE TECHNOLOGIES

03.4.1. Mini-hydro plants

At the end of 2007, ENDESA had holdings in 39 mini-hydroelectric plants in operation, with a total capacity of 240 MW. The Company's average stake was 82 per cent. Over the course of the year, the necessary licences were obtained to begin the projects for the Chánada, Silván and Boeza mini-plants.

0.3.4.2. Photovoltaic and thermoelectric solar

ENDESA's initiatives in 2007 with regard to photovoltaic solar facilities included the beginning of construction work for the Guadarranque plant (Cadiz), which will have a rated capacity of 12.3 MW and single-axis monitoring technology; the construction of eight photovoltaic facilities at the Company's own thermal-plant sites, with a total capacity of 730 kW; the development of an 80 kW facility at the Company's headquarters in Madrid, and the incorporation of the company Concentrasolar, ownership of which is shared 50/50 by ENDESA and Isofotón, to develop the first plants with SFC-concentration photovoltaic systems. Within the framework of this agreement, in 2007 progress was made in the administrative formalities for the construction of two plants in Andalusia with a total capacity of 1.5 MW.

Insofar as *thermoelectric solar* technology is concerned, ENDESA and the Spanish Rice Institute (Hisparroz), a key shareholder of the Ebro-Puleva group, signed an agreement to jointly develop four 50 MW plants in southern Seville province. In these projects, the formalities of which have now begun, ENDESA will be the majority stakeholder. They are planned to be equipped with a thermal storage system to allow production to continue even when the sun is not shining. In addition to these projects, ENDESA is developing a further 50 MW in Granada province.

03.4.3. Biomass/Biogas

ENDESA has interests in six biomass-use plants, which are now operational with total capacity of 58.2 MW. Of these, three are biogas plants: one at the Aguas de Jerez wastewater-treatment plant (Cadiz) and the other two at the urban solid waste landfill sites in Can Mata and El Garraf (Barcelona). ENDESA also has carried out availability studies to develop biomass plants in the Andalusia, Aragon and Castile and León regions and has begun to study the use of this resource in Galicia.

In 2007 the Company continued to carry out studies to assess the use of biomass at its own thermal plants. As a result, a partnership agreement has been reached with the Galicia Regional Government, the Ministry of the Environment and the Galicia Regional Rural Environment Ministry to carry out co-combustion tests at As Pontes power station. This agreement will enable the costs and supply condition of biomass to be determined with collection tests in the field and supplies to be made by the authorities. The design and first official formalities were also undertaken for a biomass co-combustion project at Litoral thermal plant (Almería), in the light of the positive results of tests carried out in 2006.

03.4.4. CHP

At the end of 2007, ENDESA held stakes in CHP facilities with a gross capacity of 423 MW.

03.4.5. Waste reuse

ENDESA holds interests in three waste-treatment plants in Spain (Tirme, Tirmadrid and TRM) which together have a capacity of 70.6 MW.

Over the course of the year ENDESA also continued to produce electricity by co-combustion of animal meal and olive waste in the coal-fired turbines at Monfalcone power station in Italy.

03.5. SPECIAL PROJECTS

03.5.1. Biodiesel

One of ENDESA's holdings since 2005, Green Fuel Corporation, specialises in building and operating biodiesel production plants and in 2007 the company began to build a plant for this technology in the Extremadura region. Similar projects are currently in the development stages in the Aragon, Castile and León, and Andalusia regions.

03.5.2. El Hierro hydro/wind project

In 2007, progress was made in the development of the El Hierro (Canary Islands) project, through which ENDESA, in partnership with the island authorities and the Canary Islands Technological Institute (ITC), aims to ensure that the island's energy supply is provided through fully renewable hydro/wind output system, thereby assuring fully sustainable development.

04. BIODIVERSITY CONSERVATION

ENDESA has made commitments to protect animal and plant species and natural habitats in the environments in which it operates. With this in view, the Company develops its Biodiversity Conservation Programme as part of the PEMADS, through which research and studies are carried out in partnership with various organisations and universities.



04.1. RESTORATION OF MINING AREAS

ENDESA owns 2,864 hectares of land that has been restored as a result of environmental initiatives implemented for many years in the areas of its mining operations in Spain. In 2007, 72 hectares were restored.

RESTORATION OF ENDESA'S MINING LAND IN SPAIN IN 2007 (Hectares)

	2005	2006	2007
As Pontes	101	80	45
Andorra	19.52	23.27	16.71
Peñarroya	15.32	21.05	0
Puertollano	0	80	10.88

04.1.1. Restoration of As Pontes mine

Mining at As Pontes ended in 2007. The previous year the work to restore the colliery's slag heap was completed, involving 1,255 hectares of vegetation, 69 km of traces and 55 km of channels.

The next stage in the programme, which will begin in 2008, will be to turn the hole left by the mine into an eight square kilometre lake, 200 metres deep and containing 540 million cubic metres of water, which will make a significant contribution to the local environment while having a positive socio-economic impact owing to its tourism and leisure potential.

04.2. PROTECTING ENVIRONMENTS IN THE AREA OF INFLUENCE OF ENDESA'S FACILITIES

ENDESA's environmental policy includes the steady improvement of the rivers that are controlled by its hydroelectric plants by applying minimum environmental flow rates, building fish throughways and maintaining agreements with the environmental authorities to conserve fish populations in general and salmon and trout in particular.

Minimising impact on birds, vegetation or the landscape at generation and distribution facilities are also objectives that are integrated into ENDESA's environmental policy.

In 2007, work continued to restore and integrate the landscape in areas surrounding ENDESA's hydroelectric plants in Spain, and the inventory was extended nationwide to all possible action sites. Inside the Peripheral Protection Area of Aigüestortes i Estany de Sant Maurici National Park, a major initiative was undertaken to remove obsolete facilities to leave free and that has been integrated aesthetically and functionally into the management plan for use and activities in the park.

Additionally, integrated environmental management continues at large reservoirs, as do the projects to design, execute and monitor

controlled flooding on the lower stretches of the river Ebro (Ribarroja–Flix reservoir system) to control the proliferation of aquatic plants and the presence of zebra mussels, and regenerate the physical habitat in general.

Action as part of the project to clean and recondition small glacial lakes in the Aragonese Pyrenees was extended for a further two years, with a total investment of Euro 1.1 million. This action, which fosters the development of eco-tourism in the area and returns it to its original appearance, by removing unused facilities, was awarded the Aragon Environment Prize 2007 in the Business section.

The glacial-lake restoration and conservation project in the Pyrenees won the business-sector prize at the Aragon Environment Awards 2007

In distribution, ENDESA develops projects to reduce the impact of these facilities, whether new or existing, on birds and the environment (electrocution, collisions, nesting, fires). The main initiatives in this area, which continued those implemented by the Company in previous years, consisted of burying lines, improving cable insulation, anti-collision measures, alterations and changes to crosses and pylons, and pruning to keep safety distances from the surrounding vegetation.

Finally, thermographic reviews of power lines were continued in order to detect any hot spots and prevent fire risks.

04.3. ENDESA NATURAL ENVIRONMENTS

Endesa Natural Environments is a project implemented by Bolonia Real Estate, a company that was set up by ENDESA to develop a management model for its property assets in line with its Sustainability Policy.

In 2007, Bolonia Real Estate continued its sustainable land management by dismantling and demolishing San Juan de Dios power station (Palma, Majorca); recovering land at Central 3 and Son Molines, also in Palma, adding value to the land (in these cases urban land) having recovered its original use; and clearing land at the former Cadiz power station.

Based on its sustainable land-management model, Bolonia Real Estate has created the Endesa Natural Environments project. The aim of this initiative is to assure the creation of long-term value and local prosperity, giving priority to policies and practices that lead to environmentally responsible social development. Endesa Natural Environments promotes and integrates actions implemented by the various units and companies of the Endesa Group to recover places of high ecological value, restore slag heaps, maintain water resources, agricultural substrates, reforestation, scientific research and the development of low-impact renewable resources.

ENDESA establishes land-development models that lead to environmentally responsible social development

RECOVERY OF AREAS OF HIGH ECOLOGICAL VALUE

- Former rubbish dumps, mines, hydraulic resources and agricultural substrata.
- Environmental research projects, to recover the native flora and fauna.
- Development of environmental training initiatives and nature studies.

ACTIONS UNDERTAKEN WITHIN THE FRAMEWORK OF ENDESA NATURAL ENVIRONMENTS

Actions	Description
Environmental studies	Landscape improvement and reinforcement of the value of the land on the estates at Bolonia Bay (Cadiz), Güejar-Sierra (Granada) and Sineu (Majorca).
Underscrub analysis	In the area surrounding Meirama and As Pontes power stations (Galicia).
Site location	Sites with potential to house renewable-energy facilities, such as at Bélmez, where the former slag heaps served as the basis for a solar power plant.
Developing areas for leisure and sustainable use	By reaching use and custody assignment agreements, such as the one entered into with A Veiga District Council to develop a river itinerary, boat jetty and nature hall in the Prada reservoir area.
Partnerships in cultural projects	To conserve the heritage, such as the agreement with Boadella District Council to develop a hydroelectricity museum at the old Escaules watermill.
Responsible use of natural environments	In partnership with local agents. An example is the extension to the agreement with the Catalan Federation of Rambling Associations to assign the use of the Colomina mountain refuge in the Torre de Capdella district

Land that is owned, leased or managed by the Company that lies in or near protected areas or areas considered to be biodiversity-rich is listed in the following table:

Protected Area	Power stations and other managed assets
Valle de Laciana Biosphere Reserve	CH Rioscuro
	CH Las Ondinas
Sierra la Encina da Lastra Nature Park	CH Quereño
Lago de Sanabria Nature Park	CH Moncabril
Las Fragas do Eume Nature Park	CH Eume
Las Médulas Archaeological Area	CH Cornatel
Brown Bear Special Protection Area	CH Las Ondinas
Aigües Tortes i Estany de Sant Maurici National Park	CH Sant Maurici
	CH Las de LLadres
	CH Arties
	CH Caldas
Ordesa y Monte Perdido National Park	CH La Fortunada-Cinca
	CH La Fortunada-Cinca
Posets Maladeta Nature Park	CH Moralets
	CH Eriste
	CH La Fortunada-Cinca
Alt Pirineu Nature Park	CH Montamara and Tavascan Superior
	CH Llavorsí
	CH Esterri
Sierra Nevada Nacional Park	CH Dílar
	CH Durcal
Straits of Gibraltar Nature Park	Bolonia Bay estate
Sierras de Cazorla Segura y las Villas Nature Park	CH Los Órganos
	Tiscar power station (Quesada, Jaen)
Sierra de Andújar Nature Park	CH Encinarejo
Sierra Norte de Sevilla Nature Park	CH Pintado
Desfiladero de los Gaitanes Nature Area	CH Nuevo Chorro
Upper Gualdalquivir Nature Area	CH Doña Aldonza
	CH Pedro Marín

Protected Area	Power stations and other managed assets
Cordobilla Reservoir Nature Area	CH Cordobilla
Los Tilos Biosphere Reserve (Island of La Palma)	CH El Mulato
Island of El Hierro Biosphere Reserve	SE Llanos Blancos
Landscape Protection on the Island of Gran Canaria	Las Casillas land
	SS.EE. Bco. Seco
Special Protection on the Island of Gran Canaria	SS.EE. Arucas
Hydrological and Landscape Protection on the Island of Tenerife	SS.EE. Tacoronte
	Güimar hydro plant
Island of Fuerteventura Nature Park	
Protection of the natural ecological value of the Island of Lanzarote	SS.EE. S. Bartolomé
Landscape Protection on the Island of Lanzarote	SS.EE. Playa Blanca
Predio Paposo (Chile)	Taltal-Montecristo power station
Predio El Totoral (Chile)	Canela windfarm
Predio La Escuadra (Chile)	Ojos de Agua mini-plant
Predio Paposo (Chile)	Pehuenche power station
	Los Cóndores-Ancoa line
Predio Alto Polcura (Chile)	Ralco hydroelectric plant
Predio Paposo (Chile)	Ralco hydroelectric plant
Predio Paposo (Chile)	Pangue power station
Predio Paposo (Chile)	Ralco hydroelectric plant
Pilmaiquén Main Island (Chile)	Pilmaiquen power station



04.4. CONSERVATION PROJECTS

ENDESA implements diverse projects for the conservation of species and natural areas in the corresponding Environmental Education Programmes. Several of these initiatives are carried out in partnerships with European Union LIFE projects and under agreements with universities and public authorities. The main projects of this type are:

Entity:	Time frame	Project
ENDESA, Regional Ministry of the Environment and Territorial Policy, Fuerteventura Island Council and the INIPRO Foundation (Port of Rosario Research and Science Institute) (Life Project (EU))	2004-2008	Protection of the Canaries guirre in Fuerteventura. Protection initiatives on power lines, against vandalism and poisoning, recovery of populations, study and observation.
ENDESA and Aragon Regional Government (Life Project)	2006-2007	Alterations to power lines in Special Bird Protection Areas in Aragon.
Life Project	2006-2007	Conservation of the European mink via breeding in captivity and naturalisation of the species.
ENDESA, University of Barcelona, Polytechnic University of Catalonia and Ecohydros	2007-2009	Beginning of the research project into the application of hydro-acoustic techniques for the early detection of zebra mussel larvae and studying the possibility of controlling the invading species by water management applied to reservoirs and controlled rivers. This study, with grant aid from the Ministry of the Environment, is within the framework of Strategic Action for the Use and Management of Natural Resources and the Conservation of Habitats and Ecosystems of the National Environmental Science and Technology Programme.

Entity:	Time frame	Project
ENDESA and the Balearic Islands Regional Ministry of the Environment	2005-2009	120 actions to protect the osprey and black kite, both of which are in danger of extinction on the islands.
European SEEDT project	2006-2008	Development of low-loss transformers in distribution and measures to minimise effects on birds (dielectric rings or guards).
Catalonia Forestry Consortium and Vall de Boi Trust	2006-2009	Forestry and woodland conservation initiatives.
Andalusian Regional Environment Ministry and Doñana Biology Station (CSIC)	Concluded in 2007	Fitting supports with electric shepherds to train the Iberian golden eagle.
University of Extremadura	Concluded in 2007	Study of the impact of power lines on the protection of storks.
Andalusian Regional Government	2007-2008	Conservation of the natural heritage in La Janda (Cadiz) to reintroduce the Iberian golden eagle and osprey.
Edegel (Peru)	2005-2007	Study to characterise the physical habitat for fish in the river Tulumayo.
Edegel (Peru) and the Agricultural Development Foundation of La Molina University	2007-2008	River Chillón Forestation Project to create a forested area to protect local settlements from flooding.
Endesa Cachoeira	2006-2008	Donation of land to create the nature reserve at Mata Atlántica State Park, Reforestation Project and Ichthyofauna Recovery and Conservation Programme.

04.4.1. Huinay Foundation

The San Ignacio del Huinay Foundation is a private non-profit institution that strives to defend and preserve the biogeographical heritage of the Huinay district and fjord region in Chile. ENDESA and the Pontifical Catholic University of Valparaíso are the founder members of this project, which is based on scientific research and sustainable development.

The Foundation has a science centre, a wet laboratory, a diving base, a dry laboratory, an observation tower, a weather station and a mini-hydro plant. By the end of 2007, the Foundation's research efforts had taken the form of 74 research projects, 33 publications, 42 presentations at scientific conferences and the publication of 3 books: *Huinay, de las Últimas Selvas Frías del Mundo* [Huinay: One of the World's Last Cold Forests], *Aves del Huinay* [Birds of Huinay] and *Los Últimos Senderos del Huemul* [The Last Trails of the Huemul].

Noteworthy initiatives developed in 2007 included:

- Completion of the collecting of species in the fjord region and forwarding them to taxonomy specialists for the invertebrates guide that the Foundation is preparing.
- First international workshop "Evolutionary Impact of Exotic Aquaculture on Native Aquatic Biodiversity", in Puerto Montt (Chile).
- Best Practices MARXAN workshop for the Protected Marine Areas Network, in Vancouver (Canada).
- Young scientists conference "New Frontiers in Marine Science", in Baltimore (United States).
- Project with the GeoBio Centre to study the food chain with stable isotopes, coral ecology, key for actinias, and inventory of bentonite communities.

Researchers at the Huinay Foundation discovered 40 new marine species between 2004 and 2007

Expeditions by the Huinay Foundation in 2007 gave rise to the first guide to bentonite invertebrates in the shallows of Chile's fjords

BIODIVERSITY STUDY EXPEDITIONS

In 2007, the Huinay Foundation made two expeditions to carry out studies to determine and understand in bentonite biodiversity in depth in the area where the Foundation is based. These discoveries will result in the first guide to bentonite invertebrates in the shallows of Chile's fjords, which will be published in 2008 in the book *Fauna Bentónica de la Región de los Fiordos* [Bentonite Fauna in the Fjord Region]. This document will report the identification of approximately 500 organisms collected, many of which are endemic – i.e. only found in Chile — and 40 are completely new species (including *Tethocyathus endesa*, *Caryophyllia huinayensis* and *Halopteris enersis*).

The biodiversity in Chile's fjords is very high. However, this region is one of the least well-known in the world — one reason why the document being prepared by the Huinay Foundation is of vital importance for the scientific community, not only locally but internationally.

- **Scientific expedition to the lakes of Huinay (2007–2008).** In 2007, work began on the limnological characterisation of the epicontinental water masses in Huinay. The study covers the description of the morphology of the lakes, their organisation and functioning as ecosystems during the summer stratification period, and the composition of their plankton. No scientific data of any kind, historical or recent, has previously been published about these lakes.
- **Expedition to Northern Patagonia:** Research has been carried out to increase our knowledge of the diversity of species in the fjord region and their distribution patterns. This expedition included the additional goal of assessing certain sites for their potential value as protected marine areas. Photographs were taken along vertical transects at 19 sites for quantitative and structural analysis.
- **Expedition to Reñihué fjord:** Over two weeks the sponge fauna in Reñihué fjord was studied. These sponges are quite different from those in Comau fjord, even though only a 10-kilometre isthmus separates the two. This research is part of the project for the first census of marine fauna in the Chilean fjord region.



05. TRANSPARENCY IN ENVIRONMENTAL PROTECTION

05.1. EFFLUENT GENERATION AND MANAGEMENT

ENDESA manages the generation of effluents into water, in order to control and reduce their volume and improve the water quality, mostly by means of wastewater-treatment facilities. The effluents and main pollutants resulting from the Company's activities are listed in the tables below.

INDUSTRIAL EFFLUENTS 2007* (Hm³)

	2007*
Spain and Portugal	
Coal-fired fossil-fuel plants	20.20
Fuel-oil/gas-fired thermal plants	8.54
CCGT plants	0.31
Nuclear power stations	1.52
Italy	
Fossil-fuel production units	3.33
France	
Fossil-fuel production units	13.13
Latin America**	
Fossil-fuel production units	2,019.87

* Industrial effluents with no cooling water.

** Effluents at the companies in Latin America refer to industrial effluents plus cooling water effluents. Sanitary effluents plus rainwater accounted for 0.22 Hm³.

MAIN POLLUTANTS IN EFFLUENTS AT ENDESA'S THERMAL PLANTS IN SPAIN AND PORTUGAL

Pollutant	Total (kg/year)
Total nitrogen	168,521.70
Total phosphorus	56,669.62
As and compounds	391.58
Cd and compounds	293.29
Cr and compounds	502.46
Cu and compounds	2,217.21
Hg and compounds	271.98
Ni and compounds	1,259.63
Pb and compounds	303.84
Zn and compounds	62,837.04
AOX	239,729.50
PCDD/PCDF	4.00
Phenols	383.01
HAPs	763.41
COT	1,234,692.69
Chlorides	617,911.14
Fluorides	56,153.94
Fluoranthene	0
Benzo (g,h,i) perylene	0

05.2. WASTE GENERATION AND MANAGEMENT

ENDESA does not limit itself to complying with the legislation regulating the management of hazardous or non-hazardous industrial waste. It implements mandatory internal regulations for the management and elimination of such waste at all its facilities, establishing criteria and specific procedures for the appropriate treatment to carry out and the contracting of suitable managers.

Main waste-generation sources	Description
Fossil-fuel production units	Mostly generate gypsum, ash and slag. Much of this sold as a subproduct or reused by the facility, thereby reducing its environmental impact.
Hydroelectric production units	Generate waste that mostly comes from operating the reservoirs associated with hydro plants. This waste, which must be eliminated regularly, consists of the silt that builds up when the speed and flow of the river falls.
Mining	Generates hazardous and non-hazardous waste that is passed on to authorised managers.
Nuclear power stations	Mostly generate radioactive waste. In 2007, the medium and low-intensity radioactive waste produced at ENDESA's nuclear plants stood at 108 tonnes. This waste is managed by Enresa and deposited at specially designed facilities at El Cabril.
Distribution	The main hazardous waste generated consists of rags, batteries contaminated with oil/PCB and mineral oil from substations, whereas most of the non-hazardous waste is scrap metal and cardboard.

ENDESA continuously reviews its waste management and reduction systems, enabling it to identify and develop improvements to management and minimise its impact. Waste reduction has been effective in terms of containers, the reuse of oil, the gradual replacement of batteries with others that have a longer life or are rechargeable, the gradual removal of transformers containing PCBs, the gradual removal of components containing asbestos, the valuation of inert waste and the treatment to reuse cleaning solvents.

WASTE AT ENDESA IN 2007 (t)

	Hazardous waste (HW)	Non- hazardous waste (NHW)
Spain and Portugal		
Fossil-fuel production units	10,335	263,788
Hydroelectric production units	438.01	836.8
CCGT	283	49
Mining	176.4	1,316.97
Nuclear	554.06	66,763.38
Distribution	7,379.05	40,963.4
Italy		
Fossil-fuel production units	1,886.27	29,445.95
Hydroelectric production units	27.94	1,507.7
France		
Fossil-fuel production units	204.35	67,001.51
Latin America		
Fossil-fuel production units	1,534.1	3,101.67
Hydroelectric production units	73.84	786.38
Distribution	600.87	19,463.54

Endesa Ingeniería's Dielectric Oil Laboratory, which opened in 2006, performs quality control on transformer oil. This laboratory contributes to the review of the TCB content in the transformer oil used by the Company. In 2007, the laboratory analysed 7,089 samples of PCB content in oil, 5,493 from Endesa Distribución Eléctrica in Andalusia and Extremadura and 1,596 from Endesa Distribución Eléctrica in the Canary Islands.

PRODUCTION AND MANAGEMENT OF ASH, SLAG AND GYPSUM AT ENDESA'S COAL-FIRED POWER STATIONS

		Ash (t/year)				Slag (t/year)				Gypsum (t/year)			
		Production	Valuation	Restoration	Waste tip	Production	Valuation	Restoration	Waste tip	Production	Valuation	Restoration	Waste tip
Spain and Portugal	2007	2,833,624	2,033,646	722,942	64,679	481,640	55,318	99,142	317,881	827,076	1,073	0	826,003
	2006	3,016,358	1,932,895	988,238	95,225	527,149	37,986	171,023	304,867	806,862	1,062	0	805,800
	2005	3,692,901	2,367,347	1,219,179	106,375	529,807	25,533	214,268	271,106	1,056,564	593	0	1,055,971
Europe	2007	965,457	917,342	0	103,543	150,325	57,209	4,112	105,058	61,216	60,647	0	8,909
	2006	691,668	972,810	0	18,967	103,408	55,936	0	15,764	143,683	31,766	0	17,050
	2005	932,620	1,090,008	363,100	34,017	154,708	32,922	71,039	15,753	49,771	49,591	0	0



PRODUCTION AND MANAGEMENT OF ASH AT ENDESA'S COAL-FIRED PLANTS IN LATIN AMERICA (Thousands tonne/year)

2005	2006	2007
107.95	94.80	158.1

05.2.1. Valuation of ash and slag waste

In 2007, ENDESA continued to value the ash and slag waste generated at its coal-fired plants, valuing it as raw material for other industrial uses.

05.3. ENVIRONMENTAL MANAGEMENT CERTIFICATION

In 2007, ENDESA significantly extended the perimeter of its certified energy. This positive evolution is in line with the objectives of the Corporate EMS Implementation Programme (SGMA), in accordance with the international standard ISO 14001 and the European EMAS regulations at its main facilities.

ENDESA'S CERTIFIED ENERGY [%]

	2005	2006	2007
Spain and Portugal	86.69	87.5	89.18
Italy	100.00	100.00	100.00
France	34.48	39.12	34.36
Latin America	91.09	95.9	94.20

In 2007, 90% of the energy produced by ENDESA was certified under the ISO 14001 standard

The North West, South and Ebro–Pyrenees hydro production units achieved UNE EN-ISO 14001 certification in late 2006 and early 2007.

In 2007, ENDESA certified its EMS in the Canary Islands distribution business. We would also note that the businesses in Catalonia and the Balearic Islands were certified in 2006 and that in the first quarter of 2008, the company obtained the certification for Aragón.

In the European electricity business, Endesa Italia has certified 100% of its facilities under ISO 14001. This certification is complemented with EMAS certification for all thermal generation centres. In addition it certified its EMS together with its cutting edge workplace safety system. Meanwhile, the French electricity generator Snet implemented EMS in its plants in 2007.

In Latin America, the EMS implementation process being led by Endesa Chile at the Company's generation facilities was ongoing and power stations in Argentina, Brazil, Chile, Colombia and Peru were ISO 14001 certified. Since 2006, 100% of the energy distributed by ENDESA in Latin America is certified.

05.4. INTEGRATED ENVIRONMENTAL LICENCES AND ENVIRONMENTAL IMPACT STUDIES

In Spain, integrated environmental licences (AAI) replace and bring together all the environmental licences were previously required, mostly licences for effluents, waste generation and emissions. The organisations responsible for issuing these licences are the environmental bodies of the corresponding regional government.

The Integrated Pollution Prevention and Control Act 2002 (16/2002, 1 July), or the PCIC Act, authorises the functioning solely for environmental purposes of the facilities and activities listed in its Annex 1, in section 1 of which combustion facilities with a thermal capacity of over 50 MW are listed. The Act also fixed 30 October 2007 as the deadline for existing facilities to obtain the AAI, with the obligation to submit the relevant application documents before 1 January 2007. The maximum grace period for settling licence applications is ten months.

In order to meet these deadlines, ENDESA submitted the applications for environmental licences for its facilities existing between 2004 and 2006 within the legally established deadline. In all, 25 applications were submitted to the various regional governments corresponding to the sites where ENDESA has facilities. Applications for environmental licences for 10 new thermal-generation projects were also submitted in this period.

The Natural Heritage and Biodiversity Act 2007 (42/2007) extended the deadline to 30 April 2008 for facilities that had not obtained the corresponding environmental licence by the deadline originally fixed under the PCIC Act (30 October 2007). Eight of ENDESA's existing facilities had obtained the corresponding AAI, i.e. 32 per cent of the Company's total facilities.

In 2007, environmental impact assessments (EIAs) and comprehensive documents were prepared for the following new projects:

- EIA for the 132 kV Ibiza -5 substation.
- Comprehensive document on Ledesma CCGT.
- EIA on the Santa Eulalia photovoltaic solar plant (Ibiza).
- EIA on the La Pereda CCGT project (Mieres, Asturias).
- Comprehensive document on the project to recondition the landfill at Compostilla II thermal plant.
- EIA on the 99 kV photovoltaic solar plant at Son Reus thermal plant.
- EIA on the turbine 12 installation Project at the Ceuta diesel plant.
- Basic AAI modification project for the turbine 12 project for the Ceuta diesel plant.
- Project to seal and close the landfill at Los Barrios thermal plant.
- Revised EIA text on diesel turbines 19 and 20 and gas turbines 5 and 6 at the Ibiza diesel plant.

Commitment to efficiency



41 million euros
invested in RDI
in 2007

65 million euros
invested in
in-house
or JV RDI projects

40 projects
proposed for the
NOVARE awards
by the scientific
community

14 projects
launched with
suppliers via
Innovation Circles
(CIDE)

ENDESA'S APPROACH

ENDESA aspires to be the leader in technology in the energy industry and recognised as such by markets, customers, the scientific community and society at large.

PRINCIPAL MILESTONES

- Driving the Global Energy Efficiency Plan to manage massive demand and foster consumption-automation technologies. Creating the Distribution Clearinghouse to generate value by systemising and transferring reference practices.
- Holding the first ENDESA's Annual Distribution Conference: "Distributing Knowledge, Transmitting Energy".

PRINCIPAL POLICIES

- Driving ENDESA's positioning as a leader and benchmark in technology and innovation.
- Developing a culture of leadership with regard to technology and innovation through internal and external training schemes and development tools.
- Developing tools to assure an appropriate portfolio of R&D projects.

CHALLENGES IN 2008

- Continue to improve customer service in terms of quality, efficiency and sustainability.
- Achieve greater relevance globally in the face of growing sustainability challenges.
- Contribute towards increasing ENDESA's value.
- Lead new technological developments to address the challenges of climate change, by reducing CO₂ emissions and increasing cutting-edge technological capacity.
- Accelerate the level of improvements to costs, quality and service in the distribution business.
- Progress, via the CENIT Denise project, towards laying the foundations for the intelligent, safe and efficient electricity-distribution networks of the future.
- Carry out audits at ENDESA workplaces to study and foster eco-efficient practices.
- Progress in the study of the potential of electric vehicles and any synergies in their connection to the electricity grid.
- Participate in developing homes, neighbourhoods and towns to demonstrate models of real eco-efficiency.

01. RESEARCH, DEVELOPMENT AND INNOVATION FOR CLEANER ENERGY

ENDESA carries out part of its commitment to its innovation in technologically advanced, efficiency-optimised electricity generation, resulting in lower consumption of natural resources (fuel, energy and water) during the generation process.

FUEL SUPPLIES TO ENDESA, INCLUDING OWN PRODUCTION

Fuel type	2007	2006	Chg %
Spanish coal (Thousands tonne)	7,413	9,620	-22.90
Imported coal (Thousands tonne)	10,411	10,574	-1.50
Coke (Thousands tonne)	266	254	4.70
Liquid fuel (Thousands tonne)	2,934	2,921	0.40
Natural gas (Millions m ³)	1,660	1,508	10.10
Natural gas combined cycle (Millions m ³)	1,532	1,238	23.70

FUEL CONSUMPTION AT ENDESA ITALY

Fuel type	2005	2006	2007
Fuel oil (Thousands tonne)	695	909	558
Natural gas (Thousands m ³)	2,600	2,628	2,539
Coal (Thousands tonne)	2,221	2,620	2,446
Diesel (Thousands tonne)	6	7.8	7
Orimulsion (Thousands tonne)	2	N/A	N/A
Animal meal (Thousands tonne)	67	58.3	89

FUEL CONSUMPTION IN LATIN AMERICA

Fuel type	2005	2006	2007
Fuel oil (Thousands tonne)	377.0	436.4	545.6
Natural gas (Millions m ³)	4,182.0	3,389.4	3,314.9
Coal (Thousands tonne)	442.0	747.4	1,051.6
Gas oil (Millions m ³)	17.0	87.8	1,428.9

Efficient electricity production is also linked to the efficient and responsible employment of electricity at the Company's own generation facilities. The following chart shows the evolution of the own consumption of electricity at ENDESA power plants over the last three years.

ENERGY CONSUMPTION IN SPAIN AND PORTUGAL (GWh)

	2005	2006	2007
Thermal production units	2,538.0	2,563.5	3,177.7
Hydroelectric production units	18.0	24.4	131.0
Nuclear generation	N/A	201.0	1,067.0
Cogeneration and renewables	10.0	11.4	N/A
Distribution	0.1	56.9	84.0

ENERGY SALES IN ITALY (GWh)

	2005	2006	2007
Thermal production units	1,251	1,332.1	1,224.94

ENERGY SALES IN FRANCE (GWh)

	2005	2006	2007
Thermal production units	10	N/A	181

ENERGY SALES IN LATIN AMERICA (GWh)

	2005	2006	2007
Thermal production units	675	738.4	867.4
Hydroelectric production units	217	239.7	185.72
Distribution	67	37.3	55.42

ENDESA pays particular attention to sustainable water management with a view to rationalising the use of this basic resource.

WATER CONSUMPTION IN SPAIN AND PORTUGAL (Thousands m³)

	2005	2006	2007
Thermal production units	75,532	61,205.8	62,273
Nuclear generation	1,842	17,600	143,329
Mining	N/A	213.9	931.36
Distribution	109	107.3	248.84

WATER CONSUMPTION IN ITALY (Thousands m³)

	2005	2006	2007
Thermal production units	12,850	4,738	4,288

WATER CONSUMPTION IN FRANCE (Thousands m³)

	2005	2006	2007
Thermal production units	27,470	N/A	24,266

WATER CONSUMPTION IN LATIN AMERICA (Thousands m³)

	2005	2006	2007
Thermal production units	1,894.3	2,539.2	3,443.5
Thermal production units	2,074,811	2,328,804	2,584,907
Distribution	1	510	368

EFFICIENCY AT THERMAL PLANTS IN SPAIN AND PORTUGAL (%)

	2005	2006	2007
Coal-fired thermal plants	35.66	35.52	36.29
Fuel-oil/gas-fired thermal plants	33.79	34.15	34.79
Combined-cycle plants (natural gas)	55	53.53	52.55

EFFICIENCY AT THERMAL PLANTS IN ITALY (%)

	2005	2006	2007
Coal-fired thermal plants	34.82	35.02	N/A
Fuel-oil/gas-fired thermal plants	34.80	36.42	N/A
Combined-cycle plants (natural gas)	51.8	53.71	N/A

EFFICIENCY AT THERMAL PLANTS IN FRANCE (%)

	2005	2006	2007
Coal-fired thermal plants	34	34.69	N/A

EFFICIENCY AT THERMAL PLANTS IN LATIN AMERICA (%)

	2005	2006	2007
Coal-fired thermal plants	36.17	33.24	33.77
Fuel-oil/gas-fired thermal plants	33.94	31.60	31.81
Combined-cycle plants (natural gas)	48.62	46.34	49.76
Open cycle thermal power plants (GO and FO)	23.95	29.19	— ¹

¹ Information on "fuel/gas" and "open cycle" plants, which was quoted separately in previous years, is now grouped under the "fuel/gas" plants heading.

ENDESA drives RDI to develop cleaner, more efficient technologies and make meeting the Company's business targets compatible with environmental conservation on both a global and local scale. The Company has implemented a single technology and innovation (T&I) model for its entire business group to address the key challenges for its business interests, particularly quality, efficiency and sustainability, generating improvements in customer service.

Technology is a key strategic factor in the energy system in terms of efficiency. ENDESA is therefore intensifying its efforts to encourage technological progress through RDI with effects on its business process. The Company's management system, "Innovation to Value", is intended to capture greater value from RDI projects through demanding management based on risk-capital models and quality gates. The "Innovation to Value" approach has become even more relevant given the globalised context of greater macro-economic demands, the growing demand for energy and sustainability-related challenges.

ENDESA is the first power company to obtain accreditation of its T&I model under the UNE 166002 standard

The innovation, development and research model developed by ENDESA has been certified under the UNE 166002 standard since 1996. This standard lays down the requirements to be satisfied by an integrated RDI management system with regard to tools, procedures, documents and the relationships between business units to ensure their quality and efficiency.

01.1. TECHNOLOGY AND INNOVATION: ENDESA'S VALUE LEVERAGE

ENDESA is committed to identifying new value leverage through Corporate Technological Intelligence as the basis for its engineering and corporate buying functions. Over the 2005–2007 period a total of Euro 123 million was invested in RDI.

ENDESA's RDI model supports, compiles and disseminates the activities of the Company's divisions in this area. The model combines internal coordination activities via a Technology Committee, integrating the different business areas and corporate departments related to this function. Through the Technology Committee instruments for partnership with strategic suppliers, research centres, prospecting organisations, universities and public authorities are fostered. Initiatives are also driven to manage the Company's talent and intangibles, a function in which a key role is played by Endesa Energy Education and Endesa Network Factory.

ENDESA'S T&I model uses various vehicles with their own legal framework to pursue its objectives

CASE STUDY: OUR TECHNOLOGICAL APPROACH: A WORLD-CLASS SERVICE

Our challenge: Increasing ENDESA's value

At ENDESA, the T&I function is focused on defining and applying best practices in the electricity process to the Company's current processes, technologies and assets. The Company aspires to be the natural implementing agent in its markets of new technologies related to its business, detecting options for future growth.

This goal is supported by a Technology Plan based on four strategic areas:

- Sustainable generation: clean coal and advanced renewable energies.
- Future grids: "intelligent", safe and efficient.
- Eco-efficiency: Energy saving, demand management, sustainability and the environment.
- Excellence in IT processes.

T&I activities are managed in such a way as to address different evolution timescales forecast by the technology, i.e. ENDESA's strategy and role in each case will vary according to its expected impact.

For each of these timescales, ENDESA integrates suppliers, public authorities, universities and research centres, while developing a technological intelligence and surveillance function and providing a World-class service for corporate-engineering and strategic, tactical and operational decision-making activities.

Within the Company's four T&I areas, the current technological priorities focus on providing customers with an excellent, sustainable service, based on the following areas of action:

1. Sustainable, efficient power generation:

- Clean coal: separation, capture and storage, CO₂ valuation, oxy-combustion, super-critical boilers, large combustion facilities (e.g., CENIT CO₂ project, Spanish CO₂ Platform/Association, European Zero Emissions Platform, etc.).
- Greater presence of renewable energies in the generation mix: wind, solar, biomass, biofuels and geothermals (e.g., El Hierro project, GDV-500 project, Hydrolic project).
- New nuclear generation: Fourth-generation reactors, fusion technology surveillance (ITER), implications of hydrogen.





2. Intelligent distribution grids:

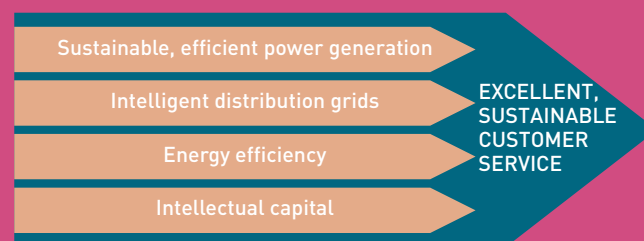
Development, validation and integration of optimal technologies for control, systems and communications to achieve grids that will allow power to be distributed safely, respecting the environment and capable of integrating the latest clean-generation technologies.

3. Energy efficiency:

As a tool for coordinating initiatives in this ambit, the ENDESA Global Energy Efficiency Plan has been devised, which has already begun to be applied at the Company's facilities. Also, mechanisms are being generated to manage massive demand from industrial customers, and greater efforts are being made to promote efficient architecture and consumption-automation technologies.

4. Intellectual capital:

At ENDESA we believe the management of our professionals' intellectual capital, talent and other intangible assets is key, and we seek to integrate and coordinate the way in which everyone working at the Company attain and manage their knowledge, regardless of geographical, organisational or cultural barriers. A key role in this function is played by Endesa Energy Education (E3).



01.2. OUR FINANCIAL COMMITMENT: INVESTING IN EFFICIENCY

ENDESA allocates significant financial resources to RDI, both directly and indirectly. In 2007, ENDESA managed funds worth Euro 65 million as the senior partner in consortia and actively involving suppliers and research centres, as well as developing its own R&D in major divisions. The Company also manages a medium- and long-term portfolio of projects worth over Euro 70 million. Funding from public institutions in the form of grants, subsidies and zero-interest loans to support the development of the projects planned currently stands at Euro 15.5 million.

ENDESA's Basic philosophy in this field is to focus on capturing value through programmes adapted to cash-out and the Company's strategic challenges, where the RDI projects in the portfolio are managed according to highly demanding approaches.

02. DRIVING ECO-EFFICIENCY IN GENERATION PROCESSES

ENDESA drives eco-efficiency in its generation process by constantly striving to improve technology and optimise the natural resources consumed. The Company has a technologically advanced, efficiency-optimised power-generation capacity, resulting in lower consumption of natural resources (fuel, energy and water) during the generation process.

The energy yield achieved by ENDESA from the natural resources used is a key parameter for measuring eco-efficiency and monitoring the environmental impact of the Company's generation operations.

To improve the efficiency of its generation processes, ENDESA undertakes many RDI projects either on its own or in collaboration with entities in other geographic areas.

ENDESA plays an active role in the European Zero-Emission Fossil Fuel Power Plant Technology Platform (ZEP). This initiative was launched by jointly the European Commission, the European energy industry, the scientific community and non-government organisations (NGOs) to allow European fossil-fuel power plants to achieve zero CO₂ emissions by 2020. In 2007, ZEP approved its Strategic Research Agenda (SRA) and Strategic Deployment Document (SDD). Over the course of the year its working groups were restructured, the Flagship Programme was set up and ENDESA's proposal was accepted as a candidate to develop a project to demonstrate the technology for oxycombustion on a super-critical circulating fluid bed (OXY-CFB), with capture of CO₂ emissions of over 90%.

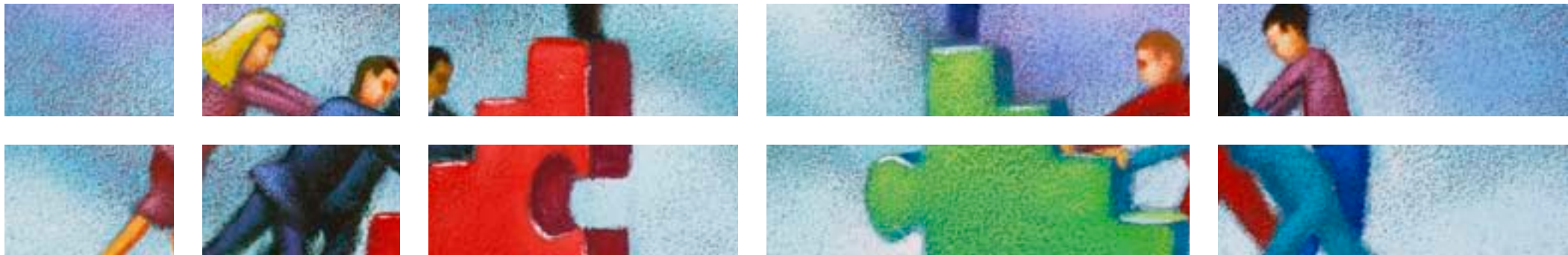
In Latin America, especially in Chile, ENDESA launched initiatives to improve information equipment and systems in 2007:

- Equipment projects: various projects for hydro plants with advanced new turbine equipment, with a notable increase in energy efficiency.
- Improvements to globalised information systems. One of the highlights in this regard is the Monitoring and Diagnostics Centre Project, which allows the variable of the operating process of ENDESA's Latin American generation mix to be monitored, processed and stored, thereby avoiding failures and enhancing the management of maintenance and operations.

In Europe, the Company's I&T initiatives have focused on:

- Developing new designs for the use of various different types of biomass, implemented at several facilities in Italy with clean co-combustion technologies already in place, such as the Monfalcone and Fiume Santo plants.
- R&D for new power-transformation systems for more efficient, less pollutant use of coal. In France ENDESA has a pioneering centre of widely recognised international prestige, the Centre d'Etudes et Recherches des Charbonnages (CERCHAR), which provides support for the deployment of the Company's industrial strategy in Europe.

In 2007 ENDESA also began or continued to develop the following projects:



03. RDI IN DISTRIBUTION GRIDS

Striving for more efficient distribution, improved quality of service and conservation of the environment are basic goals for ENDESA and RDI initiatives represent major value leverage to achieve them.

03.1. ENDESA NETWORK FACTORY

Endesa Network Factory (ENF) is the vehicle via which the Company channels technological innovation initiatives in its distribution grids. It is a Grid, Telecoms and Control Systems Intelligence Excellence Centre that also works in the eco-efficiency field. ENF manages ENDESA's Innovation Circles (CIDE) with the Company's major suppliers, coordinates the Company's participation in various national and international technology platforms, and also has consulting and own-product-development capacities (CREATEC) for the electricity grids of the future.



RDI in
Telecoms, Systems
and Electricity
Grids

Project	Timeframe	Description	Ambit
Cenit CO ₂ National Strategic Technical CO ₂ Research Consortium]	2006-2009	CO ₂ capture and storage technologies. Consortium led by ENDESA with 13 industrial partners and 16 research institutions.	Spain
Spanish CO ₂ Technology Platform (PTECO ₂)	Ongoing	CO ₂ capture technology and storage.	Spain
Spanish CO ₂ Association (AECO ₂)	Ongoing	CO ₂ capture technology and storage.	Spain
PROFIT SINCO ₂ (1 t CO ₂ /day capture in post-combustion)	2007-2008	Design, development and manufacture of a chemical-absorption plant to capture CO ₂ .	Spain
LA PEREDA (1MWt capture carbonisation/calcination capture)	2007-2010	Building and experimentation of a pilot plant for CO ₂ capture in post-combustion via carbonisation/calcination cycles at La Pereda.	Spain
OXYCOMBUSTION FLUID BED 500MWe.	2011-2015	Proposal for one of the 10-12 commercial-scale thermal plants with a CO ₂ -capture system planned under the EU Action Plan.	Spain
Dynamis, Cachet, C3Capture, Geocapacity and	2006-2008	CO ₂ capture technology and storage.	European Union
Nanoglowa	2007-2001	CO ₂ capture technology and storage.	European Union
Conoce	Ongoing	Improvement in infrastructures and methods for developing technological surveillance activities.	Spain
5 kW fuel pile	2005-2009	Development and optimisation of a 5 kW fuel pile, with the Polytechnic University of Madrid and EPRI, to improve the quality of supply of distributed generation systems. Patent electronic systems developed to assure the wave quality generated.	Spain
Abetrap (RFCS)	2005-2009	Recovery of carbon combustion waste using new sorbents to contain emissions.	Spain
Efialter	2005-2007	Efficiency of large alternators.	Spain
Market tools	Ongoing	An integrated system for forecasting secondary regulation bandwidth, simulation model for electricity markets, hydro management model and an Internet portal for hydrometeorological data.	Spain
Stake in Green Fuel Corporation	Ongoing	Development of projects for several biodiesel plants and research into the use of biodiesel as an alternative to heavy fuel-oil.	Spain
Solar energy with the Protermosolar Association	Ongoing	Solar energy applications in thermal power plants and the use of high temperature thermal solar energy.	Spain

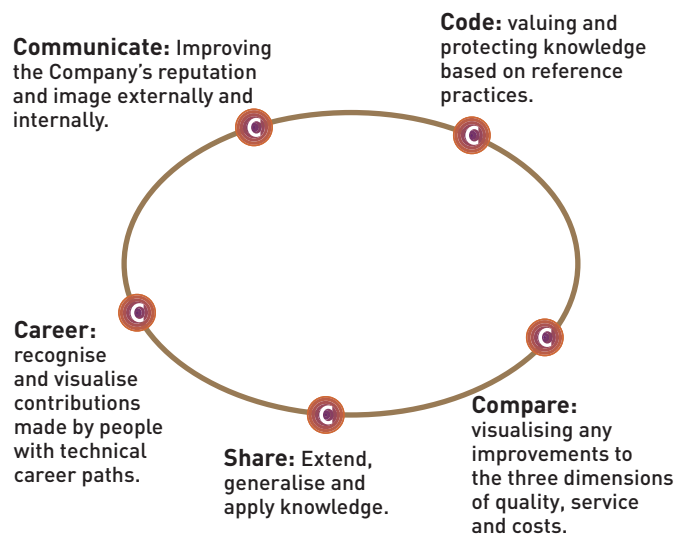
03.2. DISTRIBUTION CLEARINGHOUSE

ENDESA has been undertaking a number of improvements to its distribution distance, which have led to benchmark practices from both a technical and an organisational point of view. The current goal is for these practices to be transferred in a structured way throughout the entire organisation.

This is the aim of the Distribution Clearinghouse (DCH), which was set up by ENDESA in 2007 to generate value through a structure that allows benchmark practices to be systematised and transferred and new improvements to be developed. Its mission has been defined as “accelerating the degree of improvement in the results, specifically costs, quality and service, of ENDESA’s distribution business by extending benchmark practices and encouraging their application”.

The Clearinghouse has made a set of documents available to users, containing the knowledge developed within the organisation,

THE 5 CORNERSTONES OF VALUE CREATION THROUGH DCH



by expert groups or by Clearinghouse itself; contact data on users recognised as experts in various subjects to assist with projects or consulting; and knowledge dissemination and dynamisation activities.

1ST ENDESA INTERNATIONAL DISTRIBUTION CONFERENCE 2007: “DISTRIBUTING KNOWLEDGE, TRANSMITTING ENERGY”

During its first year of existence, Clearinghouse’s main task has been to organise the ENDESA International Distribution Conference 2007, held under the title “Distributing Knowledge, Transmitting Energy”. Its objectives were to share the best practices being implemented at ENDESA’s companies and in different geographical ambits and foster the implementation of these benchmark practices in the environments where they could make the greatest contribution towards business and national priorities.

Over 200 electricity-distribution experts took part in the conference, hailing from the various countries where ENDESA operates in this field: Argentina, Brazil, Chile, Colombia, Spain and Peru.

74 benchmark practices were presented by means of papers and exhibition panels, grouped into four work groups:

- Business Planning and Management
- Grid Operation
- Grid activities
- Customer Management and Technical Service

03.3. CENIT DENISE

In 2007 the CENIT DENISE (Intelligent, Safe and Efficient Electricity Distribution Grids) project began, following approval by the Board of Directors of the Centre for Industrial Technological Development (CDTI) of the Ministry of Industry, as part of the second session of the National Strategic Technical Research Consortia Programme (CENIT).

It is a four-year project with a budget of Euro 30 million, the aim of which is to carry out research into distribution network intelligence and control, focused primarily on ensuring the efficient management of supply and demand and the maintenance of a secure grid. The overriding purpose is to establish the framework for an intelligent, safe and efficient electricity distribution grid.

03.4. EXTENSION OF THE CIDE MODEL

Over the course of 2007, ENDESA continued to extend the CIDE (ENDESA Innovation Circles) models to the member companies of its business group in Latin America and the generation and supply divisions, and took the first steps towards extending this initiative to its major European power companies.

Over the year, numerous projects of value were detected by the suppliers and 14 RDI projects were jointly launched in the various innovation forums consolidated in the CIDE: Distribution, Generation, Telecoms and Supply.

03.5. OTHER NETWORK-RELATED PROJECTS

In 2007 ENDESA continued to perform technological consulting work and develop projects related to prospecting, analysis, assessment and fostering of best technological practices in the information and technologies industry, with direct application within the Company.

Most of these initiatives continued to focus on developing future intelligent distribution networks. Of particular relevance here was the collaboration in various internal work groups to define technological telecoms and remote-control solutions for HV/MV substations and MV/LV transformer stations, as well as for the remote management of meters.

During the year the MARTE and NORTE projects were developed, the aim of which is to migrate the current packet-switching technology used in the real-time network for remote-control services over to a fully IP multiservice network, minimising the costs of this technological upgrade. In turn, the PROXIMA project focuses on developing a compact, reliable, low-cost Remote Terminal Unit (RTU) solution to cover the automation needs of the MV grid. Several RDI projects continued to be developed using PLC (powerline communications) broadband technology for communications equipment for HV and MV grids (CDTI-funded bandwidth wave-carrying project) and also for the LV remote-management network.

ENDESA is also a founder member of the Spanish Electricity Grids Platform (FUTURED), serving as its Technical Secretary through Endesa Network Factory. This initiative lies within the framework of the National Energy Programme and is promoted by the Technology Policy Unit of the Ministry of Education and Science for the technological assessment of Spanish electricity transport and distribution grids, with a view to fostering the Company's technological leadership, sustainable development and competitiveness.

Finally, ENDESA plays an active role, also through ENF, in the standardisation and regulatory bodies responsible for broadband PLC technology: CENELEC, chaired by SC205A/WG10, ETSI PLT and CISPR/I. It is also a member of the PLC Utilities Alliance (PUA), which brings together four major European power companies with a market potential of over 100 million customers, which has been chaired by ENF since it was first set up.

04. E-BUSINESS AND SALES

ENDESA works for energy sustainability through eco-efficiency and energy saving strategic objectives that are in line with the challenges of the European Commission's Energy Efficiency Action Plan and other European and international initiatives of a similar nature.

Its main area of action are:

- Efficiency and responsible consumption, to address increasing global consumption demand and foster sustainable development.
- Management of the demand for energy to affect peaks in demand and critical times and develop future active-consumption models.

ENDESA focuses on obtaining results and creating a cutting-edge practice on an international scale in this field. Its value-generation leverage consists of:

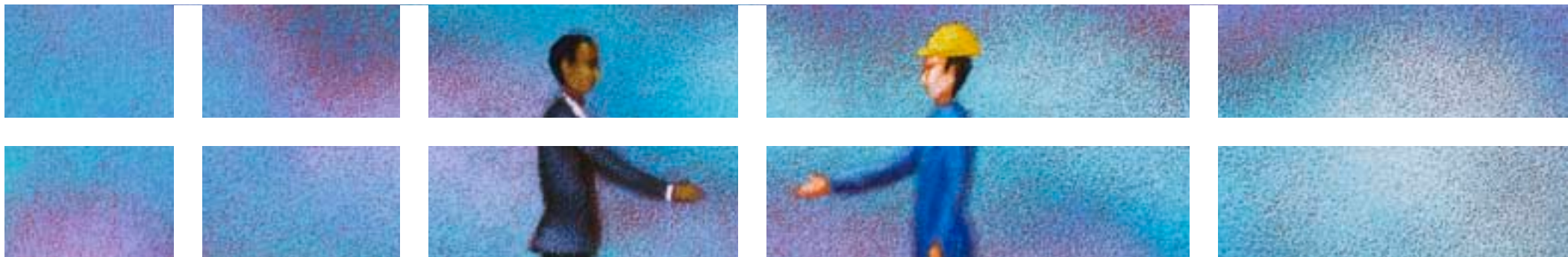
- Communication and dissemination of knowledge, to position ENDESA as a national and international benchmark in the sector.
- Technological intelligence and strategy, to obtain knowledge and prestige for internal and external application.

- Agreements and alliances to develop an innovation network to allow specific actions to be undertaken jointly with the key actors in this sector.
- Developing projects to generate tangible value (savings or new business opportunities) and intangible value (experience, methodology and analysis models, detecting RDI potential, etc.).

T&I projects in the Sales Division pay particular attention to efficient energy use

In the domestic sector, in 2007 progress was made within the framework of the pluri-annual Avanza project. This aim of this project is to reinforce and strengthen the single vision of multipoint customers and create the basis for what will make up the support for new policies for customer service and knowledge. Progress was also made in the market-segmentation and future customers area in the context of the work of the CENIT DENISE consortium (see above).

During the year the first part of the NOVARE–OPTIMES project was developed to determine the potential and mass deployment of sector energy-efficiency measures. This is a three-year research project to investigate active management of demand, involving the development of a characterisation methodology, analysis of cost/



benefit criteria and financial quantification of the potential of active demand management in a number of key sectors identified at SMEs. Once this has been developed, a number of pilots are planned, taking into account best practices and successful case histories from all over the world, to observe real cases and be able to provide feedback and confirmation of the methodology developed.

05. ENVIRONMENTAL MANAGEMENT SYSTEMS, ENVIRONMENT AND SUSTAINABILITY

In this field, we highlight the progress made by the El Hierro Project (Canary Islands), a pioneering experience on a worldwide scale, through which ENDESA, in partnership with the Island Council and Canary Islands Technology Institute (ITC), is striving for a power supply on the island generated solely by a totally renewable wind/hydro system.

During the year the final engineering contract was awarded, having concluded all the preliminary administrative tasks and confirmed the relevant funding agreements. The works contract is planned to be awarded and begun in 2008.

06. FOSTERING THE CULTURE OF INNOVATION AND TALENT AND KNOWLEDGE MANAGEMENT

ENDESA fosters the development of a corporate environment that facilitates the creation of value from the Company's intellectual capital, talent, knowledge and innovation capacity.

06.1. ENDESA ENERGY EDUCATION

Endesa Energy Education (E3) is a joint initiative of ENDESA's Corporate Services Department and Training Department. It is an incipient virtual corporate university, which aspires to be both a centre of excellence, quality and intelligence for the management of the Company's intangible assets and human capital and a vehicle focused on the cultural transformation of the Company, turning it into a global benchmark for innovation.

**The mission of Endesa Energy Education
is to increase the capacity to share and
generate knowledge and innovation**

Endesa Energy education focuses particularly on the transfer of knowledge. It has entered into partnership agreements with entities from the academic and business worlds; it has organised technology seminars for energy-technology conferences, at which experts and authorities from the sector discuss current technological and environmental topics; and it has disseminated initiatives and supported knowledge management through alliances, sponsorship, university chairs and fellowships in education and relations with universities.

Projects and initiatives launched in 2007 have included :

Project	Timeframe	Description	Partner institutions
ENDESA NOVARE SCIENCE Awards	2nd Edition	For the second edition of these awards, 40 proposals were received from universities, scientific laboratories and firms from 10 countries. Four proposals corresponded to projects involving several countries (Spain+Chile, Cyprus+Germany, Chile+Spain+Italy+Mexico, Spain+Germany). In the modality of awards for employees over 4.500 proposals were submitted fro people working at all the member companies of the Endesa Group.	Universities, scientific laboratories and firms from 10 countries. People working at all ENDESA Group companies
Industrial Liaison Program (ILP) of the Massachusetts Institute of Technology (MIT)	Launched in 2007	In 2007, ENDESA signed an agreement with the Massachusetts Institute of Technology (MIT) to be integrated into its Industrial Liaison Program (ILP), thereby joining almost 200 other firms integrated into the programme all over the world and gaining access to contact networks and relevant information from MIT's extensive knowledge base.	Massachusetts Institute of Technology (MIT) and 200 leading firms
Barcelona Tech Summer Sessions	3rd Edition	ENDESA took part once again in the organisation of this blue-chip event and was the major sponsor of the technical sessions on energy and water.	Universities of Columbia, Chicago and Berkeley and del MIT
ENDESA Electrical Technology Master's Degree-ICAI	1st Edition	ENDESA collaborated on the design of this Master's course, focusing on technological innovation and strengthening technical skills and covering all segments of the electricity business. The Master's Degree is aimed at people with higher and technical qualifications as well as ENDESA expert employees and from the energy industry in general. The classes will begin in October 2007.	Barcelona Senior Technical School of Industrial Engineering (ICAI)
Energis' Master's Degree course on Energy	1st Edition	ENDESA collaborated on the organisation of the Master's course and signed an agreement to create a professorship for technological research on energy.	Pontifical University of Chile
1st Endesa Energy Education workshop for distribution and service companies in Latin America	1st Edition	ENDESA collaborated on the organisation of this workshop with the Organisation and HR departments of its Latin American subsidiaries. The workshop focused on fostering a single vision of training and learning strategy. It was held in April in Santiago, Chile.	Organisation and Human Resources Department at ENDESA International
ENDESA Master's course on Renewable Energy	5th Edition	The purpose of this Master's course is to provide full training in the area of renewable energies, covering technological, financial, legal and environmental aspects. At the end of the course, Endesa Energy Education will offer four one-year fellowships .	European University of Madrid (UEM)
Technological seminars	Ongoing	Seasons of lectures on energy technology where experts and authorities in the sector discuss current topics. In 2007, eight seminars were held on ENDESA premises, covering topics related to wind-power and hydrogen technologies, biodiversity and the digital home of the future.	
Energy-technology courses	Ongoing	Sponsorship of courses for non-experts given by the Company's own staff and targeting ENDESA Group management and technical staff.	
Publicising Endesa Energy Education activities	Ongoing	Publishing technology publication and a T&I journal, plus a website (www.escuelaENDESA.com) and the ENDESA knowledge-management tool.	Universities



Finally, while the winning projects from the first edition of the Novare Awards continued to be developed through Endesa Energy Education, in 2007 the Company organised and awarded the second Novare awards for Energy Innovation. The winning ideas were selected by a panel of judges composed of personalities from the energy industry and the academic world from among 40 proposals submitted by universities, scientific laboratories and firms from 10 different countries.

As a result of the Novare Awards for the international scientific community, the Company selected and launched new RDI projects in the awards' four categories:

Category	Project
Clean combustion technologies	Novare CO₂ capture from fuel gas. Preparation of a new technique for absorbing post-combustion CO ₂ , based on developing a solid CO ₂ absorbent using a chemical absorption method.
Renewable energies and new energy sources	Novare Hydro. Supply and assimilation of satellite (ESA), optical and radar data into new hydrological models for the forecasting of future scenarios.
Intelligent Distribution Networks	Novare Smartie. Improving the quality of supply and capacity of current grids to integrated distributed generation, especially when of renewable origin.
Energy efficiency	Novare Supercable. Manufacture and testing of a cold-dielectric type of superconducting distribution cable based on first-generation conductors.

Commitment to society



Euro **39.2**
million invested
in social
initiatives in 2007

52%
of social investment
focused on
co-operation

Euro **14.3** million
invested in social
initiatives by ENDESA's
Latin American
companies, 60.6%
more than in 2006

ENDESA'S APPROACH

ENDESA is committed to the development of the societies in which it operates. Our major activities (the generation, transmission, distribution and supply of electricity) mean a basic service is available to the community. ENDESA is committed to the societies in which it operates with its four main social action initiatives focusing on local social co-operation, education, cultural and environmental schemes.

PRINCIPAL MILESTONES

- 596 social initiatives in 2007.
- Endesa Distribución Eléctrica signs an Aid Agreement with UNICEF.
- The Pehuén Foundation, sponsored by Endesa Chile, is awarded the AmCham "Best Business Citizen 2007" award.
- ENDESA takes part in the presentation of the first Economic Outlook study for Latin America.
- The President of Chile opens the Santiago Book Fair, sponsored by Chilectra.
- Coelce's Cuenta Energía (Energy Account) Scheme raises Euro 2.47 million for 16 social institutions in Brazil.
- ENDESA joins the Elcano Royal Institute.

PRINCIPAL POLICIES

- Boost our ability to respond to local energy needs.
- Promote Endesa's position as a key partner in projects which help resolve the challenges of sustainable energy and social development.
- Bolster messages of closeness and their authenticity.
- Step up contact with local societies, transmitting a unified image of the Company.

CHALLENGES IN 2008

- Continue the rollout of the Corporate Volunteer Programme giving employees a strategic and operational framework in which to exercise their solidarity.
- Develop basic aspects for the economic-social advancement of the community in general and, more specifically, the most vulnerable groups.
- Proceed with the positive impact and promote the Millenium Development Goals (MDGs).

01. SOCIAL INITIATIVES IN ENDESA'S CORPORATE TRACK RECORD

ENDESA's core business, the generation, transport, distribution and supply of electricity, constitutes a basic service to the community and it strives to guarantee the best possible standards of safety and quality. ENDESA also believes that part of its corporate commitment is to perform a range of social initiatives to finance projects which contribute to economic, cultural and educational progress in the environments in which we work. These initiatives are key to ENDESA's business track record.

In its over 50 years of history, ENDESA has built an extensive network of relationships based on collaboration and mutual confidence with groups, entities, organisations and institutional representatives in the societies in which its installations are located and where it engages in industrial or commercial activities. This "relational" and social capital is extremely important to ENDESA. The Company conveys this principle to its subsidiaries as a best practice and incorporates their experiences in this field.

ENDESA's commitment to the community is expressly contained in the values to which it subscribed in 1999, as well as in the Seven Commitments for Sustainable Development, approved in 2003, and compliance with these commitments is required and assessed in employee compensation systems.

**ENDESA has a duty to contribute
to growth in the communities
in which it operates**

As a consequence of this commitment, social initiatives constitute a traditional activity for ENDESA in its relationship with the communities in which it is present. Under the premise "think globally and act locally", ENDESA's social action focuses on projects drawn up by the corporate centre or its regional offices in Spain, through foundations established by Group companies in several countries and through direct action. These projects may be classified into four groups: co-operation, educational, cultural and socio-environmental initiatives.

Against the backdrop of this social action and ENDESA's sustainable development strategy our corporate voluntary initiative is extremely important in generating value for the community and ENDESA employees.

Corporate initiatives	Focused on covering basic individual or group needs in the markets where the Group is present, as well as fostering community development.
Educational initiatives	Focused on basic literacy, training and general education in local communities and groups, for both children and adults.
Cultural initiatives	Focused on preserving the local cultural identity, supporting study and research into communities' history, encouragement of cultural awards, etc.
Socio-environmental initiatives	Focused on promoting environment-related social values. Do not include those directly associated with environmental protection while carrying out the company's business.

01.1. INVESTMENT CRITERIA

The basic criteria shaping ENDESA's social action are:

- The Company's social initiatives must be underpinned by our belief that supplying electricity is a basic public service. ENDESA's foremost commitment to society is therefore to supply electricity

under the best possible terms and conditions. Accordingly, the Company's social initiatives must under no circumstances be seen as replacing or reducing the obligations that stem from this commitment.

- The social initiatives we engage in are closely linked to the nature and characteristics of our day-to-day business operations, with what the Company does best, and with the needs of the main communities with which we have a direct relationship.
- Notwithstanding the above, in the case of particularly disadvantaged environments or communities ENDESA will endeavour to provide for urgent social needs that cannot be adequately met by other institutions.
- The Company endeavours to perform such initiatives in close partnership with the social representatives of the areas or communities which benefit from them.
- ENDESA is aware that, because of its economic weight and the service it provides, it is among the leading companies in many of the markets where it operates. Consequently, it is amenable to collaboration in special flagship projects in these communities.
- ENDESA undertakes to disclose its social initiatives in a transparent and systematic fashion via our various communication channels and in line with principles that are generally accepted both in Spain and abroad.

01.2. ENDESA'S INVESTMENT IN SOCIAL INITIATIVES IN 2007

ENDESA spent nearly Euro 39.2 million on carrying out or promoting social and general interest initiatives in 2007, 26% more than the previous year.

ENDESA'S INVESTMENT IN SOCIAL AND GENERAL INTEREST INITIATIVES IN 2007 (Thousands of Euro)

Spain	24,872
Endesa Foundation	6,000
Initiatives via corporate centre	15,185
Initiatives via local brands	3,687
Latin America*	14,307
Total	39,179

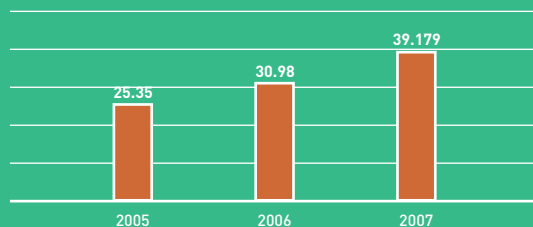
* Not including investment in rural electrification in Latin America.

**In 2007 ENDESA
invested Euro 39.2 million
on social initiatives,
26% more than the previous year**

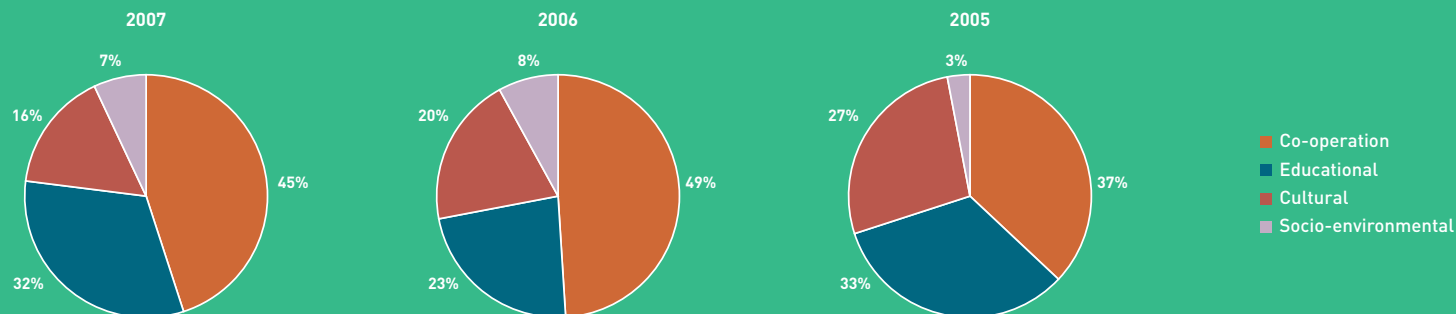
**ENDESA spent the equivalent
of 1.46% of its net profit
on social initiatives in 2007**

Of the Euro 24.9 million invested in Spain, some Euro 6 million was invested through the ENDESA Foundation while the Company spent Euro 18.9 million directly. Of this latter amount, some Euro 3.7 million was spent by its Spanish operators, i.e. Fecsa Endesa (Catalonia), Sevillana Endesa (Andalusia and Badajoz), Gesa Endesa (Balearic Islands), Unelco Endesa (Canary Islands), Erz Endesa (Aragon), or by some of its largest power plants, such as Compostilla, As Pontes, Andorra, Carboneras, Ascó, Vandellós, etc. Investment in local social initiatives fell sharply in Spain in 2007 largely because some of the most emblematic projects were charged to the budget of the

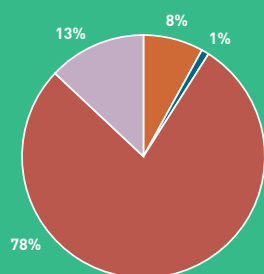
ENDESA'S INVESTMENT ON SOCIAL INITIATIVES (Millions of Euro)



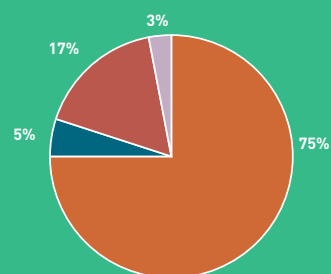
HISTORICAL GLOBAL SOCIAL INITIATIVE EFFORTS (% of total social projects for each year)



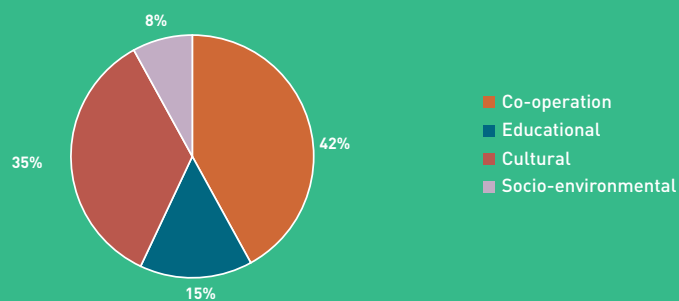
ENDESA FOUNDATION'S INVESTMENT IN SOCIAL INITIATIVES IN SPAIN IN 2007



ENDESA'S INVESTMENT IN SOCIAL INITIATIVES IN SPAIN THROUGH ITS CORPORATE CENTRE AND ITS REGIONAL ORGANIZATION IN 2007



ENDESA'S INVESTMENT IN SOCIAL INITIATIVES IN LATIN AMERICA 2007



Company's corporate centre although all of them were put forward by ENDESA's regional teams who oversaw them directly.

In 2007 ENDESA's subsidiaries in Latin America invested Euro 14.3 million on social initiatives, 60.6% more than in 2006.

ENDESA's companies in Latin America invested Euro 14.3 million on external social initiatives, 60.6% more than in 2006

Latin America comprises 38.3% of ENDESA's total investment on social initiatives.

01.3. SOCIAL CO-OPERATION INITIATIVES

Euro 19.5 million invested in social initiatives in 2007

In 2007, 45% of ENDESA's social initiatives related to co-operation programmes

The cornerstone of ENDESA's social initiatives is social co-operation. Many of the Company's social action projects arise from being cognisant with the needs of the communities in which we are present. Its regional units and subsidiary companies have teams which identify, select and carry out projects to foster economic and social development, or those designed to meet the needs of some of the groups who live in the areas in which the Company operates, and to this end they have ongoing contact with the social organisations in those

areas. At the same time, ENDESA's Corporate Centre also makes direct investments in these fields, either because of the level of funding required by some of these projects or because the effects of the projects will be felt in more than one of the Company's territories.

In 2007 ENDESA's Latin American companies held the I Co-ordination Conference for Representatives of the UN Global Compact

01.3.1. Basic needs

These are initiatives which focus on resolving or developing some of the basic aspects necessary for the economic and social progress of the community at large or of a particular group. They are carried out both in communities in need of basic attention and in more developed communities which may also suffer from a lack of basic attention.

The social co-operation projects designed to meet the basic needs include, among others, investment in rural electrification, special campaigns at Christmas and the promotion of responsible products which tie in with ENDESA's service with a social aim which goes beyond merely providing access to electricity.

Below is a list of the social co-operation projects concerning basic needs carried out by ENDESA, its Foundations and subsidiaries in 2007:

Company	Project
Sevillana Endesa (Andalusia and Badajoz)	Aid Agreement with UNICEF. <i>Project related to MDG no. 2</i>
Sevillana Endesa (Andalusia and Badajoz)	Summer courses for children with Down's Syndrome.
Unelco Endesa (Canary Islands)	Sponsor of the Da Silva Foundation.
Gesa Endesa (Balearic Islands)	Support to the Nazaret Foundation.

Company	Project
Endesa Foundation	Electrification project in the Ciudad de la Alegría in La Paz.
Corporate	Assistance with expenses for the Misión Joven Madrid youth project.
Corporate	Contribution to Proyecto Hombre which offers drug addicts rehabilitation and reintroduces them into society.
Fecsa Endesa (Catalonia)	Barcelona city council Solidarity Caravan.
Eepsa (Peru)	Employees donated clothes, medicines, food and other items to societies affected by the earthquake which hit the city of Ica. The company matched these donations with a cash equivalent. Aid was collected at the company's Talara and Lima headquarters. <i>Project related to MDG no. 1, 4, 5, 6</i>
Edegel (Peru)	Fish farming project which involves the semi-intensive farming of fish for future sale and reproduction purposes. Edegel supervised the project over a 10-month period with the local Anexo Los Ángeles community, in the Monobamba district close to the Chimay power plant, responsible for its maintenance. <i>Project related to MDG no. 1</i>
Edegel (Peru)	Apiculture Project. The company and local inhabitants worked together to develop a project to improve bee keeping and honey production techniques to become more businesslike. Beneficiaries: Communities in San José de Utcuyacu (Yanango Plant) and Los Ángeles (Chimay Plant). <i>Project related to MDG no. 1</i>
Edegel (Peru)	Yuracmayo Ovine Project. Advice on improving the community's herds and developing related skills. Beneficiary: The Yuracmayo community next to the Yuracmayo dam. <i>Project related to MDG no. 1</i>
Edegel (Peru)	Flood-prevention measures in access areas to the Tulumayo river in the towns of Yanayacu and Los Ángeles, next to the Chimay power plant. <i>Project related to MDG no. 1</i>
Edegel (Peru)	Installation of a bridge and water nets in Yanayacu. Beneficiary: the Yanayacu community in the province of Concepción in the Junín region. <i>Project related to MDG no. 1</i>
Edegel (Peru)	School Breakfasts. Beneficiaries: schools in the Las Orquídeas de Pacaybamba and Yanayacu communities near the Chimay power plant and also San José de Utcuyacu near the Yanango power plant. <i>Project related to MDG no. 1 and 4</i>

Company	Project
Edegel (Peru)	Paving of paths and trails. Beneficiary: the Santa Rosa settlement in the Barrios Altos of Lima, next to the Santa Rosa thermal power plant. <i>Project related to MDG no. 1</i>
Edegel (Peru)	Aid to those affected by the earthquake which hit the city of Ica. Beneficiaries: the Miguel Grau, Melchorita, Chinchá Baja and Chinchá Alta Districts, Grocio Prado, Pueblo Nuevo, Tambo de Mora and Sunampe settlements. <i>Project related to MDG no. 1</i>
Edegel (Peru)	Maths for all. A programme to improve children's understanding of the maths taught in schools. It includes the handing out of text books. Beneficiaries: 12 educational institutions in the Junín, Lima and Callao communities, located close to power plants. <i>Project related to MDG no. 2</i>
Edesur (Argentina)	Co-operation with PREJAL (ILO) to promote youth employment in Latin America. <i>Project related to MDG no. 1</i>
Edesur (Argentina)	Co-operation scheme with children's canteens. <i>Project related to MDG no. 1 and 4</i>
Edesur (Argentina)	Missing children campaign.
CAM (Peru)	Solidarity without frontiers. Employee and corporate donations of money, food stuffs and basic supplies. <i>Project related to MDG no. 1</i>
Central Dock Sud (Argentina)	Envió Project providing underprivileged young people with access to the labour market, co-ordinated by the Avellaneda municipal government in Buenos Aires. <i>Project related to MDG no. 1</i>
Endesa Cachoeira (Brazil)	Improving the level of education and infrastructure at the Novo Goiás High School. <i>Project related to MDG no. 2</i>
Endesa Cachoeira (Brazil)	Technical Electrician training course for underprivileged young people and work placements. Agreement project with SENAI <i>Project related to MDG no. 1</i>
Endesa Cachoeira (Brazil)	Construction of accesses to neighbouring areas. Itumbiara – Goiás.
Endesa Cien (Brazil)	Improvement and recovery of infrastructure of the APAE Institution, which works with young people with special needs in Santo Antônio das Missões, Rio Grande do Sul. <i>Project related to MDG no. 6</i>

Company	Project
Endesa Cien (Brazil)	New Horizons Programme: Generating income for underprivileged young people in Garruchos, Santo Antônio das Missões and São Luiz Gonzaga, Rio Grande do Sul <i>Project related to MDG no. 1</i>
Ampla (Brazil)	Solar Heating Programme 2007 in Araruama, São Gonçalo, Porciúncula, São João da Barra, Natividade and Muriaé
Ampla (Brazil)	Ampla Solidaria. Project rolled out in São Gonçalo, Itaboraí, Magé and Caxias
Ampla (Brazil)	Energy Efficiency Project in hotel rooms 2007. Rolled out in Duque de Caxias, Magé, São Gonçalo, Itaboraí and Niterói
Ampla (Brazil)	Community Events Project 2007 rolled out in São Gonçalo, Itaboraí, Magé and Caxias
Ampla (Brazil)	Sharing Volunteer Project 2007 and Parceria Project
Coelce (Brazil)	Escola Coelce Caminhos Eficientes (education in the correct and safe usage of electricity in low income households), Investimentos Especiais (water, watering, electricity, public lighting), Social Energy Scheme (Ações Coelce, Educar para Crescer, Conhecer), Plantando Sonhos, Colhendo Realidades
Coelce (Brazil)	Atos de Prendiz and Instituto Promil
Coelce (Brazil)	Baú de Leitura. Books and story time for low income communities <i>Project related to MDG no. 2</i>
Coelce (Brazil)	Donation of furniture and IT equipment.
Coelce (Brazil)	Aid for the Children's Cancer Center, Association Peter Pan <i>Project related to MDG no. 4</i>
Coelce (Brazil)	Educational Communication Programme
Chilectra (Chile)	Sports Field Lighting Programme
Fundación Chilectra Activa (Chile)	Campaña Volantín Seguro 2007
Enersis (Chile)	Co-operation with the Hogar de Cristo Foundation: providing shelter for the homeless <i>Project related to MDG no. 1</i>
SYNAPSIS (Chile)	Donating computers to the Todo Chilenter Foundation to narrow the digital gap among school children in Chile
Emgesa (Colombia)	Help in running the Mámbita school via the Endesa Colombia Foundation. Supply of the IT room at the local school, localised repairs in the Paraíso School and infrastructure improvements at the local school.

Company	Project
Emgesa (Colombia)	Institutional Strengthening Scheme
Emgesa (Colombia)	Investment in social projects in Ubalá, Gachalá, San Antonio del Tequendama, El Colegio and Sibaté
Emgesa (Colombia)	Joint projects with the Endesa Foundation. <i>Project related to MDG no. 1</i>
Codensa (Colombia)	Corporate aid for specialist medical treatment for children who have been the victims of violence with United For Colombia <i>Project related to MDG no. 4 and 6</i>
Codensa (Colombia)	Festival Gastronómico Alimentarte-Fundación Corazón Verde, XXIX Caminata de Solidaridad por Colombia-Fundación Solidaridad por Colombia
Codensa (Colombia)	Printing and provision of material for social campaigns and programmes in Cundinamarca
Codensa (Colombia)	Guavio Alliance. Mercadeo Base de la Pirámide Forum. Semana Forums
Codensa (Colombia)	Paneleros de Gualivá Project.
Codensa (Colombia)	Sponsor of didactic material for the Bacatá school and delivery of material to after-school clubs.
Edelnor (Peru)	Aid to underprivileged areas in the company's area of influence in Northern Lima and Callao: districts of Los Olivos and Lima; Bellavista and Ventanilla in El Callao.
Edelnor (Peru)	Nutrition. Anchoveta para Todos Project <i>Project related to MDG no. 1</i>
Edelnor (Peru)	Sports Field Lighting Programme in underprivileged areas in the company's area of influence in Northern Lima and Callao, in the districts of San Juan de Lurigancho, Pueblo Libre, Comas, Los Olivos, Independencia and El Callao.
Edelnor (Peru)	Consolidation of the Corporate Volunteer Programme. Donation of food stuffs and computers as well as organising Christmas festivities for those affected by flooding in jungle areas and the underprivileged in the area. <i>Project related to MDG no. 1</i>
Edelnor (Perú), Endesa Chile and Chilectra (Chile)	Consolidation of the Corporate Volunteer Programme via aid to those affected by the earthquake in Ica. <i>Project related to MDG no. 1</i>

In 2007 some 520 people benefited from Ampla's Solar Heating programme in Brazil

As part of efforts to meet basic needs, of special significance are the Christmas Campaigns carried out by ENDESA's Latin American subsidiaries. These campaigns help meet the needs of children from low income families and generate altruistic activity. Some of the most important are:

Company	Project
Gesa Endesa	Christmas festivities (Palma)
Edegel (Peru)	Christmas Campaign for families from various districts of Lima and Junín living near to the Edegel power plant.
Endesa Cien (Brazil)	Christmas hampers for members of society at risk.
SYNAPSIS (Chile)	Christmas Gift Drive
Emgesa (Colombia)	Christmas lights in Ubalá, Gachalá, San Antonio del Tequendama and El Colegio
Fecsa Endesa	Children's Christmas park 2006/2007 in conjunction with the Girona city council.
Emgesa (Colombia)	Christmas lights in areas of Bogota.

Edelnor's corporate voluntary programme to provide aid to those affected by flooding in jungle areas in Peru benefited 1,600 children in Pehuenche and inhabitants of Chanchamayo

Rural electrification

ENDESA's Latin American companies put special emphasis on electrification and rural public lighting programmes. In Brazil, Ampla and Coelce have carried out important activities as part of its Electricity

for All Programme, to help rural areas meet the objectives set out in the regulator's Mainstreaming Scheme. The case study in this chapter details the results of this programme.

Other electrification and lighting schemes in Latin America in 2007 were carried out by Codensa in Colombia, Edelnor in Peru and Edesur in Argentina.

ENDESA makes a special effort in rural electrification and public lighting projects in Latin America

Socially responsible products

Another way of cooperating with society is to offer the Company's infrastructure, such as its billing system and commercial offices, for social projects which require extensive dissemination. Co-operation via products or services used for social aims apart from providing electricity is known as a socially responsible product.

ECOELCE, RESPONSIBLE PRODUCT: CO-OPERATION IN SELECTIVE WASTE COLLECTION

This programme was rolled out by Coelce in 2006 to promote the selective collection of household waste at customers' homes by reducing their electricity bill by an amount equivalent to the value of the waste collected. This project benefits inhabitants of Fortaleza-Ce, Maracanaú-Ce, Sobral-Ce, Juazeiro do Norte-Ce and Morada Nova-Ce. There are 23 service points, four fixed and 19 mobile, and 18,699 customers registered. In 2007, some 1,166 tonnes of waste were collected (metals, oils, paper and plastic) plus 157,000 units of glass containers with Euro 60,420 being deducted from customers' bills.

COELCE, RESPONSIBLE PRODUCT: ENERGY REGULARISATION AND EFFICIENCY FOR LOW-INCOME CUSTOMERS

This project aims to promote energy efficiency and regularisation among low-income customers. The project involves installing electricity or upgrading installations at customers' homes as well as replacing high-consumption refrigerators or lamps for more efficient appliances.

In 2007, the year the programme was launched, beneficiaries were:

- 1,965 homes were connected to the electricity network or had their access upgraded.
- 2,313 customers had their 60W halogen lamps replaced by compact 15W fluorescent lamps.
- 5,775 customers in Fortaleza and the metropolitan region as well as 2,023 customers in the inner areas of Ceará had their refrigerators replaced.

BP, MICRO-CREDITS: FUND-RAISING VIA THE CUENTA ENERGÍA

Since 1999, Coelce has worked on projects with NGOs to raise funds via its Cuenta Energía. Customers are able to make donations via their bills with the resources being immediately transferred to bodies which promote social projects and issue micro-credits. In 2007, some Euro 2.5 million was donated to 16 institutions.

AMPLA, BRAZIL: BILLING FOR THE VISUALLY IMPAIRED

Through Ampla Vision the company makes its bills available in Braille to all its visually impaired clients.

01.3.1.2. Corporate Volunteer Programme

ENDESA's corporate volunteer programmes aim to foster co-operation to cover basic social needs via voluntary action among Company employees. Some of the main initiatives are: the Endesa Solidarity Scheme (Spain); the Corporate Volunteer Programme at Endesa Chile (Chile); the Growth Scheme (Brazil); the Volunteer Generation (Brasil); the Volunteer Programme at Edelnor (Perú), and the Sharing Scheme (Brazil).

CORPORATE VOLUNTEER PROGRAMME AT ENDESA CHILE (CHILE)

Carries out activities all year round, focusing on children. In 2007, over 600 children and their parents benefited from this scheme with talks, awards, painting workshops, school buses etc. with 78 employees taking part.

SHARING PROGRAMME (BRAZIL)

This scheme involves three activities which also focus on helping children: "Share a Day", "Donation Campaigns" and "Volunteer Father Christmas". In 2007, some 4,000 benefited from these programmes in which 165 employees took part. Since it began in 2004, the Sharing Campaign has benefited over 19,000 children via activities related to modernising installations, educational activities as well as the safe and efficient use of energy and donations of food.

VOLUNTEER PROGRAMME AT EDELNOR (PERU)

This scheme helps low-income families and those affected by natural disasters. The Integration Olympics and the Edelnor Workers' Solidarity programme are just a couple of the activities carried out in 2007.

ENDESA SOLIDARIOS PROGRAMME (SPAIN)

Money raised on this scheme is used in social projects chosen by Company employees. In 2007 the scheme focused on children, the aged and the socially excluded while 17 employees submitted proposals to the Programme.

01.3.2. Co-operation in local growth

As part of its social co-operation activities, ENDESA also supports programmes and initiatives which aid local growth. The main activities in 2007 were as follows:

Company	Project
Sevillana Endesa (Andalusia and Badajoz)	Today's Extremadurans Awards.
Sevillana Endesa (Andalusia and Badajoz)	Co-operation with the "Sevilla Lee" Municipal Programme.
Sevillana Endesa (Andalusia and Badajoz)	Co-operation agreement with the Isla Mágica Park.
Unelco Endesa (Canary Islands)	Sponsor of the 8th International Film Festival.
Unelco Endesa (Canary Islands)	Co-operation in the reopening of the Pérez Galdós Theatre.
Unelco Endesa (Canary Islands)	Sponsor of the Nuestra Señora del Pino 2007 festivities.
Endesa Foundation	Co-operation with the Church and Cervantes de los Padres Agustinos secondary school in Bogota.
Endesa Foundation	Co-operation with the Fayón Town Council (Zaragoza) in the Mirador del Ebro.
Endesa Foundation	Co-operation with the Cubillos del Sil Town Council in Leon at the local medical clinic.
Endesa Foundation	Work carried out for the exhibition at the El Carpio power plant.
Endesa Foundation	Co-operation with the Utrillas Town Council for its 1st International Congress.

Company	Project
Endesa Foundation	Contribution to the Ages of Man "Yo Camino" exhibition in Ponferrada.
Endesa Foundation	Installation of a Transformation Centre at "El Jardinito" (Cabra).
Erz Endesa (Aragon)	Sponsor of the Pilar 2007 celebrations.
Erz Endesa (Aragon)	Sponsor of the Family Day in Teruel.
Erz Endesa (Aragon)	Sponsor of the Economics Faculty grants.
Erz Endesa (Aragon)	Co-operation with the XIII Jaca European Academic Programme.
Erz Endesa (Aragon)	Sponsor of the International Rights Meeting in Albarracín.
Erz Endesa (Aragon)	Sponsor of the Huesca Chamber of Commerce and Industry.
Erz Endesa (Aragon)	Sponsor of the Zaragoza City of Knowledge Foundation.
ENDESA	Sponsor in illuminating the Mountain and Ice Museum in Zaragoza.
ENDESA	Sponsor of the 2007 Balearic Economics Meeting.
ENDESA	Sponsor of the Concert for Alzheimer Patients.
ENDESA	Endesa joins the Elcano Royal Institute.
ENDESA	Sponsor of Expo Zaragoza 2008.
Fecsa Endesa (Catalonia)	Sponsor of the Trobada al Pirineo conference.
Fecsa Endesa (Catalonia)	Aid to the Fira Girona Private Foundation. Donation of the Christmas ice rink.
Fecsa Endesa (Catalonia)	Co-operation with the Provincial Hotel and Catering Federation of Girona.
Fecsa Endesa (Catalonia)	Aid to the "El Centre" Shopkeepers Association of Girona.
Fecsa Endesa (Catalonia)	Sponsor of TV3's telethon for brain disease patients.
Fecsa Endesa (Catalonia)	Aid to the African Medical and Research Foundation (AMFREF Flying Doctors).
Edegel (Peru)	Promotion of activities with local governments to promote customs and sporting events in the villages which fall within the company's area of influence, for example the Huancayo Rally.
Central Dock Sud (Argentina)	Participation in the 2007 Industrial Exhibition in Avellaneda, displaying environmental issues concerning the local power plant.
Hidroeléctrica El Chocón (Argentina)	Sponsor of an educational outing to Buenos Aires.
Endesa Cachoeira (Brazil)	Aid to obtain access to electro-mechanics courses.
Endesa Cachoeira (Brazil)	"Ofertar" Scheme offering aid to young people to pursue professional training.

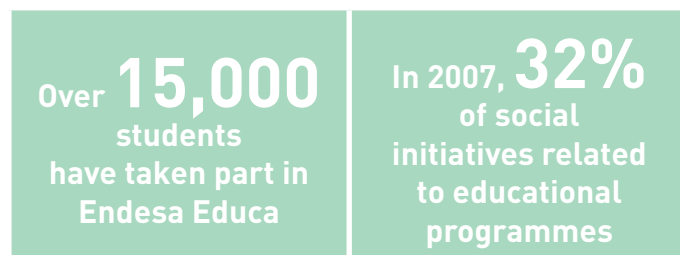
Company	Project
Endesa Cien (Brazil)	Aid for the 15th Anniversary celebrations in Garruchos.
Endesa Fortaleza (Brazil)	Sponsor of the ABRAJET 2007 National Seminar (Aspectos Estratégicos para a Evolução de Geração Termelétrica no Sistema Brasileiro).
Endesa Fortaleza (Brazil)	Co-operation in setting up the home of the Ceará State Symphony Orchestra.
Endesa Fortaleza (Brazil)	Sponsor of the XIII ABCE Legal Symposium (Associação Brasileira de Concessionárias de Energia Elétrica).
Ampla (Brazil)	Superación and Primer Empleo Projects.
Ampla (Brazil)	II Ampla Innovation and Technology Exhibition.
Coelce (Brazil)	MidiaCOM Project, Art and Movement for Life.
Chilectra (Chile)	Family film cycle.
Chilectra (Chile)	Sponsor of the Santiago International Book Fair.
Endesa Chile	Developing community infrastructure.
Endesa Chile	Aid for community and organisational initiatives.
Endesa Chile – Pehuén Foundation	Social Assistance and Community Development for the Pehuenche communities.
Endesa Chile	Continuity assistance plan for Pehuenche communities.
Enersis (Chile)	Donation to the Paz Ciudadana Foundation for the prevention of delinquency and violence in schools in Chile.
Emgesa (Colombia)	Aid for a river transport scheme on the El Guavio dam and for the El Guavio development alliance.
Emgesa (Colombia)	Aid for the Bambuco Festival.
Codensa (Colombia)	Aid for the ComprometeRSE- Confecámaras Programme and the III International RSE Meeting – A Global Compact -ANDI.

ENDESA to invest Euro 65 million through 2012 to promote innovation, technology and business development initiatives in Andalusia

ENDESA and its subsidiaries also sponsor sports aid programmes at all levels, from grass roots sports, which promote integration and offer healthy leisure alternatives for the young, avoiding situations of social risk, to sporting practices, infrastructures and events that facilitate social cohesion.

Company	Project
Sevillana Endesa (Andalusia and Badajoz)	Seville Marathon.
Sevillana Endesa (Andalusia and Badajoz)	Lepe padel tournament.
Unelco Endesa (Canary Islands)	Sponsor of the Unelco Tenerife Basketball Club.
Unelco Endesa (Canary Islands)	Sponsor of the C.B. Gran Canaria youth basketball teams.
Unelco Endesa (Canary Islands)	Sponsor of the Tenerife Basketball Club.
Gesa Endesa (Balearic Islands)	Sponsor of the Alcudia Basketball Club.
Erz Endesa (Aragon)	Sponsor of the Aragón Handball Club.
Erz Endesa (Aragon)	Sponsor of Basket Zaragoza.
ENDESA	Sponsor of Real Zaragoza Football Club.
ENDESA	Sponsor of the Ceuta yacht in the Sailing Tour of Spain.
ENDESA	Sponsor of the V International Melilla City Padel Tournament.
ENDESA	Sponsor of the 32nd Americas Cup.
ENDESA	Sponsor of the ADO (Association of Olympic Sports).
Endesa Cachoeira (Brazil)	Modernisation of the Aqua Park at the Goiás Civil Servants Club.
Chilectra (Chile)	Chilectra Cup for children from underprivileged neighbourhoods.
Codensa (Colombia)	Co-operation with the Bogotá Half Marathon, the Colombian Football Association and the Bogota World Book Capital festival.
Hidroeléctrica El Chocón (Argentina)	Neuquén Voley Project (plan to develop volleyball in the province).
Endesa Cien (Brazil)	Construction of the Garruchos Sports Centre to train children and adolescents.

01.4. EDUCATIONAL INITIATIVES



ENDESA works with the educational community, from grass roots right through to university, through agreements that allow the development of diverse educational activities. The main activities in 2007 were:

Company	Project
Endesa Energy Education	B-TECH Summer Sessions: summer courses about the energy sector.
Fecsa Endesa (Catalonia)	The Institut Català d'Energia's "Recorregut de l'energia" competition.
Fecsa Endesa Fecsa Endesa (Catalonia)	The Catalonia Regional Government's Energy Week.
Endesa Energy Education	Conferences on specific cutting-edge energy technologies.
Endesa Energy Education	Conference: Strategy Challenges in the Energy Sector, given by the MIT.
Endesa Energy Education	ENDESA Electrical Technology Master's Degree-ICAI-MIT.
Unelco ENDESA (Canary Islands)	Energy Efficiency Campaign in Schools.
Sevillana Endesa (Andalusia and Badajoz)	Endesa Educa Programme.
Sevillana Endesa (Andalusia and Badajoz)	Energy seminar for journalists.
ENDESA	Sponsor of the Instituto de la Empresa's "European Energy Challenges" Conference.

Company	Project
Endesa Foundation	Sponsor of the Global Climate Strategies Beyond 2012 Forum.
Ampla (Brazil)	Safe Energy Scheme.
Ampla (Brazil)	"The energy guardians" Programme.
Endesa Chile	Energy for Education Scheme (aid to schools near the Company's power plants).
Endesa Chile	Energy for Education Scheme (scholarships and grants).
Endesa Chile	Energy for Education Scheme (aid to universities).
Energis (Chile)	Launch and inauguration of the Electricity Information Centre (CIEL) website.
Codensa (Colombia)	"A Walk Through Electricity" moving exhibition in Cundinamarca. "A Walk Through Electricity" in Bogota.
Codensa (Colombia)	Preventing Electrocutions Campaign in Bogota, Sabana and Cundinamarca.
Codensa (Colombia)	"Energy watches" programme.
Edelnor (Peru)	Consolidation of the New Pachacútec Higher Institute for the theoretical and practical study of electricity. In 2007 the company received three important national awards for its work.

Of all the educational initiatives carried out in 2007, the most important is Endesa Educa. This promotes the efficient and rational use of electricity, helps teaching staff with activities related to energy resources, provides strategies to analyse the use of electricity, provides information on electricity, explains the production, transmission, distribution and sales process and also raises awareness of the value of electricity in improving the quality of life. Endesa Educa carried out 555 activities in the year with 15,000 students.

Endesa Educa works on primary students' basic knowledge of their social and cultural surroundings while in secondary education technology, experimental sciences and social sciences are developed. Moving on, the 16-18 age group is taught physics, industrial technology, mechanics, electro-technical studies, chemistry, electronics, earth sciences and the environment while older students learn about electricity and electronics, mechanical manufacturing, maintenance and production services as well as chemistry.

ENDESA EDUCA SOCIAL INITIATIVES IN CATALONIA

Endesa Educa has five permanent centres in Catalonia (the company's headquarters in Barcelona, the Sant Adrià and Besós thermal power plants, the Maragall substation and the Control Centre) where educational and information activities are held.

In 2007, Endesa Educa took two new initiatives into the classrooms, "The magic of electricity" and "Let's measure electricity". These provide students with a new tool to help them with the energy-related topics in their syllabuses.

Other Endesa Educa initiatives in 2007 were:

- Participation in the first "Sabadell City and School" series of programmes.
- A fortnightly publication of 15 articles in the AULA supplement of the daily El Mundo on electricity and energy.
- An assessment of the efficiency of "Let's prepare our home" initiative aimed at secondary school students regarding saving electricity.
- Participation in the Barcelona City Education Project (PEC).

ENDESA has also carried out programmes for general training and co-operation with the educational system through the distribution of manuals, research texts and an array of school materials.

Company	Project
Unelco Endesa (Canary Islands)	Sponsor of the Postgraduate Innova Grants.
Endesa Foundation	Sponsor of the Teruel Summer University Courses.
Endesa Foundation	Co-operation with the Santa María de Albarracín Foundation and the University of Zaragoza.
Chilectra (Chile)	Agreement with the Economics and Business Studies Faculty of the University of Chile.
Gesa Endesa (Balearic Islands)	Financing of the "XXI Ornithology Yearbook".
Fecsa Endesa (Catalonia)	Co-operation with the Santa Susana town council.
Sevillana Endesa (Andalusia and Badajoz)	Sponsor of a school-wide journalism competition.
ENDESA	Sponsor of the Instituto de España's International Congress on the Spanish War of Independence.

Company	Project
Fecsa Endesa (Catalonia)	Sponsor of the Gresol conference in Poblet.
Edegel (Peru)	The "Building Successful Schools" scheme for nine education centres in Las Orquídeas de Pacaybamba, Yanayacu, Los Ángeles, Utcuyacu, Chincana, Vitoc, Chacaybamba, Uchubamba and Shincayacu.
Edesur (Argentina)	"Edesur with the children" programme.
Edesur (Argentina)	Relationship programme with the Educational Community.
Edesur (Argentina)	Innovate Scheme with the Science, Technology and Productive Innovation Secreariat of the Ministry of Education, Science and Technology.
Endesa Cachoeira (Brazil)	Creation of the Digital Inclusion Centre at the Vicente Parreira da Silva de Nilópolis school in Goiás.
Endesa Cachoeira (Brazil)	Interactive 'Crescendo com a Geração Futura' project.
Endesa Cachoeira (Brazil)	'Levando o Patrimônio para a Sala de Aula' workshop to discuss the region's cultural memory and heritage. Distribution of books on this theme to various educational centres.
Ampla (Brazil)	"Educação e Cultura Ampla" Festival, Ampla Agent Programme and various community talks.
Ampla (Brazil)	Ampla Digital Programme and Connecting the Youth 2007 Programme.
Fundación Chilectra ctiva (Chile)	Agreement with the Mirador Interactive Museum, Technical and Training Seminars and publication of educational material.
Endesa Chile – Pehuén Foundation	Scheme to boost education in Pehuenche communities.
Enerisis Chile	Sponsor of the 8th Biarritz Forum and the VII International Congress "Social Cohesion and Corporate Social Responsibility".
Codensa (Colombia)	"Días de Vuelo" Campaign against theft and vandalism.
Codensa (Colombia)	Information workshops and "Caravans for Loyalty and Recognition".
Edelnor (Peru)	IT Classrooms to offer free courses in basic skills in underprivileged areas of Northern Lima.

01.5. CULTURAL INITIATIVES:



Through its cultural initiatives ENDESA and its subsidiaries promote and preserve countries' heritage, maintain fundamental features of autochthonous cultures and support the celebration of festivals and other cultural events.

Illumination of significant buildings

A great deal of the Company's efforts in this field involve the illumination of historical monuments, both in Spain and Latin America. The Company has extensive experience in this type of initiatives enabling it to unlock the value of these communities' artistic heritage, recover various aspects of their cultural identity, revitalise the community spirit and promote the appeal to tourists. This activity is closely linked to what ENDESA and its companies do best, electricity.

Company	Project
Endesa Foundation	Illumination of the Spanish embassy in Italy.
Endesa Foundation	Illumination of the "La Seu Vella" Cathedral in Lerida.
Endesa Foundation	Changing the illumination of the nave and transept of Avila's Cathedral.
Endesa Foundation	Illumination of the "Adolfo Suárez and the Transition" Museum in Cerebros (Avila).
ENDESA	Sponsor of the illumination of the outside of the Nuestra Señora del Pilar Basilica in Zaragoza.

Company	Project
Endesa Foundation	Illumination of the National Library and Archaeological Museums, the San Cristóbal de La Laguna town hall, the Nuestra Señora de la Asunción de Calaceite church (Teruel), the Santa María de Valbuena Monastery, Alcalá de Henares University, the Loarre Castle, the interior and exterior of the priest's living quarters and belfry of the Carboneras church (Almería), the exterior of the "Tierra de Campos" Interpretation Centre, the Church of San Martí, the San Adriá Church in Ruiseñada (Cantabria), the interior and exterior of the Santa María de Albarracín Auditorium (Teruel), the Tremendal en Tronchón hermitage (Teruel), the Plaza de España and Market in Alcañiz (Teruel), the second stage of the Provincial Palace in Palencia, the interior and façade of the Purullena Palace (Cadiz), the Plaza del Palau de la Música in Barcelona, the interior of the Monasterio de la Vid church (Burgos), the San Giovanni Battista church in Tavazzano (Italy), the Museum of Contemporary Art in Los Angeles in Turegano (Segovia), and the extension of the lighting of the Pedraza walls (Segovia).
Sevillana Endesa Foundation	Illumination of the tower of the San Nicolás de Bari de Alhama Church in Almería, the San Judas Tadeo de Enix Church (Almería), the Santa María Magdalena de Olivenza Church (Badajoz), the Nuestra Señora de la Encarnación Church in Jerez de los Caballeros (Badajoz), the San Bartolomé Church and townhall in Montoro (Cordoba), the tower and aspe of the Nuestra Señora de la Asunción Church in Montemayor (Cordoba), the Santo Cristo de la Salud Church in Nivar (Granada), the Madraza building in Granada, the Nuestra Señora de la Asunción Church in Villacarrillo (Jaen), the San Julián Church in Malaga, the Botanical Garden of the University of Malaga, the third phase of the El Salvador Church in Seville, the second phase of the San Leandro Monastery in Seville, the Santa Cruz Church in Seville, the Santuario de Nuestra Señora de la Consolación in Utrera (Seville), the Church of San Diego and stone transept of San Nicolás del Puerto in Seville, the Irlandesas de Castilleja de la Cuesta school (Seville) and the Vera Cruz de Salteras Chapel (Seville).
Gesa Endesa	Illumination of the Can Picafort Church (Santa Margalida) and sponsor of the nativity scene at the Clarisas Capuchinas Convent.
Eepsa and Edelnor (Peru)	The "Let there be light" programme in the regions of Arequipa, Trujillo and Lima Distrito de Pueblo Libre.
Edegel (Peru)	Illumination of various churches.

Company	Project
Chilectra (Chile)	The "Illuminating Monuments in the Southern Hemisphere" programme: illumination of the La Merced basilica and the Church of the Las Rosas Foundation.
Endesa Chile	Illumination of various churches.
Enersis (Chile)	The "Illuminating Monuments in the Southern Hemisphere" programme: Illumination of the military Cathedral of Nuestra Señora del Rosario, the Zúñiga Church, the La Merced Basilica, the Rancagua Cathedral, the Molina parish church, the Chitita and Santa Cruz parish churches in Easter Island.

Cultural development programmes, conferences, forums and other cultural events

Company	Project
ENDESA	Sponsor of a bust of Antonio Machado at the National Library.
ENDESA	"Crossing Spain 2007" book.
ENDESA	Sponsorship to provide financing for the targets and programmes of the Gran Teatre Liceu Foundation in Barcelona.
ENDESA	Sponsor to maintain and co-operate with Ibero-American societies.
ENDESA	Sponsor of the Teatro Real in Madrid.
ENDESA	Donation to the Science, Technology and Ethical-Social Programme.
ENDESA	Sponsor of the electricity infrastructure to illuminate the Robert Indiana sculpture exhibition.
Endesa Foundation	Agreements with the Colombian, Chilean, Peruvian and Spanish Episcopal conferences.
Endesa Foundation	Agreement with the Moroccan firm, Office National d'Electricité (ONE).
Endesa Foundation	Endesa Fine Arts Grants.
Endesa Foundation	Edition of the book "History of the mines in Teruel".
Endesa Foundation	Various activities at the Santa Maróa Foundation in Albarracín (Teruel).
Endesa Foundation	Edition of the cultural magazine "Turia" dedicated to Carmen Martín Gaité.
Endesa Foundation	XXIX edition of the music week at the Teruel Musical Institute.
Endesa Foundation	Chair in Hispanic Studies at the University of Georgetown.
Endesa Foundation	Collaboration with the Chilean Embassy for the Andrés Bello Chair.

Company	Project
Endesa Foundation	Sponsor of scholarships to the Carlos III University (Madrid).
Endesa Foundation	Co-operation with the Chilean Institute of Hispanic Culture.
Endesa Foundation	Co-operation with the Brazilian Embassy in the "Barao do Rio Branco" Catalogue and Exhibition.
Endesa Foundation	Co-operation in the Ibero-American Book Society Scheme and celebrations.
Endesa Foundation	Sponsor of the piano concert offered by Mahani Teave in the Chilean Embassy.
Endesa Foundation	Endesa Foundation Cultural Heritage Scholarships.
Endesa Foundation	Endesa scholarships for the Universidad Pontificia de Salamanca.
Endesa Foundation	Sponsor of the Carolina Foundation's course on Hispanic Philology.
Endesa Foundation	Sponsor of the Pro Real Academia Española Foundation.
Endesa Foundation	Conservation of the historical archive.
Sevillana Endesa	Sponsor of the "History of Almeria" DVD.
Sevillana Endesa	Sponsor of the Merida Classical Theatre Festival.
Sevillana Endesa Foundation	Sponsor of the III music course for school children at the Cortijo de Frías (Cabra-Cordoba).
Sevillana Endesa Foundation	Edition of a book on the history of the Capitanía building in Sevilla.
Sevillana Endesa Foundation	Edition and publication of the "Light in History" book on the illumination projects carried out the Sevillana Endesa Foundation.
Unelco Endesa (Canary Islands)	Sponsor of the Las Palmas de Gran Canaria and Santa Cruz de Tenerife Carnivals.
Unelco Endesa (Canary Islands)	Sponsor of the XXIII Edition of the International Music Festival of the Canary Islands.
Unelco Endesa (Canary Islands)	Aid in supporting the traditional sport of Canarian wrestling.
Fecsa Endesa (Catalonia)	Sponsor of the Catalonia National Theatre.
Fecsa Endesa (Catalonia)	Sponsor of the Cambra de L'Empordà Orchestra.
Fecsa Endesa (Catalonia)	Sponsor of the Philharmonic Orchestra of Catalonia.
Fecsa Endesa (Catalonia)	Sponsor of the nativity scene in the Plaza de San Jaime (Barcelona).
Ampla (Brazil)	"Cinema em Movimento Ampla" and Arte Instalada events.

Company	Project
Coelce (Brazil)	Organisation and sponsor of various cultural events: Cine Coelce Apresenta, Mundo UNIFOR, Cine Ceará, Casa do Conto, Guariminanga Jazz and Blues Festival, Eleazar de Carvalho Chamber Orchestra, etc.
Chilectra (Chile)	Publication of Luces de Modernidad: "Santiago metamorfosis".
Endesa Chile – Pehuén Foundation	Cultural Development Programme for the Pehuenche communities.
Enersis (Chile)	Aid for developing cultural and sporting activities in Vitacura and donation to the New Times Foundation for the development, research and dissemination of artistic and cultural events.
Enersis (Chile)	Edition of "Luz monumental" and "Chile, energía sostenible" books.
Codensa (Colombia)	Sponsor of the Jóvenes Artistas Colombianos Foundation, Creative Workshops- Integrarte Foundation and Language Congress.
Edelnor (Peru)	Co-operation in the "Lima es Mi Orgullo" programme, a series of activities which seek to promote access to culture and maintain local traditions.

0.1.6. SOCIO-ENVIRONMENTAL INITIATIVES



Initiatives in the socio-environmental field include those aimed at fostering awareness and values connected with conserving natural spaces in communities, protecting endangered species of animals or

plants and the reforestation and conservation of areas of ecological value.

They do not include activities directly related to protection of the natural environment, which ENDESA and its subsidiaries carry out in the framework of the daily management of their industrial activities.

The main activities in 2007 were:

Company	Project
Unelco Endesa (Canary Islands)	Sponsor of the La Palma Environmental University.
Unelco Endesa (Canary Islands)	Sponsor of the conference on the Knowledge Society and Climatic Change.
Gesa Endesa (Balearic Islands)	Energy Efficiency Awards.
Erz Endesa (Aragon)	Sponsor of Pirenarium.
ENDESA	Co-operation in a renewable energies pilot scheme.
ENDESA	Co-sponsor of the international seminar entitled "The strategy of Clean Coal".
Fecsa Endesa (Catalonia)	Sponsor of Pirena 2007.
ENDESA	Sponsor of the IV Fondena Award for the Protection of Nature.
Edegel (Peru)	Training in risk and fire prevention in the Yanayacu and Los Ángeles towns, next to the Chimay power plant.
Endesa Cachoeira (Brazil)	Creation of the Endesa Environment and Culture centre at the Cachoeira Dourada power plant.
Endesa Cien (Brazil)	Environment week for students from towns in the Garruchos region.
Ampla (Brazil)	"Jovem Jardineiro" and "EcoAmpla" programmes.
Ampla (Brazil)	Various educational projects on the environment: Tree Day, World Water Day, environmental workshops, etc.

Other initiatives of a socio-environmental nature are aimed at protecting endangered species of animals or plants and the reforestation of areas of ecological value.

Company	Project
Gesa Endesa (Balearic Islands)	Sponsor of a breeding programme for the red kite which is an endangered species.
Sevillana Endesa (Andalusia and Badajoz)	Sponsor of a stork protection study.
Endesa Cachoeira (Brazil)	Sponsor, in conjunction with the Federal University of São Carlos, of a study into fish species and the water in the Paranaíba River in order to repopulate it with species which can survive and reproduce easily, thus benefiting the environment and the fishing community.
Sevillana Endesa (Andalusia and Badajoz)	Sponsor of the Solar Forest.

Company	Project
Endesa Foundation	Agreement to clean the glacial lakes in the Pyrenees and other clean up operations in the mining areas.
ENDESA	Restoration of natural spaces and resources in Spain's mining areas in conjunction with the Spanish Scientific Research Council (CSIC).
Edegel (Peru)	Creation of the Virgen de las Mercedes ecological park in the Parque Porcino in the Ventanilla Callao district.
Edelnor (Peru)	"Sowing life" campaign: 20,000 plants sown and one million seeds handed out.

CASE STUDY: RURAL ELECTRIFICATION

Our challenge: To drive social and economic development in the communities in which we operate

Coelce's Electricity for All and Mainstreaming Programmes for rural electrification in Brazil:

The national "Electricity for All" rural programme aims to provide rural communities with access to electricity, promoting the socio-economic development of the beneficiaries while providing them with better access to other basic services (healthcare, water supply, reforestation etc.). This scheme will benefit 567,000 new customers in the State of Ceará in 2004-2008.

Ampla's Electricity for All Programme in Brazil:

Under this scheme, in 2007 Ampla connected some 2,331 new customers under normal conditions and a further 435 under special conditions (greater investment required as these were in areas requiring underwater conductors or new isolated overhead conductors).

Codensa's Project for Investing in New Supplies to New Customers in Colombia:

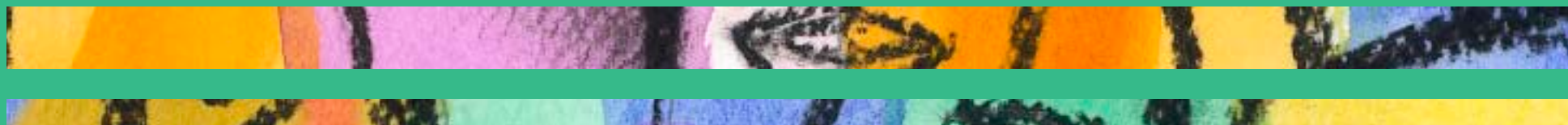
In 2007, the company entered into electrification projects benefiting 2,190 customers and other agreements benefiting 1,988 customers.

Edelnor's Electrification in settlements programme in Peru:

In 2007 the company rolled out a mass electrification programme in the settlements in the north of Lima providing over 15,000 supply points in the Ventanilla, Carabayllo, Santa Rosa and Jicamarca districts. Also, the New Pachacútec Pilot Scheme in the Ventanilla district which provided electricity to over 4,000 families. The Pachacútec Special City project was also begun, benefiting 13,000 families, of which around half received electricity in 2007.

New rural supplies, Edesur in Argentina:

Finally, Edesur provided 80 new supplies for rural customers in the Province of Buenos Aires in 2007.



APPENDICES

APPENDIX I

ENDESA, COMMITTED TO PROVIDING SUSTAINABILITY INFORMATION

For ENDESA, Sustainability is an instrument used to develop its businesses, one which helps foster confidence with its interlocutors and helps the company achieve its medium and long term objectives.

ENDESA's sustainable endeavours are based on its mission, vision and values which demand that we act honestly and transparently. We are committed to notifying the public about the progress made in our sustainable development via our annual Sustainability Reports as well as by other means.

One of the key initiatives adopted by ENDESA is the publication of its Sustainability Report as well as other corporate reports on an annual basis. The Company also publishes other annual corporate reports, including its Operations Review, its Legal Documentation, which includes comprehensive information on its Balance Sheet and Income Statement and also its Corporate Governance Report. The Company also reports on its activities in relation to its social commitments in Spain through the Fundación Endesa and Sevillana Endesa Annual Reports.

The Company also issues a specific publication to make the quarterly information supplied to the financial markets available to its shareholders, investors and other interested parties. Also, all of the Latin American companies in which ENDESA holds a stake publish their own Annual Operations Review which are available on their respective websites. Many of these companies, especially those which are more in the public eye, publish their own annual Sustainability Reports.

In short, ENDESA's Sustainability Report facilitates the excellent management of the Company and offers the unique opportunity to communicate with its interest groups and incorporate their opinions and points of view.

Below is a list of ENDESA's various communication channels and its companies as well as the target interest groups. They are also useful for people who would like to participate in subsequent reports.

PÁGINAS WEB

ENDESA	www.endesa.es	Spain and overview of the Endesa Group
Group	www.endesa.es	Chile
Chilectra	www.endesa.es	Chile
ENDESA Italia		Italy
Emgesa	www.emgesa.com.co	Colombia
Codensa	www.codensa.com.co	Colombia
Edelnor	www.edelnor.com.pe	Peru
Edegel	www.edegel.com	Peru
Edesur	www.emgesa.com.co	Argentina
Coelce	www.coelce.com.br	Brazil

CUSTOMER-SPECIFIC CHANNELS

Customer Service Centre	Customer Service Telephone 902 509 950.
Online office	www.endesaonline.es 902 52 58 52 offers customers online help
Customer Ombudsman	www.defensordelcliente.endesa.es

SHAREHOLDERS AND INVESTORS

Investor Relations:	Spain: Ribera del Loira 60. 28042 Madrid. Telephone: + 34 91 213 1829, ir@endesa.es United States 410 Park Avenue, Suite 410. New York NY 10022. 1212 7507200. endesanyir@endesana.com
Shareholders' office	Spain: Ribera del Loira 60. 28042 Madrid. Telephone: 900 666 900 eoaccionista@endesa.es

SUPPLIERS

Cenit (ENDESA's service for external suppliers)	Subdirección de Facturación, Cobros y Pagos. C/ Ribera del Loira, 60. 28042 Madrid. Telephone: 91 213 4848. Fax: 91 213 48 49. e-mail: cenit@endesa.es
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EMPLOYEES AND THEIR REPRESENTATIVES

Corporate Portal	Intranet
Employees' suggestions	Environment and Sustainable Development mailbox Corporate Communication mailbox Assessment Quality Thermometer mailbox Corporate Intranet Suggestions mailbox Nostrum Forums for Spain and Portugal Nostrum Suggestions mailbox Enersis-Chile Queries mailbox
ENDESA's trade unions websites	www.ugtendesa.com www.ccooendesa.com

CUSTOMER SERVICE POINTS

"Contacte con nosotros" channel	comunicacionendesa@endesa.es
Ethics channel	http://codigoconducta.endesa.es/

For all sustainability and environmental issues, as well as other aspects regarding the contents of ENDESA's Sustainability Report, please contact:

Mr. Jesús Abadía
Environment and Sustainable Development Director, ENDESA
Environment and Sustainable Development Division
Ribera del Loira, 60
28042 Madrid (Spain)
Email: dmads@endesa.es

APPENDIX II

INDEPENDENT ASSURANCE REPORT



(Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails)

Independent Assurance Report on the ENDESA Sustainability Report 2007

Scope of our work

We have performed the review of the following matters relating to the 2007 ENDESA Sustainability Report:

- The adherence of the content of the Sustainability Report to the GRI Guidelines version 3.0 (G3) and the core indicators proposed in the aforementioned guidelines.
- The information included in ENDESA 2007 Sustainability Report relating to the application of the principles of materiality, completeness and responsiveness set out in AccountAbility AA1000 Standard.
- The information furnished about the progress and fulfilment of the sustainability commitments for the 2007 financial year, suggested in the ENDESA Sustainability Report 2006.

Verification standards and procedures

We conducted our work in accordance with *International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the performance of reasonable or limited assurance engagements on non-financial information, and with AA1000 Assurance Standard (AA1000AS) issued by AccountAbility.

Our review consisted of making inquiries to Environmental and Sustainability Management and to the various ENDESA's Management which have participated in the preparation of the 2007 Sustainability Report, and of conducting the following analytical procedures and sample-based review tests:

- Meetings with ENDESA personnel to obtain significant information on the management principles, systems and approaches applied.
- Analysis of the processes used to gather and validate the data presented in the 2007 Sustainability Report.
- Review of the steps taken in relation to the identification and consideration of the stakeholders throughout the year through the analysis of the internal information and third-party reports available.
- Analysis of the materiality and completeness of the information included in the Sustainability Report on the basis of ENDESA's understanding of the stakeholders.
- Checking that the content of the Sustainability Report does not contradict any significant information furnished by ENDESA in its Annual Report and its Corporate Governance Report.
- Analysis of the adherence of the content of the Sustainability Report to that recommended in the GRI G3 Guidelines and verification that the GRI core indicators included in the 2007 Sustainability Report correspond to those recommended by the aforementioned standard and that the indicators that are not applicable and not available are identified.

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, Tomo 13.658, folio 188, sección 6, hoja M-54414. Inscripción SE. C.I.F.: 8-79104485. Domicilio Social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso - 28020 Madrid

- Testing on a sample basis the calculation of the quantitative and qualitative information of the GRI indicators included in the 2007 Sustainability Report and the adequate compilation thereof based on the data furnished by ENDESA's information sources.

Conclusions

The 'GRI Contents and Indicators' included on Appendix II of the Sustainability Report, details the reviewed indicators, the scope of the review and those indicators that do not cover all the aspects detailed by the GRI Guidelines are identified. As a result of the revision procedures carried out:

- There are no other facts that would lead us to believe that the 2007 Sustainability Report is not developed according to the Global Reporting Initiative Guidelines version 3.0 (G3) for the preparation of sustainability reports.
- There are no facts that would lead us to believe that the 2007 ENDESA Sustainability Report information related with the application the AA1000 Standard principles of materiality, completeness and responsiveness to the stakeholders is materially misstated.
- There are no facts that would lead us to believe that the information regarding the progress and fulfilment of the sustainability commitments for 2007 is materially misstated.

Recommendations

Also, we have submitted to the Environmental and Sustainability Management of ENDESA our recommendations relating to the areas in which improvements can be made to consolidate processes, programmes and systems associated with corporate responsibility management. The recommendations relate principally to:

- Continue to improve the sustainability reporting system through the strengthening of controls regarding data collection.
- Encourage the implementation of the measures required to minimize the social and environmental risks that were detected in the diagnosis performed in 2007.

Madrid, 30th May, 2008

DELOITTE


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www.deloitte.es

Responsibilities of Management of ENDESA and of Deloitte

- The preparation and content of the 2007 Sustainability Report is the responsibility of the Environmental and Sustainability Management of ENDESA, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained.
- Our responsibility is to issue an independent report based on the procedures applied in our review.
- This report has been prepared exclusively in the interests of ENDESA in accordance with the terms of our engagement letter.
- We have conducted our work in accordance with the requirements of the Ethical Code of the International Federation of Accountants (IFAC).
- Since a review is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the 2007 Sustainability Report of ENDESA.



Member of
Deloitte Touche Tohmatsu

APPENDIX III

GRI CONTENT AND INDICATORS

ENDESA Sustainability Report 2007		
GRI G3 CONTENT INDEX		
1	STRATEGY AND ANALYSIS	Pages
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	2-5
1.2	Description of key impacts, risks, and opportunities	11-13, 18, 62-63, 99, 101, 106, 109-115, 117-118, 123-124, 152-153
2	ORGANIZATIONAL PROFILE	Pages
2.1	Name of the organization.	9-10
2.2	Primary brands, products, and/or services	8-10
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	9-10, 42
2.4	Location of organization's headquarters.	9
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	9-10
2.6	Nature of ownership and legal form.	9
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	9-10, 42
2.8	Scale of the reporting organization, including: • Number of employees; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	8-11, 61, 66-68, 73
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	11-12
2.10	Awards received in the reporting period.	23, 69-70, 92-94, 96, 139-140
3	REPORT PARAMETERS	Pages
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	13
3.2	Date of most recent previous report (if any).	13
3.3	Reporting cycle (annual, biennial, etc.)	13
3.4	Contact point for questions regarding the report or its contents.	16
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	13-16
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	13
3.7	State any specific limitations on the scope or boundary of the report	13-15
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	13-14
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	14-16

3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	16
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	16
3.12	Table identifying the location of the Standard Disclosures in the report	178-182
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	15
4	GOVERNANCE, COMMITMENTS AND ENGAGEMENT	Pages
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	100-103
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	101
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	101
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	68, 85-88, 105-108
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	102-103
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	103-108
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	99-100
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	16, 18-23, 104-106
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	20-22, 104
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	100-102
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	106, 109-110, 114-115, 117-118, 124
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	20, 23, 76, 81, 90, 108-112, 119, 122-123, 130-131, 135-136, 149-150, 154, 162-163, 166-167
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic.	23, 63-64, 81, 91, 108-110, 115, 123-124, 136, 149, 151, 154, 157
4.14	List of stakeholder groups engaged by the organization.	28
4.15	Basis for identification and selection of stakeholders with whom to engage.	27-29
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	28-31
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	15, 24-25, 27-28

ENDESA Sustainability Report 2007	
Disclosure on Management Approach	
ECONOMIC PERFORMANCE	Pages
Economic performance	64, 83-84, 116-131, 147
Market presence	89
Indirect economic impacts	161-167
ENVIRONMENTAL PERFORMANCE	Pages
Materials	139, 144
Energy	144
Water	145
Biodiversity	131-134, 140-141
Emissions, effluents and waste	37, 116-117, 127-128, 137-138
Products and services	117, 119-126, 131-132, 135-136
Compliance	116
Transport	Transport activities are not significant
Overall	116-119, 139-140, 147-149, 172-173
SOCIAL PERFORMANCE - Labor Practices and Decent Work	Pages
Employment	74-75, 81, 88-89
Labor/Management relations	87-88
Occupational health and safety	95-97
Training and education	76-77
Diversity and equal opportunity	83, 89, 101
SOCIAL PERFORMANCE - Human Rights	Pages
Investment and procurement practices	90, 108-111
Non-discrimination	89
Freedom of association and collective bargaining	88, 109-110
Child labor	90
Forced and compulsory labor	90
Security practices	91-92
Indigenous rights	108-110
SOCIAL PERFORMANCE - Community	Pages

Community	64-65, 71, 86-88, 114-116, 124-126, 131-133, 153, 164-165, 172-173
Corruption	105-106, 109-111
Public policy	17-24, 114-115, 118
Anti-competitive behavior	100-103, 107-111
Compliance	107
SOCIAL PERFORMANCE - Responsibility	Pages
Customer health and safety	55-56
Product and service labeling	54-55
Marketing communications	54-56
Customer privacy	54-55
Compliance	55

ENDESA Sustainability Report 2007					
GRI G3 INDICATORS INDEX					
GRI G3 INDICATOR	Type	Pages	Global Compact	Assurance Report	
ECONOMIC PERFORMANCE INDICATORS					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	C	64		✓
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	C	116-131		✓
EC3	Coverage of the organization's defined benefit plan obligations.	C	83-84		✓
EC4	Significant financial assistance received from government.	C	147, Annual Report (notes 3.I), 4, 15 y 21)		✓
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	C	89		✓ (1)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	C	89		✓ (2)
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	C	161-167		✓
ENVIRONMENTAL PERFORMANCE INDICATORS					
EN1	Materials used by weight or volume.	C	144	P8-P9	✓ (3)
EN2	Percentage of materials used that are recycled input materials.	C	139	P8-P9	✓ (4)
EN3	Direct energy consumption by primary energy source.	C	144	P8-P9	✓ (5)
EN4	Indirect energy consumption by primary source.	C	144	P8-P9	✓ (6)
EN8	Total water withdrawal by source.	C	145	P8	✓ (7)
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	C	133-134	P8	✓ (8)
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	C	131-132, 140-141	P8	✓
EN16	Total direct and indirect greenhouse gas emissions by weight.	C	37, 117	P8-P9	✓ (9)
EN17	Other relevant indirect greenhouse gas emissions by weight.	C	117	P8	✓
EN19	Emissions of ozone-depleting substances by weight.	C	127-128	P8	✓
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	C	128	P8	✓ (9)
EN21	Total water discharge by quality and destination.	C	137		✓ (11)
EN22	Total weight of waste by type and disposal method.	C	137-138	P8	✓ (12)
EN23	Total number and volume of significant spills.	C	116	P8	✓
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	C	117, 119-126, 131-132, 135-136	P8-P9	✓
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	C	N.A. ENDESA does not produce relevant quantities of goods susceptible of being packaging	P8	N.A.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	C	116	P8	✓
SOCIAL PERFORMANCE INDICATORS					
LABOR PRACTICES					
LA1	Total workforce by employment type, employment contract, and region.	C	74-75, 88-89		✓
LA2	Total number and rate of employee turnover by age group, gender, and region.	C	81		✓ (13)
LA4	Percentage of employees covered by collective bargaining agreements.	C	87-88	P3	✓

LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	C	87	P3	✓ (14)(15)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.	C	96-97		✓
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	C	95		✓ (10)
LA10	Average hours of training per year per employee by employee category.	C	76-77		✓ (16)
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	C	89, 101 and Coporative Government Report (pages 29-33)	P6	✓ (17)
LA14	Ratio of basic salary of men to women by employee category.	C	83	P6	✓ (14)
SOCIAL PERFORMANCE INDICATORS					
HUMAN RIGHTS					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	C	90, 108-111	P1-P2	✓ (14)
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	C	90	P1-P2	✓ (18)
HR4	Total number of incidents of discrimination and actions taken.	C	89	P1-P6	✓
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	C	88, 109-110	P3	✓
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	C	90	P5	✓
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	C	90	P4	✓
SOCIAL PERFORMANCE INDICATORS					
SOCIETY					
SO1	Nature, scope, and eff ectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	C	64-65, 71, 86-88, 114-116, 124-126, 131-133, 153, 164-165, 172-173		✓
SO2	Percentage and total number of business units analyzed for risks related to corruption.	C	105-106, 109-111	P10	✓ (14)
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	C	109-110	P10	✓ (14)
SO4	Actions taken in response to incidents of corruption.	C	105-106	P10	✓
SO5	Public policy positions and participation in public policy development and lobbying.	C	17-24, 114-115, 118	P10	✓
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	C	107, Annual Report (note 16.3)		✓
SOCIAL PERFORMANCE INDICATORS					
PRODUCT RESPONSIBILITY					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	C	55-56		✓ (10)
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	C	54-55		✓ (10)
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	C	54-55		✓
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	C	55		✓ (15)

C GRI core indicator.

N.A. Non applicable or non relevant indicator.

- (1) No information is given about proportion of spending on locally-based suppliers at significant locations of operation.
- (2) No information is given about the percentage of Senior Management coming from local communities where significant activities are carried out.
- (3) It informs solely on fuel consumption.
- (4) It informs on ashes, slag and gypsum (figures in tones per year), on the Group activities in Europe.
- (5) Figures expressed in tones and cubic meters.
- (6) It refers solely to the power consumption in thermal power plants required to its operation, along with the efficiency rates obtained.
- (7) It is just informed about total water consumption, not breaking down by source.
- (8) It is solely informed on the Group activities in Spain and Chile.
- (9) It informs on specific emissions.
- (10) It is solely informed on the Group activities in Spain and Portugal.
- (11) It is not informed breaking down by destination.

- (12) It is not informed breaking down by disposal method.
- (13) It is solely informed about the employee turnover on the Group activities in Spain and Portugal.
- (14) This indicator is qualitatively informed.
- (15) It is solely informed on the Group activities in Spain.
- (16) It is informed about Business Line and Subject Area.
- (17) It is not informed quantitatively on the number of handicapped employees.
- (18) It is solely informed on the percentage analyzed in Chile.



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