

# endesa05

CORPORATE GOVERNANCE REPORT



# endesa 05

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REPORT

Dear shareholder:

For the fourth year running, we present a Corporate Governance Report on the Company.

It describes the basic principles guiding the Company's conduct, as well as the Model Annual Corporate Governance Report for listed companies, drawn up in accordance with Exhibit I to Spanish National Securities Market Commission Circular 1/2004, and the 2005 Audit and Compliance Committee report on the Company's activities.

It also includes a summary of the resolutions on corporate governance adopted during the last year, a detailed profile of the Directors and the Secretary of the Board of Directors, a detail of the fees paid to the Company's external auditor and an account of relevant events in 2005.

The document was reported on by the Audit and Compliance Committee of the Company at its meeting of 15 January 2006, unanimously approved by the Board of Directors at its meeting of 16 January 2006, and communicated as a relevant event to the Spanish National Securities Market Commission on 19 January 2006. It has also been posted on the Company website at [www.endesa.es](http://www.endesa.es).

# PRINCIPLES OF CORPORATE GOVERNANCE

The principles that guide the governance of the Company are established in:

- The Corporate Bylaws, the latest amendment to which was approved by a resolution at the General Shareholders' Meeting held on 2 April 2004.
- The Shareholders' Meeting Regulations, approved at the Shareholders' Meeting of 19 June 2003 and amended at the Meeting of 2 April 2004.
- The Board Regulations approved on 28 October 2003.
- The Internal Regulations on Conduct in Securities Markets, approved by the Board of Directors on May 27, 2003.
- The Rules on Corporate Integrity, approved by the Board of Directors on 25 March 2003.

The Articles of the Company's **Bylaws** contain, together with the mandatory legal provisions, the principles that guide the governance of the Company and the bodies composing it: the Shareholders' Meeting, the Board of Directors and the Executive Committee.

Noteworthy among these principles are transparency, respect for shareholders' rights, the duty of care and loyalty incumbent upon Directors, and the establishment of a set of rules governing the functioning of the corporate bodies that, subject to legal requirements, encourages shareholder participation in decision-making processes.

The **Shareholders' Meeting Regulations**, the purpose of which is to promote shareholder participation in the General Meeting by establishing mechanisms that facilitate the provision of information and encourage shareholders to contribute to corporate decision-making by exercising their voting rights and their rights to participate in debates.

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 governing bodies of the Company and in all its dealings, fostering effective business management, and the assuming of responsibilities by Senior Management and the Board of Directors to the Shareholders of the Company.

The **Internal Regulations on Conduct in Securities Markets**, which determine the rules of conduct for securities market transactions, with a view to contributing to their transparency and to investor protection.

These regulations are based on the principles of impartiality, good faith, placing common interests before individual interests, and care and diligence in information usage and market operations.

The **Rules on Corporate Integrity** consist of the Charter Governing Senior Management, the Charter Governing Executives and the Employees' Code of Conduct. They develop the principles and values of the Company, lay down the rules governing dealings with customers and suppliers, and establish the principles that should be followed by employees in their work: ethical conduct, professionalism and confidentiality. They also establish the limitations and define the incompatibilities arising from their status as executives and senior executives.

All these documents are available on the Company's website at [www.endesa.es](http://www.endesa.es).

# RESOLUTIONS ON CORPORATE GOVERNANCE ADOPTED IN 2005

In 2005, the corporate bodies of ENDESA, S.A. adopted the following resolutions on corporate governance:

- On 19 April 2005, the Company's Board of Directors unanimously approved the 2004 Annual Corporate Governance Report and the 2004 Audit and Compliance Committee Report on the Company's activities.
- The Shareholders' Meeting held on 27 May 2005, adopted the following resolutions at the proposal of the Board of Directors:

- To approve the financial statements (balance sheet, statement of income and notes to financial statements) of the Company and of its consolidated group for the year ended 31 December 2004, as well as the conduct of the Company's business in that fiscal year.
- To approve the appropriation of income for the year and the distribution of a dividend.
- To appoint the current external auditors, Deloitte, S.L., as the auditors of ENDESA, S.A. and of its Consolidated Group for 2005.
- To revoke and render void the authority for the derivative acquisition of shares of the Company granted by the Annual Shareholders' Meeting held on 2 April 2004.

To grant a new authority for the derivative acquisition of treasury stock, as well as pre-emptive rights of subscription of treasury stock, in accordance with Article 75 of the Corporations Law, on the following conditions:

- a) Acquisitions may be made by any legally permitted means, directly by Endesa, S.A. itself, by companies of its Group, or by an interposed person, up to the maximum figure permitted by the Law.
  - b) Acquisitions shall be made at a minimum price per share of its par value and a maximum price equal to its market price plus an additional 5%.
  - c) The term of this authority shall be 18 months.
- To empower the Board of Directors, as amply as is legally necessary in order that, in accordance with the provisions of article 153.1.b) of the Spanish Corporations Law ("*Ley de Sociedades Anónimas*"), it may increase the capital stock, by one or more times, and at any time prior to five years from the date of this General Meeting lapsing, in the maximum amount of 635,251,270.20 euros, equivalent to 50% of the figure of capital stock as at the date of the General Shareholders' Meeting, through the issuance of new shares—voting or non-voting, callable or non-callable—the consideration for the new shares to be issued consisting of monetary contributions, with the power to set the terms and conditions of the capital increase

and the characteristics of the shares—within the limits applicable by law and by the bylaws—as well as to freely offer the new unsubscribed shares within a period or periods of preferred subscription, and to establish that, in case of incomplete subscription, the capital will be increased only by the amount of subscriptions made. The Board of Directors is also empowered to exclude the pre-emptive right of first refusal in the terms of article 159 of the Spanish Corporations Law and to apply for admission to trading of the new shares to be issued on the Stock Exchanges.

- To delegate to the Board of Directors, in accordance with the provisions of article 319 of the Mercantile Registry Regulations and the general scheme for bond issues, and with express powers of substitution in the Executive Committee, the authority to issue securities in accordance with the following conditions:
  - a) The securities issued may be simple, non-convertible bonds, preference shares, promissory notes and other fixed income securities.
  - b) The issuance thereof may be carried out on one or more occasions within the maximum period of five (5) years from the date of adoption of this Resolution.
  - c) The delegation to issue the aforementioned securities shall extend to setting the various aspects and conditions of each issue (face or par value, type of issue, redemption price, interest rate, redemption, issue guarantees, admission to trading, etc.).

The delegation to issue securities granted by the Annual General Shareholders' Meeting of May 10, 2002 is heretofore made null and void.

To apply for admission to trading on official or unofficial secondary markets, whether or not organised, whether domestic or foreign, of the bonds or other securities to be issued by Endesa S.A. by virtue of this delegation, empowering the Board, with express authorisation for substitution in favour of the Executive Committee, to carry out the necessary formalities and actions for the admission to trading before the competent bodies of the various domestic or foreign securities markets. To authorise the Board of Directors, with express authorization for substitution in favour of the Executive Committee, to grant guarantees on the above securities issues, carried out by companies belonging to the Company's consolidation group. For the purpose of the provisions of article 27 of the Securities Exchange Regulations, it is hereby expressly stated for the record that, in the event that the delisting of the securities issued by virtue of this delegation is subsequently applied for, the latter shall be adopted with the same formalities as referred to in the said article and, in such case, the interest

of the shareholders or bondholders who object to or do not vote for the resolution shall be guaranteed, complying with the requisites established by the Spanish Corporations Law ("*Ley de Sociedades Anónimas*") and ancillary provisions, all of which in accordance with the provisions of the said Securities Exchange Regulations, the Securities Market Act and provisions implementing the same.

- To reappoint Miguel Blesa de la Parra as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Blesa de la Parra shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type c).

To reappoint Rafael Miranda Robredo as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Miranda Robredo shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type a).

To reappoint Manuel Pizarro Moreno as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Pizarro Moreno shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type a).

To reappoint Francisco Javier Ramos Gascón as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Ramos Gascón shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b).

- To appoint Juan Rosell Lastortras as a member of the Board of Directors. By virtue of the provisions of article 38 of the Corporate Bylaws, Mr. Rosell Lastortras shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b).

To appoint Alberto Recarte García-Andrade as a member of the Board of Directors. By virtue of the provisions of article 38 of the Corporate Bylaws, Mr. Recarte García-Andrade shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b).

- To delegate to the Company's Board of Directors the broadest authorities to adopt such resolutions as may be necessary or appropriate for the execution, implementation, effectiveness and successful conclusion of the General Shareholders' Meeting resolutions and, in particular, for the following acts, without limitation:

- a) clarify, specify and complete the resolutions of this General Meeting and resolve such doubts or aspects as are presented, remedying and completing such defects or

omissions as may prevent or impair the effectiveness or registration of the pertinent resolutions;

- b) execute such public and/or private documents and carry out such acts, legal businesses, contracts, declarations and transactions as may be necessary or appropriate for the execution and implementation of the resolutions adopted at this General Shareholders' Meeting; and
- c) delegate, in turn, to the Executive Committee or one or more Directors, who may act jointly and individually, the powers conferred in the preceding paragraphs.

To empower the Chairman of the Board of Directors, Mr. Manuel Pizarro Moreno, the Chief Executive Officer (CEO) Mr. Rafael Miranda Robredo and the Secretary of the Board of Directors and Secretary General Mr. Salvador Montejo Velilla, in order that, any of them, indistinctly, may:

- a) carry out such acts, legal businesses, contracts and transactions as may be appropriate in order to register the preceding resolutions with the Mercantile Registry, including, in particular, *inter alia*, the powers to appear before a Notary Public in order to execute the public deeds or notary records which are necessary or appropriate for such purpose, to publish the pertinent legal notices and formalise any other public or private documents which may be necessary or appropriate for the registration of such resolutions, with the express power to remedy them, without altering their nature, scope or meaning; and
- b) appear before the competent administrative authorities, in particular, the Ministries of Economy and Finance and Industry, Tourism and Commerce, as well as before other authorities, administrations and institutions, especially the Spanish Securities Market Commission ("*Comisión Nacional del Mercado de Valores*"), the Securities Exchange Governing Companies and any other which may be competent in relation to any of the resolutions adopted, in order to carry out the necessary formalities and actions for the most complete implementation and effectiveness thereof.

- On May 27, 2005, the Board of Directors agreed unanimously to adopt the following resolutions:

Having been reappointed a Director of the Company, the continuation of Miranda Robredo as Chief Executive Officer, delegating to him/her all the powers of the Board of Directors delegable by law or under the Bylaws.

Having been reappointed as Directors of the Company, the continuation of Miguel Blesa de la Parra, Rafael Miranda Robredo and Manuel Pizarro Moreno as members of the Executive Committee of the Board of Directors.

The removal of Juan Ramón Quintás Seoane as member of the Executive Committee of the Board of Directors. This removal was by mutual agreement with Mr. Quintás Seoane, in order to cover a vacancy on the Appointments and Compensation Committee.

Having removed Rafael Español Navarro, José Fernández Olano and José Luis Oller Ariño as members of the Board of Directors, and Juan Ramón Quintás Seoane as member of the Executive Committee, and having appointed as Directors Juan Rosell Lastortras and Alberto Recarte García-Andrade, the Board of Directors unanimously agreed to appoint Juan Ramón Quintás Seoane and Juan Rosell Lastortras as members of the Appointments and Compensation Committee and Alberto Recarte García-Andrade as member of the Audit and Compliance Committee.

- On 28 June 2005, the Board of Directors unanimously agreed to appoint Francisco Javier Ramos Gascón, member of the Audit and Compliance Committee of the Company's Board of Directors, as Financial Expert, in compliance with section 407 of the Sarbanes-Oxley Act of 2002 (Form 20-F of the SEC).
- At the meeting of 28 June 2005, pursuant to the Appointments and Compensation report, the Board of Directors unanimously agreed to appoint José Luis Oller Ariño as Customer Ombudsman and Antón Costas Comesaña as Chairman of the Board in Catalonia (Fecsa Endesa).
- The Board of Directors also examined and was apprised of the establishment of Internal Transparency Committee of ENDESA, which, under the supervision of the Audit and Compliance Committee, is responsible for evaluating the facts, transactions, reports or other relevant financial matters communicated externally and determining the manner and deadlines for providing public information. The Committee shall ensure compliance with the principles of reliability, consistency, transparency, control of information flow, guarantee accuracy, legal compliance and responsibility of external financial reporting.

# COMPANY MANAGEMENT STRUCTURE

## BOARD OF DIRECTORS. ORGANIZATION AND FUNCTIONING

ENDESA, S.A. is governed by a Board of Directors which, in accordance with its Corporate Bylaws, shall be composed of a minimum of nine and a maximum of fifteen members.

In accordance with Article 37 of the Corporate Bylaws, the following types of Director exist:

- a) Directors who are professionally and permanently related to the Company.
- b) Directors whose relationship with the Company is confined to their membership of the Board.
- c) Directors by virtue of being Shareholders.

Of the total number of Directors who, from time to time, make up the Board, the Directors referred to in letter b) above will constitute the majority, provided that the number of Directors appointed pursuant to the right of the Shareholders to be represented on the Board in proportion to their ownership interests in the capital stock so permits.

The term of office for the Directors will be four years, and they may be reappointed for equal terms except for Directors appointed under Article 37.b) of the Corporate Bylaws, who may only be reappointed for a second term.

Under Article 36 of the Corporate Bylaws and in accordance with Article 141 of the Corporations Law, the Board regulates its organization and functioning under its own Regulations.

Article 37 of the Corporate Bylaws establishes that the Shareholders' Meeting is responsible for appointing and removing Directors, while the office of Director may be waived, revoked, and the subject of reappointment. Proposals by the Board for the appointment or reappointment of Directors will fall, as established by Article 5 of the Board Regulations, to persons of renowned prestige who possess the suitable professional experience and knowledge to perform their functions and who give a commitment to provide a sufficient level of dedication to perform the tasks of the office.

The Board will meet at least once every two months, and whenever the Chairman sees fit or when one-third of its members so requests. Resolutions will be adopted by an absolute majority of the Directors, attending the Meeting in person or by proxy. In the event of a tie, the Chairman or whoever stands in for him/her at the Meeting will have the casting vote.

## FUNCTIONS OF THE BOARD OF DIRECTORS

In accordance with the Corporations Law and the Corporate Bylaws, the Board of Directors governs and manages the Company.

The Board is responsible for the following general functions, which will be discharged by the Board sitting in plenary session or through its commissions and committees:

- a) To establish corporate strategy and management guidelines.
- b) To oversee the conduct of Senior Executives, hold them accountable for their decisions and evaluate their conduct of business.
- c) To ensure the transparency of the Company's relations with third parties.

In implementing the provisions of the Corporate Bylaws, the Board will define the general strategy of the Business Group formed from holdings in other companies.

In accordance with the law and the Bylaws, and under Article 141 of the Corporations Law, the Board will regulate its own functioning and that of its commissions and committees, make its Regulations, which will be binding on the members of the Board, and act in plenary session or through its commissions and committees.

## INCOMPATIBILITIES OF DIRECTORS

The Directors will be subject to the following incompatibilities:

- a) A Director may not be older than 70 years of age. The Chief Executive Officer may not be older than 65, although he/she may remain as a Director.
- b) Directors may not hold office or discharge duties of representation, management or counselling at competing companies or hold such office or discharge such duties at companies which have a position of control at competing companies.
- c) Directors may not simultaneously be members of more than five Boards of Directors. For these purposes, the Boards of Directors of the various investees, the Boards of Directors of the Group or the shareholding entity represented by the Director, and the Managing Bodies of companies at which the Director's personal or family ownership interest entitles him/her to form part of those Managing Bodies, will not be computed.
- d) Persons who, themselves or through an interposed person, hold office at, or are representatives of, or are related to, entities which are habitual customers of, or suppliers of goods and services to, the Company may not be members of the Board if this status could give rise to a conflict of interest with the Company. Finan-



cial institutions, as providers of financial services to the Company, are excluded.

## SEPARATION OF FUNCTIONS

The Chairman of the Board and the Chief Executive Officer, as the highest authorities at individual level in the Company, will have differentiated functions as established in the Corporate Bylaws and in the Board Regulations.

In addition to the functions assigned by the legislation in force and the Bylaws, the Chairman will also be responsible for promoting the governance of the Company and of its investees, directing the functioning of the Board, ensuring that the members of the Board have adequate information, and representing the Company, in particular in dealings with the various public authorities, securities market institutions, public agencies, companies and associations in the electricity industry.

There is no specific limitation or incompatibility for being Chairman other than those relating to Directors. The Chairman must be appointed by the Board of Directors.

The Chairman chairs the Executive Committee, has permanent authority to represent the Committee in accordance with the Corporate Bylaws, and, in any voting, has the casting vote.

The Chief Executive Officer is responsible for overseeing the management of the Company, in accordance with the decisions made and criteria set by the Board of Directors and the Executive Committee, has ultimate authority over all services provided by the Company and heads up its senior management team.

The Chief Executive is also responsible for implementing the strategy of all ENDESA investees, and accordingly, notwithstanding the individual bylaws of each company, for overseeing the general and senior management of those companies.

## DELEGATION OF POWERS

Article 47 of the Corporate Bylaws provides that the Board of Directors may delegate temporarily or permanently to the Executive Committee, to the Chief Executive Officer, and to the various Board Committees all or part of its powers, except those which, by law or by resolution of the Shareholders' Meeting, fall within its exclusive jurisdiction.

The permanent delegation of the powers of the Board of Directors to the Executive Committee and to the Chief Executive Officer and the appointment of the Directors who are to hold such offices will require the affirmative vote of two thirds of the members of the Board

to be valid and will not become effective until they are registered at the Mercantile Registry.

The Executive Committee and the Chief Executive Officer will inform the Board of Directors of the main decisions adopted in the exercise of the delegated powers.

In this connection, on 23 June 1972, the Board of Directors of ENDESA, in accordance with the provisions of the Corporate Bylaws, established an Executive Committee to which it delegated all its functions on a permanent basis, except those which, by law or by resolution of the Shareholders' Meeting, fell within its exclusive jurisdiction.

Also, on 31 March 2000, the Board of Directors delegated to the Chief Executive Officer, Rafael Miranda Robredo, each and every one of the powers of the Board of Directors delegable by law or under the bylaws.

In accordance with the provisions of Article 149 of the Mercantile Registry Regulations, the powers delegated to the Chief Executive Officer will be exercised by the Chief Executive Officer jointly with respect to the powers vested in the Executive Committee of the Board of Directors.

## EXECUTIVE COMMITTEE

The Executive Committee will be composed of a minimum of five and a maximum of seven Directors, including the Chairman and the Chief Executive Officer. The appointment of the members of the Executive Committee will require the affirmative vote of at least two-thirds of the members of the Board. It will meet at least once a month.

The Executive Committee will be chaired by the Chairman of the Board of Directors, and the Secretary of the Board will act as its Secretary. The rules on substitutions of these officers are as established for the Board of Directors.

## AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee will be composed of a minimum of four and a maximum of six members of the Board, designated by the affirmative vote of the majority of the Board itself. The majority of Committee members must be Directors whose relationship with the Company is confined to their status as Board members.

The Chairman of the Committee will be designated from among its members by the Board, by the affirmative vote of the majority of the Board itself. The Chairman must be replaced every four years, and may be reappointed one year after standing down.

In the absence of the Chairman, the member of the Committee provisionally appointed by the Board of Directors will substitute for him/her and, in the absence of such member, the eldest member of the Committee.

The Audit and Compliance Committee will meet as often as called by its Chairman, when the majority of its members so decides, or at the request of the Board of Directors. Committee meetings will take place at the Company's registered office or elsewhere as determined by the Chairman and stated in the call notice.

The Committee will be validly convened when a majority of its members are present. Resolutions must be adopted by the affirmative vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman, or whoever is performing his/her functions, will have the casting vote.

The Secretary of the Board of Directors will be the Secretary of the Committee, and will draw up minutes of the resolutions adopted, on which he/shewill report to the Board.

## APPOINTMENTS AND COMPENSATION COMMITTEE

The Appointments and Compensation Committee will be composed of a minimum of four and a maximum of six Board members, designated by the affirmative vote of the majority of the Board itself. The majority of Committee members must be Directors whose relationship with the Company is confined to their status as Board members.

The Chairman of the Appointments and Compensation Committee will be designated from among its members by the Board, by the affirmative vote of the majority of the Board itself. The Chairman must be replaced every four years, and may be reappointed one year after standing down.

In the absence of the Chairman, the Director provisionally appointed by the Board of Directors will substitute for him/her and, in the absence of such member, the eldest member of the Committee.

The Appointments and Compensation Committee will meet as often as called by its Chairman, when the majority of its members so decides, or at the request of the Board of Directors. Committee meetings will take place at the Company's registered office or elsewhere as determined by the Chairman and stated in the call notice.

The Committee will be validly convened when a majority of its members are present. Resolutions must be adopted by the affirmative vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman, or whoever is performing his/her functions, will have the casting vote.

The Secretary of the Board of Directors will be the Secretary of the Committee and will draw up minutes of the resolutions adopted, on which he/shewill report to the Board.

In 2005 the Appointments and Compensation Committee held seven meetings, all of which were attended by its Chairman.

## PROFILES OF DIRECTORS

### **Alonso Ureba, Alberto**

03-07-1953. Seville.

**Education:** Degree in Law; Doctorate from the Complutense University of Madrid and PhD student at the Universities of Bonn, Freiburg and the Université Libre de Bruxelles; Extraordinary Prize awarded in Degree in Private Law and Extraordinary Prize awarded in Doctorate; Professor of Commercial Law.

**Experience:** Academic and teaching posts at various Spanish universities from 1975 to date; Member of the Madrid Bar Association; domestic and international commercial law adviser.

**Current occupation:** Practicing lawyer; Professor of Commercial Law at King Juan Carlos University, Madrid.

**Boards of Directors:** Director of Zeltia, S.A.; Director of Lazarejo, S.A.; Director of Neuropharma, S.A.

**Other activities:** Ex-officio Member of the General Codification Commission; Secretary/Founder of *Companies Review* (Aranzadi); Member of the Editorial Board of the *Aranzadi Civil Law Review*; Member of the Editorial Committee of the *Law and Commerce Notebooks Magazine*; General Coordinator in Spain of McGraw Hill "Legal Sciences."

### **Blesa de la Parra, Miguel**

08-08-1947. Linares (Jaén).

**Education:** Degree in Law from the University of Granada; State Financial and Tax Inspector.

**Experience:** Ministry of Economy and Finance (1978-1986); practiced privately as a specialist in Tax Law (1986-1996); Member of the Board of Directors of Caja Madrid; Member of the Board of Directors of Antena 3 TV; Member of the Board of Directors of the public entity Radio Television de Madrid.

**Current occupation:** Chairman of Caja Madrid; Chairman of Corporación Financiera Caja Madrid; Chairman of Altae Banco; Chairman of the Caja Madrid Foundation; Deputy Chairman of the Spanish Confederation of Savings Banks (CECA).

**Boards of Directors:** Nominee Deputy Chairman of Iberia, L.A.E.

**Other activities:** Chairman of Fundación General Universidad Complutense; Trustee of Fundación Colección Thyssen Bornemisza; Member of the Managing Board of APD; Trustee of Fundación Príncipe de Asturias; Member of the Managing Board of IFEMA; Trustee and Member of the Investment Committee of Fundación Pro Real Academia Española; Trustee of Fundación Ayuda a la Drogadicción; Trustee of Fundación Real Fábrica de Tapices.

**Fernández Cuevas, José María**

13-11-1936. La Losa (Segovia).

**Education:** Doctorate in Industrial Engineering from Madrid Polytechnic University; Degree in Business Administration from ICADE; Industrial engineer at the service of the Tax Authorities; Auditor.

**Experience:** State Tax Inspector (currently on leave of absence); Deputy General Manager of Banco de Crédito Industrial; Director-General of Traffic; Under-Secretary for Public Authorities; Director-General of the Spanish National Health Service (Insalud); Finance Director of Grupo Manuel Fernández Fernández, S.A.; Guest Lecturer on Business Economics at the Madrid Complutense University.

**Current occupation:** Private industrial engineering practice and Economist.

**Boards of Directors:** Non-Director Secretary of Cliner, S.A.

**Other activities:** Director of Fundación ADA; Controller of the Madrid Official Industrial Engineers Association; Deputy Chairman of the Madrid Industrial Engineers Association.

**Fernández Norniella, José Manuel**

09-10-1945. Oviedo.

**Education:** Degree in Energy Techniques Engineering from Madrid Polytechnic University; Diploma in Foreign Trade; Diploma in Logistics and Procurement.

**Experience:** Commercial Manager at Electromecanique; Head of Purchasing Department of Alfa Laval, S.A.; Plant Manager at MSA; General Manager for Administration at ABB; Member of the Board of Directors of RTVE; Deputy Chairman of Aldeasa; Chairman of Ebro-Puleva, S.A.

**Current occupation:** Director of Iberia, L.A.E.

**Boards of Directors:** Director of Enagas, S.A.; Deputy Chairman of Chilectra, S.A. representing ENDESA, S.A.

**González-Gallarza Morales, Rafael**

09-11-1934. Madrid.

**Education:** Degree in Law from the Complutense University of Madrid; Holder of a Higher Diploma in Luxembourg Comparative Law.

**Experience:** Official in the Civil Authorities Technical Corps; Expert at UNESCO and the OECD; Technical Secretary General of Justice and of the Spanish Prime Minister's Office.

**Current occupation:** Chairman of Prensa Malagueña, S.A.

**Boards of Directors:** Director of Pernod Ricard, Paris; Director of Prensa Malagueña, S.A.; Director of Endesa Internacional, S.A. representing ENDESA, S.A.

**Other activities:** Trustee of Fundación contra la Esclerosis Múltiple de Madrid.

**Miranda Robredo, Rafael**

31-05-1949. Burgos.

**Education:** Higher Industrial Engineer of the ICAI; Holder of M.S. Diploma in Quantitative Management Methods from the School of Industrial Organisation (EOI).

**Experience:** Tudor, S.A. (1973-1984); Deputy General Manager of Campofrío, S.A. (1984-1987); General Manager of ENDESA (1987-1997); former Director of Red Eléctrica de España, S.A. (REE); former Director of Unión Eléctrica Fenosa, S.A.; former Director of Aguas de Barcelona, S.A.; Director of AUNA.

**Current occupation:** Chief Executive Officer of ENDESA, S.A. (1997).

**Boards of Directors:** Chairman of Endesa Internacional, S.A., Chairman of Endesa Europa, S.L.; Deputy Chairman of Enersis, S.A.

**Other activities:** Chairman of EURELECTRIC (European Electricity Industry Association); Member of American Management Associations; Member of the "Social Council" of the Autonomous University of Madrid; Member of the Board of Trustees of Fundación ENDESA; Member of the Spanish Board of the INSEAD; Member of Fundación Universidad Pontificia de Comillas; Member of the Managing Board of APD.

**Núñez Boluda, Francisco**

22-04-1948. Madrid.

**Education:** Degree in Law from the Complutense University of Madrid; State Financial and Tax Inspector.

**Experience:** Technical posts at the Ministry of Finance; Tax and Legal Advisor to the Madrid Stock Exchange; Director of the Madrid Official Stockbrokers Association.

**Current occupation:** Director of Madrid Notaries Association.

**Boards of Directors:** Director of Endesa Europa, S.L., representing ENDESA, S.A.

**Pizarro Moreno, Manuel**

29-09-1951. Teruel.

**Education:** Degree in Law from the Complutense University of Madrid (1973); Government Lawyer (1978); Stockbroker (1987).

**Experience:** Chairman of the Madrid Stock Exchange (July 1991–December 1992; July 1994–December 1995); Chairman of Ibercaja (November 1995 – May 2004); Chairman of the Spanish Confederation of Savings Banks (March 1998–May 2002); Chairman of the World Institute of Savings Banks (November 2000–May 2002).

**Current occupation:** Chairman of ENDESA, S.A. (May 2002).

**Boards of Directors:** Deputy Chairman of the Madrid Stock Exchange (December 1995); Deputy Chairman of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (February 2002).

**Other activities:** Full member of the Royal Academy of Case Law and Legislation; Full Member of the Royal Academy of Economics and Finance; Full Member of the Aragón Royal Academy of Case Law and Legislation.

**Quintás Seoane, Juan Ramón**

14-08-1943. A Coruña.

**Education:** Doctorate in Economics (Extraordinary Prize); Diploma in the General Management Programme of IESE; Degree in Mathematical Methods in Investment and Finance in International School on Mathematical Systems Theory; Degree in Mathematical Models of Action and Reaction in International School on Mathematical Systems Theory.

**Experience:** Full University Professor specialising in Economic Theory; Chairman of Sociedad para el Desarrollo Industrial de Galicia (SODIGA); Assistant General Manager of Caixa Galicia; General Manager of the Spanish Confederation of Savings Banks (CECA).

**Current occupation:** Chairman and General Manager of the Spanish Confederation of Savings Banks (CECA); Deputy Chairman of the European Savings Banks Group; Member of the Managing Committee of the Savings Bank Deposit Guarantee Fund.

**Boards of Directors:** Director of CASER Grupo Asegurador; Director of LICO Corporación, S.A.; Director of Ahorro Corporación; Deputy Chairman of the European Savings Banks Group.

**Other activities:** Member of the Executive Committee, Managing Board and Assembly of the CEOE; Member elect of the Spanish Council of State, Full Member of the Galician Academy of Sciences; Member of the Advisory Board of Fundación Reina Sofía.; and member of the Board of Trustees of Fundación Carolina.

**Ramos Gascón, Francisco Javier**

07-08-1936. Madrid.

**Education:** Degree in Law from the Complutense University of Madrid; Degree in Economics from the Complutense University of Madrid; Mercantile Intendant Higher School of Trade; Certified Public Accountant.

**Experience:** Intendant at the Ministry of Finance; Madrid Stockbroker; Certified Trader of Madrid; Member of the Madrid Bar Association (specialties: commercial and tax law); Director General of Financial Policy (Ministry of Finance); Trustee Chairman of the Madrid Stock Exchange.

**Current occupation:** Madrid Notary.

**Boards of Directors:** Independent Director of Sociedad Rectora de la Bolsa de Madrid, S.A. and Director of its Standing Committee; Chairman of Araluz de Inversiones, S.A. SIMCAV; Director of Endesa Europa, S.L. representing ENDESA, S.A.

**Other activities:** Chairman of the Institute of Securities Market Studies; Director of Fundación de Estudios de Economía Aplicada (FED-ERA); Member of the Board of Trustees of the University of Nebrija.

**Recarte García-Andrade, Alberto**

14-03-1947. Madrid.

**Education:** Degree in Law from the Complutense University of Madrid (1969); Degree in Economics from the Complutense University of Madrid (1973); Qualified State Economist.

**Experience:** Member of the Board of Trade at the Spanish Embassy in Havana (1974-1978); Director General de Organización del Gabinete del Presidente del Gobierno (1978-1980); General Manager of the Spanish Prime Minister's office (1980-1982); Chief Executive Office of Caja Postal de Ahorros (1980-1982); Deputy Chairman of Círculo de Empresarios.

**Current occupation:** Executive Vice Chairman and Chief Executive Officer of Centurión, Española de Coordinación Técnica y Financiera, S.A.

**Boards of Directors:** Director of Caja Madrid: Director of Altae Banco, S.A.; Director of Corporación de Caja Madrid; Director of Endesa Europa, S.L.; Chairman of Libertad Digital, S.A.; Joint Administrator of Inversiones Loarga, S.A.

**Other activities:** Trustee of Fundación Caja Madrid; Deputy Chairman of Fundación Hispano-Cubana; Member of the Board of Trustees of Fundación de Apoyo a la Historia del Arte Hispánico; Member of the Managing Board of the Madrid Family Business Association; Trustee of Fundación Lázaro Galdiano; Deputy Chairman of Club de Exportadores; Chairman of the *Libertad Digital* newspaper.

**Ríos Navarro, Manuel**

11-08-1958. Valencia.

**Education:** Degree in Law from the University of Valencia; Degree in Macroeconomics and Marketing from Boston University (USA).

**Experience:** Sales Manager of Industrias Peleteras, S.A.; Director of Tenerías Omega; Director of Bancaja.

**Current occupation:** Deputy Chairman and General Manager of Industrias Peleteras, S.A. (INPELSA).

**Boards of Directors:** Director of Endesa Internacional, S.A. representing ENDESA, S.A.; Deputy Chairman of Industrias Peleteras, S.A.; Director of Rimalo Inversiones SICAV S.A.

**Other activities:** Deputy Chairman of the Executive Committee of the Valencia Trade Fair; Deputy Chairman of Fundación Bancaja; Member of the Managing Board of Cec-Fecur; Member of the Board of Trustees of Fundación Etnor.

***Rosell Lastortras, Juan***

13-01-1957. Barcelona.

**Education:** Industrial Engineer from the Barcelona Polytechnic University; Studies in Political Science from the Complutense University of Madrid.

**Experience:** General Manager of Congost, S.A.; Chairman of ENHER, S.A.; Chairman of FECSA.

**Current occupation:** Chairman of OMB, Sistemas Integrados para la Higiene Urbana, S.A.; Chairman of Congost Plastic, S.A.; Chairman of Corporación Uniland, S.A.

**Boards of Directors:** Director of Inmobiliaria Colonial, S.A.; Director of Sociedad General de Aguas de Barcelona, S.A.; Director of Siemens, S.A.; Director of Applus Servicios Tecnológicos, S.L.; Chairman of the Ibero-American Logistics Institute; Director of Ecoarome Alimentaria, S.A.; Director of Gilac Industrial, S.L.; Director of Cadenplastic, S.L.; Director of Civislar, S.A.

**Other activities:** Chairman of the Spanish Labour Promotion office; Vice Chairman of the CEOE (Employers' Association); Chairman of the International Logistics Institute; Chairman of the Social Economic Board of the University of Abat Oliba CEU; Chairman of FORDERE; Trustee of Fundación FC Barcelona; Trustee of Fundación CEOE; Member of the Mont Pelerin Society.

***Serna Masía, José***

01-12-1942. Albacete.

**Education:** Degree in Law from the Complutense University of Madrid; Government Lawyer (1970); Stockbroker (1986).

**Experience:** Chairman of the Barcelona Stock Exchange (1989-1993); Chairman of Sociedad de Bolsas Españolas (1991-1992); Deputy Chairman of MEFFSA (1992-1993); Deputy Chairman of Societé Générale Valores (1991-1994).

**Current occupation:** Barcelona Notary.

**Boards of Directors:** Director of Endesa Europa, S.L. representing ENDESA, S.A.

# SECRETARY OF THE BOARD OF DIRECTORS

The Board of Directors has authority to appoint a Secretary and, where appropriate, a Deputy Secretary, neither of whom need be a Director; in the event of a vacancy or absence or if neither attend, they will be substituted by the youngest Director among the attendees at the meeting.

The Secretary, who must be a law graduate, has the following responsibilities, apart from the functions conferred by law and by the Bylaws, in conformity with Article 38 of the Board Regulations:

- To keep the corporate documentation, duly reflect in the minutes books the proceedings at meetings and certify the resolutions of the corporate bodies.
- To ensure that the activities of the Board are lawful from the formal and substantive standpoints, and ensure that its procedures and rules of governance are respected.
- To channel, in general, dealings between the Company and the Directors in all matters relating to the functioning of the Board, in conformity with the Chairman's instructions.
- To deal with requests from Directors for information and documentation on matters of which the Board should be apprised.
- To ensure observance of the principles and rules of corporate governance and the provisions of the Bylaws and Regulations of the Company.

Without prejudice to his/her reporting to the Board Chairman, the Secretary has independence to professionally perform the functions set forth in the preceding sections.

The Secretary, who will have such status on the various corporate bodies, may also hold office as legal counsel to the corporate bodies and as General Secretary, and in this latter capacity he/she may, reporting to the Chief Executive Officer, assist with the integration, coordination and consolidation of the Company and its lines of business.

## PROFILE OF THE SECRETARY OF THE BOARD

### **Montejo Velilla, Salvador**

24-06-1958. Madrid.

**Education:** Degree in Law from the University of Valencia; Doctorate in Law from the Complutense University of Madrid; Degree in Economics from the University of Valencia; Counsel to the Spanish Parliament.

**Experience:** Counsel to the Spanish Houses of Parliament (1983–1999); Director of Economic Affairs of the Spanish Parliamen-

tary Lower House (1985-1996); Controller of the Spanish Parliamentary Lower House (1996-1999); Associate Professor in Financial and Tax Law, Complutense University of Madrid (1990-1999).

**Current occupation:** General Secretary and Secretary of the Board of Directors of ENDESA, S.A.

**Other activities:** Member of the Board of Trustees of Fundación ENDESA and of its Standing Committee; Member of the Board of Trustees of Fundación SEVILLANA and of its Standing Committee.

# FUNCTIONING OF AND PROCEEDINGS AT THE SHAREHOLDERS' MEETING

On 19 June 2003, the Shareholders' Meeting of ENDESA, S.A., in compliance with the provisions of the Corporate Bylaws, approved its Regulations at the proposal of the Board of Directors of ENDESA, S.A., in order to facilitate Shareholder participation at the Shareholders' Meeting. These regulations were amended on 2 April 2004.

The Regulations regulate, in conformity with statutory provisions and the Bylaws, the organisation and functioning of the Shareholders' Meeting, its call notices, preparation, information, attendance and proceedings, in order to make it easier for Shareholders to exercise their rights.

Following is a summary of the most relevant aspects of the rules governing the functioning of the Shareholders' Meeting as included in its Regulations:

**Classes.** The Shareholders convened in a duly called Shareholders' Meeting decide by majority on matters specific to the jurisdiction of the Meeting. All Shareholders are subject to the resolutions of the Meeting, including dissenting Shareholders and those who have not participated in the Meeting.

Shareholders' Meetings may be annual or special. An Annual Shareholders' Meeting, previously called for such purpose, must be held within the first six months of each fiscal year to scrutinise the conduct of business, approve, as the case may be, the prior year's financial statements and resolve on the appropriation of income or allocation of loss.

Any Meeting other than as provided for in the preceding paragraph will be deemed to be a Special Shareholders' Meeting.

**Powers.** The Shareholders' Meeting is the competent body for resolving on all matters reserved for its decision by the Law or the Corporate Bylaws and, in general, for adopting all resolutions specific to it as the supreme body of the Company.

**Call notices.** The Board of Directors will call an Annual Shareholders' Meeting to be held within the first six months of each fiscal year and a Special Shareholders' Meeting whenever it so deems appropriate for the interests of the Company.

The Board of Directors must also call a Shareholders' Meeting if Shareholders holding at least 5 percent of the capital stock so request, stating in the request the business to be transacted at that Meeting. In such a case, the Shareholders' Meeting must be called to be held within thirty days following the date on which notice of the request to call it was served by a notary. The Board of Directors will draw up the agenda, which must include the business requested.

Without prejudice to the foregoing, if there is a situation which, in the opinion of the Chairman of the Board of Directors or whoever substitutes for him/her, is of singular importance to the Company and its Shareholders, the Chairman, or his/her substitute, may call a Special Shareholders' Meeting to analyse the situation in question and, as the case may be, adopt the relevant resolutions.

**Right to information.** As soon as the call notice of the Shareholders' Meeting is served, any Shareholder may, immediately and at no charge, obtain from the Company at its registered office, the financial statements, the proposed appropriation of income or allocation of loss, the management report and the auditors' report.

The Shareholders may also inspect at the registered office the proposed resolutions, the reports and other documentation which is required to be made available pursuant to the Law.

In such cases as may be legally applicable, the Shareholders may also request that the full wording of the documents made available to them be delivered or sent to them at no charge.

Shareholders may request in writing, before the Shareholders' Meeting, such reports or clarifications as they may deem necessary on the items included on the agenda. The Directors will be obliged to furnish such reports or clarifications to them, unless, in the opinion of the Chairman, the public disclosure of the data requested would harm the Company's interests. This exception will not apply if the request is supported by Shareholders representing at least one quarter of the capital stock.

**Right to attend.** Shareholders who, individually or grouped together with others, hold at least 50 shares, may attend Shareholders' Meetings provided that they have registered their shares in the appropriate book entry accounting record five days before the Meeting is held and they obtain the relevant attendance card.

**Representation by proxy.** Any Shareholder who has the right to attend, without prejudice to the provisions of the Law concerning cases of family representation or the grant of general powers of attorney, may be represented at a Shareholders' Meeting by another person. Proxies must be granted in writing and specially for each Shareholders' Meeting. In any event, whether in the case of voluntary proxies or legal proxies, not more than one proxyholder can attend a Meeting.

A proxy can be revoked at any time. Personal attendance at the Shareholders' Meeting by the grantor of a proxy will be deemed to constitute a revocation of the proxy.

**Convening Meetings.** The Shareholders' Meeting will be validly convened on first call if the Shareholders present in person or by proxy hold at least 25 percent of the subscribed voting capital stock. On second call, the Meeting will be validly convened regardless of the capital stock attending it.

Debenture issues, capital increases or reductions, changes in the legal form, or the merger or spin-off, of the Company and, in general, any amendment to the Corporate Bylaws will require on first call the attendance in person or by proxy of Shareholders holding at least 50 percent of the subscribed voting capital stock. On second call, the attendance of 25 percent of that capital stock will suffice.

**Chairman and Presiding Panel.** Shareholders' Meetings will be chaired by the Chairman of the Board of Directors who will be assisted by a Secretary, who will be the Secretary of the Board of Directors. The Presiding Panel will be composed of the Board of Directors.

**List of attendees.** Attendance cards and proxies will be accepted up to the time set for the Shareholders' Meeting to start. Before transacting the business on the agenda, a list of attendees will be drawn up, stating the nature or representative capacity of each of them and the number of shares, held by them or third parties, with which they attend.

**Proceedings.** Once the list of attendees has been drawn up, the Chairman will declare the Meeting to be validly convened and then allow the Notary to take the floor so that he/she can ask the attendees if they have any reservations concerning or objections to the data disclosed or to the valid convening of the Meeting, indicating that whoever wishes to express such reservations or raise such objections must do so by making a statement in the presence of the same Notary so that it can be duly noted in the Minutes of the Meeting.

The Chairman will invite Shareholders who wish to participate in the Meeting to request information or propose resolutions regarding the items on the agenda or to make any other statement so that, in the presence of the Notary, they can have their request, proposed resolutions or statement duly noted after indicating their personal particulars and the number of shares held by them or, as the case may be, represented by them.

The Chairman of the Meeting and such persons as he/she may designate for the purpose will address the attendees to present their respective reports. Then, the Chairman will invite Shareholders who have so requested to take the floor, after determining the order in which they are to be called to do so. Each Shareholder will initially have five minutes on the floor, although the Chairman of the Meeting may extend the time allotted.

During the time allotted to them for speaking on the floor, the Shareholders may request such reports or clarifications as they deem necessary regarding the items on the agenda. The Chairman is responsible, as provided in the Law, for furnishing the information request-

ed, although he/she may, if he/she deems it appropriate due to its nature, entrust this function to the Managing Director, to any member of the Presiding Panel or to such expert as he/she may consider suitable.

If the information requested is not available at the Meeting, it will be made available to the Shareholders at the registered office of the Company within 7 days following the date on which the Meeting was held.

Also, in light of the proposed resolutions delivered to them before the start of the Meeting, Shareholders may, while speaking on the floor, submit alternative proposals on any item on the agenda, except in cases where by law they must be available to the Shareholders at the registered office when the call notice is published. In addition, while speaking on the floor they may propose the adoption of resolutions on business which does not have to be stated on the agenda for the Meeting in order to be debated and decided on by the Meeting.

Shareholders who wish to have the entirety of what they say on the floor noted in the Minutes must expressly make a request to this effect and deliver to the Notary, before taking the floor, the written transcript of their speech so that it can be verified and subsequently attached to the original Minutes.

Lastly, the different proposed resolutions to be adopted by the affirmative vote of the majority of the voting capital stock attending the Meeting in person or by proxy will be put to a vote, subject to the qualified quorums for convening and voting at Meetings established in the Law and in the Corporate Bylaws.

If proposals have been submitted on business that does not have to be stated on the agenda for the Meeting to be able to resolve on it, the Chairman will decide on the order in which they are to be put to a vote. Otherwise, the resolutions will be adopted pursuant to the agenda set forth in the call notice.

After being read out by the Secretary, a step which can be dispensed with if no Shareholder opposes doing so, the proposed resolutions which in each case have been submitted by the Board of Directors will first be put to a vote and, if appropriate, those submitted by others will be voted on pursuant to an order of priority in time. In any event, once a proposed resolution has been approved, all those relating to the same item of business and which are incompatible with it will fail automatically and, therefore, will not be put to a vote.

To adopt resolutions, the following system for determining votes will be used:

- a) In the case of resolutions on items included on the agenda, the votes corresponding to all the shares attending the Meeting, whether in person or by proxy, less the votes corresponding to the shares the holders or proxyholders of which inform the Notary by written notice or a personal representation of their vote against,



or blank vote or abstention, will be deemed to be votes for the proposal put to a vote.

- b) In the case of resolutions on items not included on the agenda, the votes corresponding to all the shares attending the Meeting, whether in person or by proxy, less the votes corresponding to the shares the holders or proxyholders of which inform the Notary by written notice or personal representation of their vote for, blank vote or abstention, will be deemed to be votes against the proposal put to a vote.
- c) For the purposes of the two preceding letters, shares which appear on the list of attendees less those of holders or proxyholders who have absented themselves from the Meeting before the voting and have placed this circumstance on record in the presence of the Notary, will be deemed to be shares attending the Meeting.

Notwithstanding the provisions of the preceding letters, and having regard to the circumstances prevailing in each case, the Presiding Panel may resolve that in order to adopt resolutions any other system for determining votes that permits verification of the obtainment of the affirmative votes necessary for their approval and the recording of the result of the voting in the Minutes be used.

Whatever the system used to determine the voting, verification by the Presiding Panel of the Meeting that there is a sufficient number of affirmative votes to attain the necessary majority in each case will permit the Chairman to declare the proposed resolution in question approved.

Once voting on the proposed resolutions has finished, the Meeting will conclude and the Chairman will adjourn it.

**Voting and proxies by remote means of communication.** Shareholders entitled to attend and vote may cast their votes on proposals relating to business on the agenda, by mail or by electronic communication, as provided for in the Corporate Bylaws, in the Shareholders' Meeting Regulations, and in such supplemental and implementing provisions as may be established by the Board of Directors.

Votes by mail will be cast by sending to the Company the attendance card issued by it or by entities charged with keeping the book-entry record, without prejudice to any other requirements or conditions that may be imposed by the Board of Directors.

Votes by electronic communication will be cast by using a qualified electronic signature and any other kind of safeguard seen fit by the Board of Directors to ensure the authenticity and identity of the Shareholder exercising the right of vote, also without prejudice to any other requirements or conditions that may be imposed by the Board of Directors.

Votes cast by either means must be received by the Company 24 hours before the date and time set for the Shareholders' Meeting on first call. Otherwise, the vote will be deemed not to have been cast.

Shareholders with the right to attend and who cast their votes remotely as provided will be deemed to be present for the purpose of convening the Shareholders' Meeting in question.

The above-mentioned provisions for casting votes by remote means of communication will also apply to the granting of proxies by Shareholders for the Shareholders' Meeting by electronic communication or by any other remote means of communication.

Attendance in person by a Shareholder at the Shareholders' Meeting will have the effect of revoking any vote cast by post or electronically. Attendance in person by the grantor of the proxy at the Shareholders' Meeting will also have the effect of revoking the proxy granted by e-mail or by any other means of remote communication provided for in the Shareholders' Meeting Regulations.

**Minutes.** The Minutes of the Meeting will be drawn up by a Notary and need not be approved by the attendees. For such purposes, the Board of Directors will resolve to request a Notary of its choice to draw up the Minutes.

**Limitation on voting rights.** Shareholders will be entitled to one vote for each share that they hold or represent, except for non-voting shares, which will be governed by the provisions of Article 8 of the Corporate Bylaws. As an exception to the provisions of the preceding sentence, no Shareholder may, in relation to the shares held by him/her, cast a number of votes higher than that corresponding to 10 percent of the total voting capital stock existing from time to time even if the shares held by him/her exceed 10 percent.

To compute the maximum number of votes that each Shareholder can cast and for the purposes of what is provided for above, the shares held by each of them must be included, but shares corresponding to other Shareholders who have granted a proxy to that Shareholder will not be included, without prejudice to the same 10 percent limit on votes corresponding to the shares held by each of the Shareholders granting a proxy also applying to them individually.

The limitation described in the preceding paragraphs will also apply to the maximum number of votes which can be cast by two or more corporate Shareholders belonging to the same group of entities, whether jointly or separately, as well as to the maximum number of votes which can be cast by an individual Shareholder and any shareholding entity or entities controlled by that individual, whether jointly or separately.

For the purposes stated in the preceding paragraph, to consider whether a group of entities exists, regard will be had to the provisions of the current Securities Market Law of July 28, 1988, and it will be deemed that an individual controls one or more entities if, in the relationship between that individual and the entity or entities in question, any of the circumstances of control that a controlling entity is required to have under the aforementioned Law with respect to its controlled entities exists.

Likewise, the relationship between any individual or corporate Shareholder and interposed, fiduciary or like persons or entities that are in turn Shareholders of the Company, as well as funds, investment institutions or similar entities that are also Shareholders of the Company, or other Shareholders through voting trust agreements, will be equated to the relationship of control in Article 4 of the Securities Market Law if the exercise of the voting rights attaching to the shares held by such persons or entities is determined directly or indirectly by the Shareholder in question.

Shares that belong to the same holder, to a group of entities or to an individual or legal entity, and to entities controlled by such individual or legal entity, will be fully computable among the shares attending the Shareholders' Meeting to achieve the capital stock quorum necessary to validly convene the Meeting, but at the time of voting the established limit of 10 percent on the number of votes will apply to them.

**Extension and suspension.** At the proposal of the Presiding Panel or at the request of Shareholders representing one quarter of the capital present at the Shareholders' Meeting, the attendees may resolve to extend the sessions of the Meeting for one or more consecutive days.

Once the Meeting has been extended, compliance with the requirements imposed by the Law or by the Corporate Bylaws for it to be validly convened need not be repeated at the successive sessions. If any Shareholder included on the list of attendees drawn up at the start of the Meeting does not attend the successive sessions subsequently, the majorities necessary to adopt resolutions will continue to be determined at those sessions per the data from that list.

Exceptionally, if there are disturbances that substantially interrupt the proper order of the Meeting or there is any other extraordinary circumstance that temporarily hinders its normal conduct, the Presiding Panel may resolve to suspend the session for an appropriate time, but never for longer than two hours, in order to have the conditions necessary for it to continue restored.

In this case, the Chairman may adopt such measures as he/she deems appropriate to ensure the safety of those present and avoid any repetition of circumstances that may further disrupt the proper order of the Meeting.

If, after the Meeting has resumed, the circumstances that gave rise to the temporary suspension persist, the Chairman may ask the Board of Directors, if an absolute majority of its members is sitting on the Presiding Panel of the Meeting, to propose to the attendees that the Meeting be extended until the following day. If the extension is not, or cannot, be approved, the Meeting will be adjourned immediately.

**Disclosure.** Regardless of the disclosure measures required by statute or regulations in each case, the Shareholders may apprise themselves of the resolutions adopted by the Shareholders' Meeting on the Company's website, on which the full wording of such resolutions will be posted.

# RULES ON REMOTE VOTING AND PROXIES

As provided for in Article 30 bis of the Corporate Bylaws and Article 20 bis of the Shareholders' Meeting Regulation, the Board of Directors of ENDESA, S.A. ("ENDESA" or the "Company") has resolved that from the date the relevant call notice is published, the following rules on remote voting and proxies are to be applicable:

## 1. VOTING BY REMOTE MEANS OF COMMUNICATION

ENDESA Shareholders with the right to attend and vote may cast their votes on the business on the agenda for the Shareholders' Meeting by remote means of communication before the holding of the Meeting, as provided for in the Corporations Law, in Article 30 bis of the Corporate Bylaws and in Articles 10 and 20 bis of the Shareholders' Meeting Regulations.

### 1.1. Means for remote voting

The following are valid means for remote voting:

#### a) *Electronic means:*

To vote remotely by electronic communication with the Company, ENDESA Shareholders must go to the Company's website at [www.endesa.es](http://www.endesa.es), access the 2006 Shareholders' Meeting page, and select the "Remote Voting and Proxies" section.

Pursuant to the Bylaws and to the Shareholders' Meeting Regulations, the mechanism for casting votes by electronic means must have the due safeguards for the authenticity and identity of the Shareholder exercising the right to vote. The safeguards deemed appropriate by the Board of Directors, pursuant to Article 20 bis of the Shareholders' Meeting Regulations, to ensure the authenticity and identity of the Shareholder exercising the right to vote are a qualified electronic signature and an advanced electronic signature, as provided for in Electronic Signature Law 59/2003, where they are based on a qualified electronic certificate for which there is no record of its revocation and which has been issued by the Spanish Public Certification Authority (CERES), which reports to the Spanish Mint (*Fábrica Nacional de Moneda y Timbre*).

All Shareholders who have an electronic signature that meets the requirements indicated and who identify themselves by that signature may vote on the business on the agenda for the Shareholders' Meeting by going to the Company's website at [www.endesa.es](http://www.endesa.es) and following the procedure established on it.

#### b) *Post:*

For remote postal voting, Shareholders must fill out and sign the "Remote Postal Voting" section of the card for attendance, proxies and remote voting issued on paper by the entity participating in IBERCLEAR at which they have deposited their shares. Having filled out and signed by hand the card for attendance, proxies and remote voting in the "Remote Postal Voting" section, Shareholders can send the card:

1. by post to the address: ENDESA, S.A. (2006 SHAREHOLDERS' MEETING), CALLE RIBERA DEL LOIRA, 60, 28042 MADRID.
2. using the "postpaid" envelope, if any, accompanying the card.
3. by a courier service equivalent to the mail service to the address indicated above.
4. by handing over the filled-out and signed card to the entity participating in IBERCLEAR at which they have deposited their shares, although they must make sure that the entity forwards the card to ENDESA, in due time and form.

If the attendance card issued by the entity participating in IBERCLEAR does not have a "Remote Postal Voting" section, Shareholders wishing to cast their votes by post must download a Remote Voting Card from the ENDESA website at [www.endesa.es](http://www.endesa.es), print it on paper, fill it out and sign it, together with the attendance card issued by the entity participating in IBERCLEAR. Having filled out both cards and signed them by hand, Shareholders can send them:

1. by post to the following address: ENDESA, S.A. (2006 SHAREHOLDERS' MEETING), CALLE RIBERA DEL LOIRA, 60, 28042 MADRID.
2. by a courier service equivalent to the postal service to the address indicated above.
3. by handing over the filled-out and signed card to the entity participating in IBERCLEAR at which they have deposited their shares, although they must make sure that the entity forwards the card to ENDESA, in due time and form.

## 2. GRANTING PROXIES BY REMOTE MEANS OF COMMUNICATION

ENDESA Shareholders may grant proxies by remote means of communication before the Meeting is held, as provided for in the Corporations Law, in Article 30 bis of the Bylaws and in Article 20 bis of the Shareholders' Meeting Regulations.

## 2.1. Means for granting proxies

The following are valid remote means of communication for granting proxies:

### a) *Electronic means:*

To grant a proxy by electronic communication with the Company, ENDESA Shareholders must go to the Company's website at [www.endesa.es](http://www.endesa.es), access the 2006 Shareholders' Meeting page, and select the "Remote Voting and Proxies" section.

Pursuant to the Bylaws and to the Shareholders' Meeting Regulations, the mechanism for granting proxies by electronic means must have the due safeguards for the authenticity and identity of the Shareholder granting the proxy. The safeguards deemed appropriate by the Board of Directors, pursuant to Article 20 bis of the Shareholders' Meeting Regulations, to ensure the authenticity and identity of the Shareholder granting the proxy are a qualified electronic signature and an advanced electronic signature, as provided for in Electronic Signature Law 59/2003, where they are based on a qualified electronic certificate for which there is no record of its revocation and which has been issued by the Spanish Public Certification Authority (CERES), which reports to the Spanish Mint.

All Shareholders who have an electronic signature that meets the requirements indicated and who identify themselves by that signature may grant a proxy by going to the Company's website at [www.endesa.es](http://www.endesa.es) and following the procedure established in it. Shareholders granting proxies by electronic means must notify the designated proxyholder of the proxy that has been granted. Where a proxy is granted to any Director and/or to the Secretary of the Board of Directors of ENDESA, such notice is deemed to have been served upon receipt by ENDESA of the electronic proxy.

On the date and at the venue of the Meeting, the designated proxyholders must identify themselves with their national identity card or passport, if appropriate together with a copy of the electronic proxy, so that the Company can check the proxy granted to them.

The proxyholder can only exercise the Shareholder's vote by attending the Meeting in person.

### b) *Post:*

To grant postal proxies, Shareholders must fill out and sign the "Proxies" section on the attendance card, issued on paper by the relevant entity participating in IBERCLEAR. The proxyholder can only exercise the vote by attending the Meeting in person.

Shareholders can send the duly filled-out and signed card:

1. by post to the following address: ENDESA, S.A. (2006 SHAREHOLDERS' MEETING), CALLE RIBERA DEL LOIRA, 60, 28042 MADRID.

2. using the "prepaid" envelope, if any, accompanying the card.
3. by a courier service equivalent to the postal service to the address indicated above.
4. by handing over the filled-out and signed card to the entity participating in IBERCLEAR at which they have deposited their shares, although they must make sure that the entity forwards the card to ENDESA, in due time and form.

On the date and at the venue of the Meeting, the designated proxyholders must identify themselves with their national identity card or passport, if appropriate together with a copy of the proxy, so that the Company can check the proxy granted to them.

## 3. BASIC RULES ON REMOTE VOTING AND PROXIES

### 3.1. Deadline for receipt by the Company of votes cast and proxies granted remotely

In order to be valid and to comply with the Shareholders' Meeting Regulations, remote voting and proxies (be they electronic or postal) must be received by the Company 24 hours before the date and time set for the Meeting on first call. Otherwise, the proxy will be deemed not to have been granted and the vote not to have been cast, unless their later receipt prior to the holding of the Shareholders' Meeting poses no material problems for the due checks and calculations for preparing and holding the Meeting.

### 3.2. Rules of preference between proxies, remote voting and attendance in person at the Meeting

#### 3.2.1. Priorities between proxies, remote voting and attendance in person

- a) Personal attendance at the Shareholders' Meeting by a Shareholder who has granted a proxy or already cast his/her vote remotely, whichever means was used to do so, will render the proxy or vote cast remotely ineffective.
- b) Likewise, whichever means was used to cast it, a vote will render any proxy granted electronically or by means of a printed card ineffective, and the proxy will be deemed to have been revoked if granted previously, or not to have been granted at all if granted subsequently.

#### 3.2.2. Priorities between proxies

Should a Shareholder validly grant several proxies, the last one received by the Company will prevail.

### **3.2.3. Priorities between votes cast remotely**

A Shareholder may validly vote remotely once only for each securities position. Should a Shareholder cast several votes remotely for the same shares, whether electronically or by mail, the first one received by the Company will prevail, rendering those received subsequently invalid. Only by attending the Meeting personally can the Shareholder revoke or change his/her vote if cast remotely.

### **3.3. Other provisions**

Where electronic means are used, only one electronic action may be performed for each type of operation (one vote and one proxy).

Both proxies conferred and votes cast remotely will be rendered void if the shares conferring the right of attendance are disposed of and the Company is apprised thereof.

The safekeeping of electronic signatures for voting or granting proxies by electronic means is the sole responsibility of Shareholders.

### **3.4. Special rules**

Shareholders who are legal entities or who are not resident in Spain must contact the Shareholder Information Hotline on 900 666 900 to ascertain whether the mechanisms for remote voting and proxies can be adapted to their specific circumstances, with the due safeguards.

Likewise, if the Shareholder is a legal entity, it must notify the Company of any modification or revocation of the powers held by its representative and, therefore, ENDESA accepts no liability whatsoever until such notice is served.

## **4. TECHNICAL INCIDENTS**

ENDESA reserves the right to modify, suspend, cancel or restrict the mechanisms for electronic voting and proxies where technical or security reasons so require.

ENDESA shall accept no liability for any loss incurred by Shareholders as a result of breakdown, overload, line failure, connection fault, postal service malfunctioning, or any other eventuality of the same or a similar nature beyond the control of ENDESA and preventing the use of the remote voting and proxy mechanisms.

# RELEVANT EVENTS AND OTHER NOTICES TO THE SPANISH NATIONAL SECURITIES MARKET COMMISSION IN 2005

The relevant events and other notices disclosed and given by ENDESA in 2005, and which are available to the Shareholders on the Company's website ([www.endesa.es](http://www.endesa.es)) and on the Spanish National Securities Market Commission website ([www.cnmv.es](http://www.cnmv.es)) were as follows:

Notice Number	Notice Date	Matter
63104	30/12/2005	Agreement with Deutsche Bank for ENDESA to sell its remaining 5.01% stake in France Telecom Operadores de Telecomunicaciones (formerly Auna).
19700	20/12/2005	Payment of interim dividend of gross Euro 0.305 per share with a charge against 2005 income as per Board resolution.
62229	16/11/2005	The CNMV lifts temporary suspension of trading in ENDESA shares, after deeming sufficient the information made public on the circumstances that led to the suspension.
62228	16/11/2005	Additional information to relevant event 19574 on the Company's dividend policy.
62208	16/11/2005	CNMV report on the requirements sent to ENDESA regarding its dividend policy.
62207	16/11/2005	Presentation: <i>"ENDESA: stronger business, greater value – Mission accomplished"</i>
62205	16/11/2005	Temporary suspension of trading in ENDESA shares by the CNMV, with immediate effect <i>"...until the relevant information sent by the Company is clarified"</i> .
19574	16/11/2005	Payment of interim dividend of gross Euro 0.305 per share with a charge against 2005 income as per Board resolution.
62200	16/11/2005	Third-quarter earnings.
19571	15/11/2005	Press release regarding the European Commission's decision on the Gas Natural takeover bid.
19495	10/11/2005	ENDESA appeal before the Industry Ministry of the two decisions adopted by the CNME concerning the transfer of gas distribution installations from Gas Natural SDG to two subsidiaries and Gas Natural's takeover bid for ENDESA.
61989	08/11/2005	The completion of the sale of 80% of Auna to France Telecom España, S.A. announced by ENDESA in Relevant Notice nº 59846 and 59862 of 27 July 2005.
19439	03/11/2005	Press release with preliminary data on electricity output in the countries where ENDESA operates for 9M05.
19434	02/11/2005	20-F/A form sent to the US Securities and Exchange Commission.
19432	31/10/2005	ENDESA's clarification of specific statements made by Gas Natural
19371	24/10/2005	Information regarding Gas Natural's legal separation of ENDESA's gas distribution and transmission activities.
61285	07/10/2005	Supplementary information to document sent on 3/10/2005.
19297	06/10/2005	Information memo on Gas Natural's press release of 5/10/2005.
19247	04/10/2005	Presentation of minor changes to announcement of 3/10/2005.
61187	03/10/2005	The CNMV lifts temporary suspension of trading in ENDESA shares, after deeming sufficient the information made public on the circumstances that led to the suspension.
61184	03/10/2005	Temporary suspension of trading in ENDESA shares by the CNMV, with immediate effect <i>"...until relevant information on the Company is disseminated"</i> .
19237	03/10/2005	Presentation: <i>"ENDESA: stronger business, greater value"</i>
19190	22/09/2005	ENDESA requests the European Commission take trust jurisdiction over the concentration caused by Gas Natural's takeover bid.

Notice Number	Notice Date	Matter
19168	16/09/2005	ENDESA sends new registered letter to the US Securities and Exchange Commission in compliance with takeover legislation (Regulation 14-D).
19152	14/09/2005	ENDESA sends registered letter to the US Securities and Exchange Commission in compliance with takeover legislation (Regulation 14-D).
60745	06/09/2005	The CNMV lifts temporary suspension of trading in ENDESA shares, after deeming sufficient the information made public on the circumstances that led to the suspension.
19137	06/09/2005	Press release by ENDESA Board on preliminary assessment of Gas Natural's takeover bid.
60730	05/09/2005	Temporary suspension of trading in ENDESA shares by the CNMV, with immediate effect "...until relevant information on the Company is disseminated".
60129	03/08/2005	Sale of Smartcom, the Chilean mobile telephony operator, to Mexican operator América Móvil.
60063	01/08/2005	ENDESA states that, with regard to the agreement to sell Auna TLC, the operation will be carried out by AUNA prior to the sale of AUNA's wireless business to Orange.
60023	01/08/2005	Agreement between ENDESA, Banco SCH, Unión Fenosa and AUNA and ONO for sale of Auna TLC to ONO.
59862	27/07/2005	Additional information on preliminary agreement between ENDESA, Banco SCH and Unión Fenosa, AUNA's main shareholders, and Orange, a subsidiary of France Telecom.
59846	27/07/2005	Preliminary agreement between ENDESA, Banco SCH and Unión Fenosa, AUNA's main shareholders, and Orange, a subsidiary of France Telecom, for the sale of AUNA's mobile telephone business.
59839	27/07/2005	First-half earnings.
18938	22/07/2005	Press release with preliminary data on electricity sales in the countries where ENDESA operates in 1H05.
18937	22/07/2005	Press release on preliminary 1H05 earnings.
59522	13/07/2005	SNET, the ENDESA Group's French subsidiary, sells its stake in power generator Sèchilienne-Sidec to fund manager Ecofin Ltd.
18869	08/07/2005	Presentation: " <i>Generation capacity – Strategic plan</i> ".
18868	08/07/2005	Presentation: " <i>Strategy for supply of raw materials</i> ".
18867	08/07/2005	Presentation: " <i>ENDESA's generation assets</i> ".
18866	08/07/2005	Presentation on steps taken by ENDESA to comply with the national allocation plan.
18865	08/07/2005	Presentation on ENDESA's proposals to achieve a more liberalised and better market.
18864	08/07/2005	Presentation: " <i>Regulation: news and expected developments</i> ".
59231	01/07/2005	Caja de Ahorros y Pensiones de Barcelona reports on issue of exchangeable bonds for ENDESA shares made 3/07/03.
59131	28/06/2005	ENDESA appoints Antón Costas as Chairman of the Board in Catalonia and José Luis Oller as Customer Ombudsman.
18733	24/06/2005	The Ministry for Industry raises the Algeria – Europe gas pipeline project through Spain, MEDGAZ, to "priority" status.
18612	09/06/2005	Payment of a final gross Euro 0.4662 per share dividend as per Board resolution.
58363	30/05/2005	Rectification of relevant event nº 58311.
58311	30/05/2005	The Board Meeting held subsequent to the Shareholders' meeting adopted resolutions regarding the composition of the Executive Committee, Appointments and Compensation Committee and the Audit and Compliance committee.
58296	27/05/2005	Notification of resolutions adopted at the Shareholders' Meeting of 27 May.
58139	25/05/2005	Decision by Endesa Internacional, a wholly-owned subsidiary of ENDESA, to restructure its Brazilian shareholdings.
58138	25/05/2005	Board agreement to propose re-election and new appointments of Board members to the Shareholders' Meeting.
57664	12/05/2005	Agreement between ENDESA and Sacyr Vallehermoso to purchase Portuguese company FINERGE, head of a cogeneration and renewables holding.

<b>Notice Number</b>	<b>Notice Date</b>	<b>Matter</b>
57663	12/05/2005	Endesa Participadas, a wholly owned subsidiary of ENDESA, sells Nueva Nuinsa, S.L. to Valoriza Gestión, S.A., a subsidiary of Sacyr Vallehermoso.
18460	11/05/2005	Presentation on 1Q05 results.
57556	11/05/2005	1Q05 earnings.
57457	06/05/2005	ENDESA sends information regarding to EDF's bid for its stake in Edison.
18344	28/04/2005	Press release on preliminary 1Q05 earnings.
57073	26/04/2005	ENDESA, Grupo Santander and Union Fenosa jointly decide to sell their stakes in Auna.
57054	25/04/2005	ENDESA sends Board resolutions to the Shareholders' Meeting.
57038	22/04/2005	ENDESA takes out Euro 2.0 billion syndicated loan.
56965	20/04/2005	2004 Corporate Governance Report.
56964	20/04/2005	Agenda of the 2005 Shareholders' Meeting, with first call on 26/05/2005 and second call on 27/05/2005.
18131	05/04/2005	Presentation on adaptation of 2004 financial statements to International Financial Reporting standards (IFRS).
56541	04/04/2005	Caja de Ahorros y Monte de Piedad de Madrid raises stake in ENDESA to 9%.
55674	22/02/2005	ENDESA states that, with regard to the non-binding offer for EDF's stake in Edison, given the initial terms of the offer and the complexity of the transaction, the company is not able to benchmark economic ranges for the deal.
55666	22/02/2005	ENDESA makes non-binding offer for EDF's shares in Edison S.p.A.
55498	14/02/2005	2H04 earnings.
17815	14/02/2005	Presentation on the Company.
17791	07/02/2005	ENDESA announces 51% increase in capex in the domestic distribution network in 2004.
55235	01/02/2005	Press release on sale of a 5.33% stake in Endesa Italia to ASM Brescia, its partner in Endesa Italia.
55221	31/01/2005	ENDESA announces 12% rise in sales in 2004.
17742	27/01/2005	Information on electricity output for ENDESA Group.
17737	26/01/2005	Corporate presentation.
55109	25/01/2005	ENDESA announces Euro 745 million reduction in debt in 2004.
17708	24/01/2005	Text of announcement on payment of coupon on 0003E bonds.

The obligation to disclose relevant events on the Company's website is imposed by Law 26/2003 of 17 July, amending Securities Market Law 24/1988 of July 28, and the Revised Corporations Law, with a view to reinforcing the transparency of listed corporations, and, lastly, Order ECO/3722/2003 of December 26 on annual corporate governance reports and other reporting instruments of listed corporations and other entities, which regulates the minimum disclosure of webpages of listed corporations and which empowered the National Securities Market Commission to determine the technical and legal specifications and the information that must be included, in line with Spanish National Securities Market Commission Circular 1/2004 of March 17.



## FEES PAID TO EXTERNAL AUDITORS

The fees paid to the various auditors of both ENDESA, S.A. and its subsidiaries in 2005 were as follows:

### ENDESA, S.A.

- Audit by Deloitte of the financial statements: Euro 3,027,829.
- Other audits and audit-related services performed by Deloitte: Euro 355,742.
- Other non-audit services from Deloitte: Euro 1,260,217.
- Other reviews of the financial statements performed by other auditors: Euro 85,200.
- Other audits and audit-related services performed by other auditors: Euro 347,968.
- Other non-audit services performed by other auditors: Euro 311,480.

### SUBSIDIARIES

- Audit by Deloitte of the financial statements: Euro 4,021,691.
- Other audits and audit-related services performed by Deloitte: Euro 833,390.
- Other non-audit services from Deloitte: Euro 771,942.
- Audits of financial statements by other auditors: Euro 1,511,084.
- Other audits and audit-related services performed by other auditors: Euro 220,706.
- Other non-audit services performed by other auditors: Euro 344,290.



**EXHIBIT I**

SPANISH NATIONAL SECURITIES MARKET COMMISSION

CIRCULAR 1/2004 – EXHIBIT I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED CORPORATIONS

2005 – ENDESA, S.A.

**EXHIBIT I**

**ANNUAL CORPORATE GOVERNANCE REPORT**

**LISTED CORPORATIONS**

**ISSUER'S PARTICULARS**

**YEAR** 2005

Tax ID n°: A28023430

**Corporate name:**

**ENDESA, S.A.**

**Registered office:**

**RIBERA DEL LOIRA, 60  
MADRID  
MADRID  
28042  
SPAIN**

**MODEL ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED CORPORATIONS**

For an easier understanding of the model and its subsequent preparation, instructions for filling out the model are included at the end of this report.

**A OWNERSHIP STRUCTURE**

**A.1. Fill out the following table on the Company's capital stock**

Date of Last Modification	Capital Stock (euros)	Number of Shares
01-10-1999	1,270,502,540.40	1,058,752,117

**If there are different classes of shares, indicate them in the following table:**

Class	Number of Shares	Unit Par Value

**A.2. List the direct and indirect owners of significant holdings in your company at year-end, excluding Directors:**

Shareholder's Name or Corporate Name	Number of Direct Shares	Number of Indirect Shares (*)	Total as % of Capital Stock
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	95,287,691	0	9.000
CHASE NOMINEES LTD.	60,683,704	0	5.732
AXA, S.A.	4,639,809	52,006,286	5.350
STATE STREET BANK AND TRUST CO	53,339,905	0	5.038

(\*) Through:

Name or Corporate Name of Direct Owner of Holding	Number of Direct Shares	As % of Capital Stock
AXA IM	4,573,843	0.432
AXA ROSENBERG	7,824,236	0.739
ACM	39,608,207	3.741
<b>Total:</b>	<b>52,006,286</b>	

**Indicate the most significant variations in the Shareholder structure during the year:**

Shareholder's Name or Corporate Name	Transaction Date	Transaction Description
AXA, S.A.	07-09-2005	Increase in shareholding to over 5%

**A.3. Fill out the following tables on the members of the Company's Board of Directors who own shares of the Company:**

Name or Corporate Name of Director	Date of First Appointment	Date of Last Appointment	Number of Direct Shares	Number of Indirect Shares (*)	Total as % of Capital Stock
MANUEL PIZARRO MORENO	18-10-1996	27-05-2005	100,004	0	0.009
RAFAEL MIRANDA ROBREDO	11-02-1997	27-05-2005	7,585	0	0.001
ALBERTO ALONSO UREBA	19-06-1998	19-06-2003	0	0	0.000
MIGUEL BLESAS DE LA PARRA	06-11-2000	27-05-2005	600	0	0.000
JOSÉ M <sup>a</sup> FERNÁNDEZ CUEVAS	19-06-1998	19-06-2003	0	0	0.000
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	07-07-1998	19-06-2003	0	0	0.000
RAFAEL GONZÁLEZ-GALLARZA MORALES	19-06-1998	19-06-2003	3,300	0	0.000
FRANCISCO NÚÑEZ BOLUDA	12-05-1998	10-05-2002	4,000	0	0.000
JUAN RAMÓN QUINTAS SEOANE	02-04-2004	02-04-2004	1,525	0	0.000
FRANCISCO JAVIER RAMOS GASCÓN	06-02-2001	27-05-2005	992	8.779	0.001
MANUEL RÍOS NAVARRO	28-07-1998	19-06-2003	3,889	8.583	0.001
JOSÉ SERNA MASÍA	07-02-2000	02-04-2004	16,976	520	0.002
ALBERTO RECARTE GARCIA-ANDRADE	27-05-2005	27-05-2005	250	21.100	0.002
JUAN ROSELL LASTORTRAS	27-05-2005	27-05-2005	5	10.000	0.001

(\*) Through:

Name or Corporate Name of Direct Owner of Holding	Number of Direct Shares
ARALUZ DE INVERSIONES SICAV, S.A. – Mr. RAMOS GASCÓN	7,520
FAMILY HOLDING OF Mr. RAMOS GASCÓN	1,259
RIMALO INVERSIONES SICAV, S.A. – Mr. RÍOS NAVARRO	8,583
FAMILY HOLDING OF Mr. SERNA MASÍA	520
INVERSIONES GCU SICAV, S.A. - Mr. RECARTE GARCIA-ANDRADE	21,100
CIVISLAR, S.A. - Mr. ROSELL LASTORTRAS	10,000
<b>Total:</b>	<b>48,982</b>

<b>Total capital stock in possession of Board of Directors (%)</b>	0.017
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Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares of the Company:

Name or Corporate Name of Director	Number of Direct Options	Number of Indirect Options	Number of Equivalent Shares	Total as % of Capital Stock

A.4. Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the owners of significant

holdings, insofar as they are known to the Company, unless they have scant relevance or arise from the ordinary course of business:

Name or Corporate Name of Related Person	Type of Relationship	Brief Description

A.5. Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the owners of significant holdings and the Company, unless they have scant relevance or arise from the ordinary course of business:

Name or Corporate Name of Related Person	Type of Relationship	Brief Description

A.6. Indicate any side agreements between Shareholders that have been disclosed to the Company:

Parties to Side Agreement	% of Capital Stock Affected	Brief Description of Agreement

Indicate, as appropriate, any concerted action among the Company's Shareholders that is known to the Company:

Persons Involved in Concerted Action	% of Capital Stock Affected	Brief Description of Concerted Action

Expressly indicate any amendment to or termination of such agreements or concerted action during the year:

A.7. Indicate whether there is any individual or legal entity that exercises, or can exercise, control over the Company, in accordance with Article 4 of the Securities Market Law:

Name or Corporate Name

Comments

A.8. Fill out the following tables on the Company's treasury stock:

At year-end:

Number of Direct Shares	Number of Indirect Shares (*)	Total as % of Capital Stock
0	0	0.000

(\*) Through:

Name or Corporate Name of Direct Owner of Holding	Number of Direct Shares

Total:	
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Give details of any significant variations during the year, in accordance with Royal Decree 377/1991:

Date	Number of Direct Shares	Number of Indirect Shares	Total as % of Capital Stock

Income obtained in the year from transactions in treasury stock (thousands of euros)	152
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**A.9. Give details of the conditions and time period(s) of any authority (authorities) from the Shareholders' Meeting for acquisitions or transfers of treasury stock as referred to in A.8.**

The Company performed transactions in treasury stock under the following authorities:

- Resolution adopted by the Shareholders' Meeting held on 2 April 2004:

*"To revoke and render void the authority for the derivative acquisition of shares of the Company granted by the Annual Shareholders' Meeting held on 19 June 2003.*

*To grant a new authority for the derivative acquisition of treasury stock, as well as pre-emptive rights of subscription of treasury stock, in accordance with Article 75 of the Corporations Law, on the following conditions:*

*a) Acquisitions may be made by any legally permitted means, directly by ENDESA, S.A. itself, by companies of its Group, or by an interposed person, up to the maximum figure permitted by the Law.*

*b) Acquisitions shall be made at a minimum price per share of its par value and a maximum price equal to its market price plus an additional 5 percent.*

*c) The term of this authority shall be 18 months."*

- Resolution adopted by the Shareholders' Meeting held on 27 May 2005:

*"To revoke and render void the authority for the derivative acquisition of shares of the Company granted by the Annual Shareholders' Meeting held on 2 April 2004.*

*To grant a new authority for the derivative acquisition of treasury stock, as well as pre-emptive rights of subscription of treasury stock, in accordance with Article 75 of the Corporations Law, on the following conditions:*

*a) Acquisitions may be made by any legally permitted means, directly by ENDESA, S.A. itself, by companies of its Group, or by an interposed person, up to the maximum figure permitted by the Law.*



*b) Acquisitions shall be made at a minimum price per share of its par value and a maximum price equal to its market price plus an additional 5%.*

*c) The term of this authority shall be 18 months.”*

**A.10. Indicate, as appropriate, any statutory or bylaw restrictions on the exercise of voting rights, and any statutory restrictions on the acquisition or transfer of holdings in the capital stock:**

Statutory and bylaw restrictions on the exercise of voting rights:

The restriction on voting rights is established in Article 32 of the Corporate Bylaws:

*“Shareholders will be entitled to one vote for each share that they hold or represent, except for non-voting shares, which will be governed by the provisions of Article 8 of the Bylaws.*

*As an exception to the provisions of the preceding sentence, no Shareholder may, in relation to the shares held by him/her, cast a number of votes higher than that corresponding to 10 percent of the total voting capital stock existing from time to time even if the shares held by him/her exceed 10 percent.*

*To compute the maximum number of votes that each Shareholder can cast and for the purposes of what is provided for above, the shares held by each of them must be included, but shares corresponding to other Shareholders who have granted a proxy to that Shareholder will not be included, without prejudice to the same 10 percent limit on votes corresponding to the shares held by each of the Shareholders granting a proxy also applying to them individually.*

*The limitation described in the preceding paragraphs will also apply to the maximum number of votes which can be cast by two or more corporate Shareholders belonging to the same group of entities, whether jointly or separately, as well as to the maximum number of votes which can be cast by an individual Shareholder and any shareholding entity or entities controlled by that individual, whether jointly or separately.*

*For the purposes stated in the preceding paragraph, to consider whether a group of entities exists, regard must be had to Article 4 of the current Securities Market Law of July 28, 1988, and it will be deemed that an individual controls one or more entities if, in the relationship between that individual and the entity or entities in question, any of the circumstances of control that a controlling entity is required to have under Article 4 of the aforementioned Law with respect to its controlled entities exists.*

*Likewise, for the purposes of this Article, the relationship between any individual or corporate Shareholder and interposed, fiduciary or like persons or entities that are in turn Shareholders of the Company, as well as funds, investment institutions or similar entities that are also Shareholders of the Company, or other Shareholders through voting trust agreements, will be equated to the relationship of control in Article 4 of the Securities Market Law if the exercise of*

*the voting rights attaching to the shares held by such persons or entities is determined directly or indirectly by the Shareholder in question.*

*The Chairman of the Board of Directors may request any Shareholder, in the days prior to the date for holding the Shareholders' Meeting on first call, to notify the Company through its Chairman, within not more than 48 hours, of the shares held by him/her directly and held by other persons or entities controlled directly or indirectly by the Shareholder in question, and the Chairman may make such comments as he/she sees pertinent when the Shareholders' Meeting is convened to ensure compliance with the Bylaws in relation to the exercise of voting rights by the Shareholders.*

*Shares that belong to the same holder, to a group of entities or to an individual or legal entity, and to entities controlled by such individual or legal entity, will be fully computable among the shares attending the Shareholders' Meeting to achieve the capital stock quorum necessary to validly convene the Meeting, but at the time of voting the limit of 10 percent on the number of votes established in this Article will apply to them.*

*The affirmative vote of more than 50 percent of the subscribed voting capital stock at the relevant Shareholders' Meeting, on either first or second call, shall be required to amend this Article."*

Statutory restrictions on the acquisition or transfer of holdings in the capital stock:

In light of the judgment of 13 May 2003, handed down by the European Court of Justice, and under Law 62/2003 on Tax, Administrative, Labour and Social Security Measures, the Spanish Government amended the regime provided for in Law 5/1995 on the Legal Regime Governing the Disposal of Public Holdings in Certain Enterprises, effective from January 1, 2004, through June 8, 2007, and Royal Decree 929/1998, which defined the application of the legal regime to ENDESA, S.A. and certain companies of its Group.

The regime established in the Law applies particularly to corporate acts and resolutions taking effect in the Spanish market to acquire directly or indirectly, including through third-party fiduciaries or interposed persons, shares of ENDESA, S.A. and of certain companies of its Group and other securities, instruments or rights that may give a right, directly or indirectly, to subscribe or acquire those shares, where it results in the ability to call on at least 10 percent of the capital stock of the three companies, except for purely financial acquisitions the purpose of which is not to participate in the control and/or management of those entities.

Lastly, corporate resolutions adopted by the aforementioned companies for voluntary dissolution, spin-off or merger only need be notified.

## **B** MANAGEMENT STRUCTURE OF THE COMPANY

**B.1. Board of Directors****B.1.1. Give details of the maximum and minimum number of Directors provided for in the Bylaws:**

Maximum number of Directors	15
Minimum number of Directors	9

**B.1.2. Fill out the following table with Directors' particulars:**

Name or Corporate Name of Director	Representative	Board Office	Date of First Appointment	Date of Last Appointment	Appointment Procedure
MANUEL PIZARRO MORENO		CHAIRMAN	18-10-1996	27-05-2005	SHAREHOLDER S' MEETING
RAFAEL MIRANDA ROBREDO		Chief Executive Officer	11-02-1997	27-05-2005	SHAREHOLDER S' MEETING
ALBERTO ALONSO UREBA		DIRECTOR	19-06-1998	19-06-2003	SHAREHOLDER S' MEETING
MIGUEL BLESAS DE LA PARRA		DIRECTOR	06-11-2000	27-05-2005	SHAREHOLDER S' MEETING
JOSÉ M <sup>a</sup> FERNÁNDEZ CUEVAS		DIRECTOR	19-06-1998	19-06-2003	SHAREHOLDER S' MEETING
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA		DIRECTOR	07-07-1998	19-06-2003	SHAREHOLDER S' MEETING
RAFAEL GONZÁLEZ-GALLARZA MORALES		DIRECTOR	19-06-1998	19-06-2003	SHAREHOLDER S' MEETING
FRANCISCO NÚÑEZ BOLUDA		DIRECTOR	12-05-1998	10-05-2002	SHAREHOLDER S' MEETING
JUAN RAMÓN QUINTAS SEOANE		DIRECTOR	02-04-2004	02-04-2004	SHAREHOLDER S' MEETING
FRANCISCO JAVIER RAMOS GASCÓN		DIRECTOR	06-02-2001	27-05-2005	SHAREHOLDER S' MEETING
MANUEL RÍOS NAVARRO		DIRECTOR	28-07-1998	19-06-2003	SHAREHOLDER S' MEETING
JOSÉ SERNA MASÍA		DIRECTOR	07-02-2000	02-04-2004	SHAREHOLDER S' MEETING
ALBERTO RECARTE GARCIA-ANDRADE		DIRECTOR	27-05-2005	27-05-2005	SHAREHOLDER S' MEETING
JUAN ROSELL LASTORTRAS		DIRECTOR	27-05-2005	27-05-2005	SHAREHOLDER S' MEETING

Total Number of Directors	14
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Indicate any Board members who vacated their office during the year:

Name or Corporate Name of Director	Date Vacated Office
RAFAEL ESPAÑOL NAVARRO	27-05-2005
JOSÉ FERNÁNDEZ OLANO	27-05-2005
JOSÉ LUIS OLLER ARÍÑO	27-05-2005

**B.1.3. Fill out the following tables on the members of the Board and their status:**

**EXECUTIVE DIRECTORS**

Name or Corporate Name of Director	Committee Proposing Appointment	Office per Company Organisational Chart
MANUEL PIZARRO MORENO	APPOINTMENTS AND COMPENSATION COMMITTEE	CHAIRMAN
RAFAEL MIRANDA ROBREDO	APPOINTMENTS AND COMPENSATION COMMITTEE	CHIEF EXECUTIVE OFFICER

**EXTERNAL NOMINEE DIRECTORS**

Name or Corporate Name of Director	Committee Proposing Appointment	Name or Corporate Name of Significant Shareholder Represented or Proposing Appointment
MIGUEL BLES DE LA PARRA	APPOINTMENTS AND COMPENSATION COMMITTEE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

**EXTERNAL INDEPENDENT DIRECTORS**

Name or Corporate Name of Director	Committee Proposing Appointment	Profile
ALBERTO ALONSO UREBA	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN LAW; DOCTORATE FROM THE COMPLUTENSE UNIVERSITY OF MADRID; PRACTISING LAWYER; PROFESSOR OF COMMERCIAL LAW AT KING JUAN CARLOS UNIVERSITY, MADRID.
JOSÉ M <sup>a</sup> FERNÁNDEZ CUEVAS	APPOINTMENTS AND COMPENSATION COMMITTEE	DOCTORATE IN INDUSTRIAL ENGINEERING FROM MADRID POLYTECHNIC UNIVERSITY; DEGREE IN BUSINESS ADMINISTRATION FROM ICADE; AUDITOR. PRIVATE PRACTICE, NONDIRECTOR SECRETARY OF CLINER GROUP.
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN ENERGY TECHNIQUES ENGINEERING FROM MADRID POLYTECHNIC UNIVERSITY; DIPLOMA IN FOREIGN TRADE; DIPLOMA IN LOGISTICS AND PROCUREMENT. DIRECTOR OF IBERIA , LAE AND ENAGAS
RAFAEL GONZÁLEZ-GALLARZA MORALES	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN LAW FROM MADRID COMPLUTENSE UNIVERSITY; HOLDER OF A HIGHER DIPLOMA IN LUXEMBOURG COMPARATIVE LAW. CHAIRMAN OF PRENSA MALAGUEÑA; DIRECTOR OF PERNOD RICARD
FRANCISCO NÚÑEZ BOLUDA	SEE NOTE IN SECTION G	DEGREE IN LAW FROM MADRID COMPLUTENSE UNIVERSITY; STATE FINANCIAL AND TAX INSPECTOR. DIRECTOR OF MADRID NOTARIES ASSOCIATION.

JUAN RAMÓN QUINTAS SEOANE	APPOINTMENTS AND COMPENSATION COMMITTEE	DOCTORATE IN ECONOMICS, FULL UNIVERSITY PROFESSOR SPECIALISING IN ECONOMIC THEORY. CHAIRMAN AND GENERAL MANAGER OF THE SPANISH CONFEDERATION OF SAVINGS BANKS (CECA); DEPUTY CHAIRMAN OF THE EUROPEAN SAVINGS BANKS GROUP; MEMBER OF THE MANAGING COMMITTEE OF THE SAVINGS BANK DEPOSIT GUARANTEE FUND.
FRANCISCO JAVIER RAMOS GASCÓN	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN LAW; DEGREE IN ECONOMICS, MERCANTILE INTENDANT; CERTIFIED PUBLIC ACCOUNTANT. MADRID NOTARY.
MANUEL RÍOS NAVARRO	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN LAW FROM UNIVERSITY OF VALENCIA; DEGREE IN MACROECONOMICS AND MARKETING FROM BOSTON UNIVERSITY (USA). DEPUTY CHAIRMAN AND GENERAL MANAGER OF INDUSTRIAS PELETERAS, S.A. (INPELSA).
JOSÉ SERNA MASÍA	APPOINTMENTS AND COMPENSATION COMMITTEE	DEGREE IN LAW FROM THE COMPLUTENSE UNIVERSITY OF MADRID; GOVERNMENT LAWYER; STOCKBROKER; BARCELONA NOTARY.

#### **OTHER EXTERNAL DIRECTORS**

Name or Corporate Name of Director	Committee Proposing Appointment
ALBERTO RECARTE GARCÍA-ANDRADE	APPOINTMENTS AND COMPENSATION COMMITTEE
JUAN ROSELL LASTORTRAS	APPOINTMENTS AND COMPENSATION COMMITTEE

**Give details of the reasons why they cannot be considered nominee or independent Directors:**

As indicated in section B.1.4. below, Alberto Recarte García-Andrade and Juan Rosell Lastortras have made declarations attesting to their compliance with the criteria defined in the recommendations of the Aldama Committee and of the European Union and as such as considered non-independent external Directors. In addition, Alberto Recarte García-Andrade and Juan Rosell Lastortras cannot be considered nominee Directors as their seats on the Board of Directors do not derive from an equity ownership in the Company's capital stock, but rather personal appointment at the proposal of the Appointments and Compensation Committee and their permanence on the Board of Directors does not depend on the continued equity ownership of Company shares by any Shareholder.

**Indicate any variations in the status of each Director that may have occurred during the year:**

Name or Corporate Name of Director	Date of Change	Previous Status	Current Status

**B.1.4. Indicate whether the categorisation of the Directors in the preceding point matches the composition provided for in the Board Regulations:**

Pursuant to the Bylaws and the ENDESA Board Regulations, the following types of Director exist:

- a) Directors who are related professionally and permanently to the Company.
- b) Directors whose relationship with the Company is confined to their membership of the Board.
- c) Directors by virtue of being Shareholders.

Of the total number of Directors who, from time to time, make up the Board, the Directors referred to in letter b) above will constitute the majority, provided that the number of Directors appointed pursuant to the right of the Shareholders to be represented on the Board in proportion to their ownership interests in the capital stock so permits.

The above definitions of type a) and type c) Directors are substantially equivalent to the categories used earlier; however, in the definition of type b) Directors, there are certain differences in terminology from the category defined in the recommendations of the Aldama Committee and of the European Union on independent Directors; consequently, ENDESA's type b) Directors have formally made a declaration attesting to the minimum principles set forth in these recommendations, so the composition of the members of ENDESA's Board is as indicated above.

**B.1.5. Indicate what powers, if any, have been delegated to the Chief Executive Officer (s):**

Name or Corporate Name of Director	Brief Description
RAFAEL MIRANDA ROBREDO	ARTICLE 47 OF THE CORPORATE BYLAWS PROVIDES THAT THE BOARD OF DIRECTORS MAY DELEGATE TEMPORARILY OR PERMANENTLY TO THE EXECUTIVE COMMITTEE, TO THE CHIEF EXECUTIVE OFFICER, AND TO THE VARIOUS BOARD COMMITTEES ALL OR PART OF ITS POWERS, EXCEPT THOSE WHICH, BY LAW OR BY RESOLUTION OF THE SHAREHOLDERS' MEETING, FALL WITHIN ITS EXCLUSIVE JURISDICTION. THE PERMANENT DELEGATION OF THE POWERS OF THE BOARD OF DIRECTORS TO THE EXECUTIVE COMMITTEE AND TO THE CHIEF EXECUTIVE OFFICER AND

	<p>THE APPOINTMENT OF THE DIRECTORS WHO ARE TO HOLD SUCH OFFICES WILL REQUIRE THE AFFIRMATIVE VOTE OF TWO THIRDS OF THE MEMBERS OF THE BOARD TO BE VALID AND WILL NOT BECOME EFFECTIVE UNTIL THEY ARE REGISTERED AT THE MERCANTILE REGISTRY.</p> <p>THE EXECUTIVE COMMITTEE AND THE CHIEF EXECUTIVE OFFICER WILL INFORM THE BOARD OF DIRECTORS OF THE MAIN DECISIONS ADOPTED IN THE EXERCISE OF THE DELEGATED POWERS.</p> <p>IN THIS CONNECTION ON 31 MARCH 2000, THE BOARD OF DIRECTORS DELEGATED TO THE CHIEF EXECUTIVE OFFICER EACH AND EVERY ONE OF THE POWERS OF THE BOARD OF DIRECTORS DELEGABLE BY LAW OR UNDER THE BYLAWS.</p> <p>IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 149 OF THE MERCANTILE REGISTRY REGULATIONS, THE POWERS DELEGATED TO THE CHIEF EXECUTIVE OFFICER WILL BE EXERCISED BY THE CHIEF EXECUTIVE OFFICER ON A SEVERAL BASIS WITH RESPECT TO THE POWERS VESTED IN THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS.</p>
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**B.1.6. Identify, as appropriate, which members of the Board hold office as Directors or executives at other companies forming part of the listed Company's Group:**

Name or Corporate Name of Director	Corporate Name of Group Company	Office
RAFAEL MIRANDA ROBREDO	ENDESA INTERNACIONAL, S.A.	CHAIRMAN
RAFAEL MIRANDA ROBREDO	ENDESA EUROPA, S.L.	CHAIRMAN
RAFAEL MIRANDA ROBREDO	ENERSIS, S.A.	DEPUTY CHAIRMAN
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	CHILECTRA, S.A.	DEPUTY CHAIRMAN
RAFAEL GONZÁLEZ-GALLARZA MORALES	ENDESA INTERNACIONAL, S.A.	DIRECTOR
FRANCISCO NÚÑEZ BOLUDA	ENDESA EUROPA, S.L.	DIRECTOR
FRANCISCO JAVIER RAMOS GASCÓN	ENDESA EUROPA, S.L.	DIRECTOR
MANUEL RÍOS NAVARRO	ENDESA INTERNACIONAL, S.A.	DIRECTOR
JOSÉ SERNA MASIÁ	ENDESA EUROPA, S.L.	DIRECTOR
ALBERTO RECARTE GARCIA-ANDRADE	ENDESA EUROPA, S.L.	DIRECTOR
JUAN ROSELL LASTORTRAS	ENDESA ITALIA, S.P.A.	DIRECTOR

**B.1.7. Give details, as appropriate, of any Directors of the Company who are members of the Boards of Directors of other entities outside the Group that are listed on official securities markets in Spain, as disclosed to the Company:**

Name or Corporate Name of Director	Listed Entity	Office
ALBERTO ALONSO UREBA	ZELTIA, S.A.	DIRECTOR
MIGUEL BLESÁ DE LA PARRA	IBERIA, L.A.E.	DEPUTY CHAIRMAN
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	ENAGÁS, S.A.	DIRECTOR
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	IBERIA, L.A.E.	DIRECTOR
JUAN ROSELL LASTORTRAS	INMOBILIARIA COLONIAL, S.A.	DIRECTOR
JUAN ROSELL LASTORTRAS	SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A. (AGBAR)	DIRECTOR

**B.1.8. Fill out the following tables on the aggregate compensation of Directors paid during the year:**

**a) At the Company to which this report relates:**

Item	Thousand euros
Fixed compensation	2,937
Variable compensation	1,733
Attendance fees	1,112
Statutory fees	0
Stock options and/or other financial instruments	0
Others	32
<b>Total:</b>	<b>5,814</b>

Other Benefits	Thousand euros
Advances	343
Loans granted	93
Pension funds and plans: contributions	2,359
Pension funds and plans: agreed obligations	0
Life insurance premiums	326
Guarantees provided by the Company for Directors	10,369

**b) Due to membership of the Company's Directors of other boards of Directors and/or of the senior management of Group companies:**

Item	Thousand euros
Fixed compensation	0
Variable compensation	0
Attendance fees	340
Statutory fees	0
Stock options and/or other financial instruments	0
Others	0
<b>Total:</b>	<b>340</b>

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension funds and plans: contributions	0
Pension funds and plans: agreed obligations	0
Life insurance premiums	0
Guarantees provided by the Company for Directors	0

**c) Total compensation by type of Director:**



Type of Director	By Company	By Group
Executive Directors	4,184	90
External Nominee Directors	142	0
External Independent Directors	1,388	240
Other External Directors	100	10
<b>Total:</b>	<b>5,814</b>	<b>340</b>

**d) With respect to income attributed to the parent company:**

<b>Total Directors' compensation (thousands of euros)</b>	6,154
<b>Total Directors' compensation/ income attributed to parent company (%)</b>	0.190

**B.1.9. Identify Senior Management members who are not, in turn, executive Directors, and indicate the total compensation paid to them during the year:**

Name or Corporate Name	Office
01. FRANCISCO BORJA ACHA BESGA	SENIOR VICE-PRESIDENT LEGAL ADVISER
02. JOSÉ DAMIÁN BOGAS GÁLVEZ (SEE SECTION G - NOTE B.1.9. (1))	EXECUTIVE VICE-PRESIDENT - SPAIN AND PORTUGAL
03. GABRIEL CASTRO VILLALBA	SENIOR VICE-PRESIDENT - COMMUNICATION
04. M <sup>a</sup> ISABEL FERNÁNDEZ LOZANO	ASSISTANT SENIOR VICE-PRESIDENT - SERVICES
05. ÁNGEL FERRERA MARTÍNEZ	CHAIRMAN OF ADVISORY BOARD OF UNELCO-ENDESA CANARY ISLANDS
06. AMADO FRANCO LAHOZ	CHAIRMAN OF ADVISORY BOARD OF ERZ-ENDESA ARAGÓN
07. JOSÉ ANTONIO GUTIÉRREZ PÉREZ (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER OF ERZ-ENDESA ARAGÓN
08. JOSÉ FÉLIX IBÁÑEZ GUERRA (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER - MINING
09. PEDRO LARREA PAGUAGA	GENERAL MANAGER – ENERGY MANAGEMENT
10. HÉCTOR LÓPEZ VILASECO	GENERAL MANAGER – ENERGY MANAGEMENT LATIN AMERICA
11. JOSÉ LUIS MARÍN LÓPEZ-OTERO (SEE SECTION G - NOTE B.1.9. (1))	SENIOR VICE-PRESIDENT - DISTRIBUTION
12. ALBERTO MARTÍN RIVALS	GENERAL BUSINESS MANAGER – LATIN AMERICA
13. JOSÉ A. MARTÍNEZ FERNÁNDEZ (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER OF SEVILLANA-ENDESA ANDALUCÍA AND EXTREMADURA
14. GERMÁN MEDINA CARRILLO (SEE SECTION G - NOTE B.1.9. (1))	SENIOR VICE-PRESIDENT - HUMAN RESOURCES
15. SALVADOR MONTEJO VELILLA	GENERAL SECRETARY AND SECRETARY TO THE BOARD OF DIRECTORS
16. MANUEL MORÁN CASERO	SENIOR VICE-PRESIDENT - GENERATION
17. JESÚS OLMOS CLAVIJO	EXECUTIVE VICE-PRESIDENT - EUROPE
18. JOSÉ LUIS PALOMO ÁLVAREZ (SEE SECTION G - NOTE B.1.9. (1))	SENIOR VICE-PRESIDENT - FINANCE AND CONTROL
19. ANTONIO PAREJA MOLINA (SEE SECTION G - NOTE B.1.9. (1))	SENIOR VICE-PRESIDENT - SERVICES
20. JOSÉ MARÍA PLANS GÓMEZ (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER OF UNELCO-ENDESA CANARY ISLANDS
21. JOSÉ LUIS PUCHE CASTILLEJO	SENIOR VICE-PRESIDENT - AUDIT
22. ÁLVARO QUIRALTE ABELLÓ	GENERAL MANAGER OF ENDESA ITALIA

23. JAIME REGUART PELEGRÍ (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER OF GESA-ENDESA BALEARIC ISLANDS
24. BARTOLOMÉ REUS BELTRÁN	CHAIRMAN OF ADVISORY BOARD OF GESA-ENDESA BALEARIC ISLANDS
25. LUIS RIVERA NOVO (SEE SECTION G - NOTE B.1.9. (1))	EXECUTIVE VICE-PRESIDENT – LATIN AMERICA
26. JORGE ROSEMBLUT RATINOFF	CHAIRMAN OF CHILECTRA
27. JOSÉ MARÍA ROVIRA VILANOVA (SEE SECTION G - NOTE B.1.9. (1))	GENERAL MANAGER OF FECSA-ENDESA CATALUÑA
28. CARLOS TORRES VILA	SENIOR VICE-PRESIDENT - STRATEGY
29. JAVIER URIARTE MONEREO	SENIOR VICE-PRESIDENT - SUPPLY
30. MARIO VALCARCE DURÁN	GENERAL MANAGER OF ENERSIS
31. JAIME YBARRA LLOSENT	CHAIRMAN OF ADVISORY BOARD OF SEVILLANA ENDESA ANDALUCÍA AND EXTREMADURA
32. PABLO YRARRÁZABAL VALDÉS	CHAIRMAN OF ENERSIS
33. RAFAEL LÓPEZ RUEDA	GENERAL MANAGER OF CHILECTRA
34. RAFAEL MATEO ALCALÁ	GENERAL MANAGER OF ENDESA CHILE
35. ANTÓN COSTAS COMESAÑA (SEE SECTION G - NOTE B.1.9. (2))	CHAIRMAN OF ADVISORY BOARD OF FECSA-ENDESA CATALUÑA
36. JUAN ROSELL LASTORTRAS (SEE SECTION G - NOTE B.1.9. (2))	CHAIRMAN OF ADVISORY BOARD OF FECSA-ENDESA CATALUÑA

Total senior management compensation (thousands of euros)	16,793
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**B.1.10. Identify in aggregate terms whether there are any safeguard or protective clauses for Senior Management members, including executive Directors of the Company or of its Group, in the event of dismissal or changes in control. Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group:**

Number of beneficiaries	31
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	Board of Directors	Shareholders' Meeting
Body authorising the clauses	X	

	YES	NO
Is the Shareholders' Meeting informed of the clauses?	X	

**B.1.11. Indicate the process for setting the compensation of the members of the Board of Directors and, if appropriate, the relevant Bylaw provisions:**

The compensation of the members of the Board of Directors is notified by the Appointments and Compensation Committee and approved by the Board of Directors, within the terms established in Article 40 of the Corporate Bylaws and in greater detail in Article 33 of the Board Regulations:

33.1 Directors' compensation is composed of the following items: a fixed monthly salary and a share in income. The overall annual compensation for the entire Board and for all the above items will be one per mil of consolidated group income, as approved at the Shareholders' Meeting, although the Board of Directors may reduce this percentage in such fiscal years as it sees fit. All the foregoing is without prejudice to the provisions of the third paragraph of this Article on attendance fees.

The Board will allocate such amount between the above items and among the Directors in such manner and proportion and at such time as it may decide at its discretion.

33.2 The members of the Board of Directors will also receive fees for attending each meeting of the managing bodies of the Company and its Committees. The amount of the fees may not exceed the amount set as the fixed monthly salary in conformity with the preceding paragraphs. The Board of Directors may, subject to this limit, set the amount of attendance fees.

33.3 The compensation provided for in the preceding Subarticles and arising from membership of the Board of Directors will be compatible with other payments receivable by the Directors as professionals or employees for any other executive or advisory functions performed by them for the Company other than those of supervision and collective decision-making which are specific to their status as Directors and will be subject to any legal rules applicable to them.

33.4 In conformity with the provisions of Article 130 of the Corporations Law, compensation in the form of a share in income may only be received by the Directors after all the requirements concerning the legal reserve and bylaw reserve have been met and the Shareholders have been acknowledged a minimum dividend of 4 percent.

33.5 Directors who do not have a professional or labour relationship with the Company will not receive any other compensation, except for group and liability insurance for the fiscal year in which they act as Directors.

33.6 In accordance with Subarticle 3 of this Article, the Chairman will also receive such compensation as may be established in determining the specific legal rules governing his/her relationship with the Company.

Apart from what is provided in the preceding Subarticles for Directors of the Company and in accordance with Subarticle 3 of this Article, the Chief Executive Officer will also receive the compensation stipulated in the contract between him/her and the Company, which will specify his/her rights and obligations during and after his/her relationship with the Company.

The amounts of fixed compensation, the applicability of variable compensation, and the compensation of the Chairman and of the Chief

Executive Officer under their specific arrangements, must be proposed by the Appointments and Compensation Committee to the Board, and will be subject to the obligation of transparency.

33.7 The Appointments and Compensation Committee will draft an annual report on the policy regarding Directors' compensation and details of the compensation received by each of them as such, with a breakdown of all the items of which it is comprised. Without prejudice to being able to provide a full itemisation at a later stage, the compensation of Directors who are related professionally and permanently to the Company will be indicated globally for all of them, indicating the number of Directors receiving it by salary item.

**B.1.12. Indicate, as appropriate, which members of the Board are, in turn, members of the Boards of Directors or executives of companies that own significant holdings in the listed Company and/or in entities of its Group:**

Name or Corporate Name of Director	Name or Corporate Name of Significant Shareholder	Office
MIGUEL BLESA DE LA PARRA	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CHAIRMAN OF THE BOARD OF DIRECTORS
ALBERTO RECARTE GARCIA-ANDRADE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	BOARD MEMBER

**Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant Shareholders and/or at entities in its Group:**

Name or Corporate Name of Director	Name or Corporate Name of Significant Shareholder	Description of Relationship

**B.1.13. Indicate, as appropriate, any amendments during the year to the Board Regulations:**

The Regulations of the Board of Directors of ENDESA, S.A., currently in force, were approved by the Board of Directors at a meeting on 28 October 2003, and were not amended in 2005. They are registered at the Madrid Mercantile Registry in volume 14779, book 0, sheet 127, section 8, page M-6405, entry no. 901.

**B.1.14. Indicate the procedures for the appointment, reappointment, evaluation and removal of Directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures:**

In conformity with Article 37 of the Corporate Bylaws, "The Shareholders' Meeting is responsible for appointing and removing the

Directors. The office of Director may be waived, revoked and be the subject of reappointment.”

The appointment and reappointment of Directors is regulated in the Board Regulations:

Article 5. Structure and composition of the Board

*“5.3. The persons proposed by the Board for appointment or reappointment as Directors will be persons of renowned prestige who have adequate experience and professional knowledge to discharge their duties and who give a commitment to perform the tasks of the Board with sufficient dedication.”*

Article 22. Appointment of Directors

*“The Shareholders’ Meeting or, as the case may be, the Board will be responsible for appointing Board members in conformity with the provisions of the Corporations Law and the Corporate Bylaws.*

*The Board will propose appointments after a report from the Appointments and Compensation Committee.”*

Article 25. Reappointment of Directors

*“The Appointments and Compensation Committee must report on any proposal for the reappointment of Directors that the Board decides to submit to the Shareholders’ Meeting.”*

Article 26. Vacation of office by Directors

*“26.1. The Directors will vacate their office when the term for which they were appointed has expired, as well as in all other applicable cases in accordance with the Law, the Bylaws and these Regulations.*

*26.2. The Directors must tender their resignations to the Board and duly resign formally when they become subject to any legally established case of incompatibility or prohibition, or when, following a report from the Appointments and Compensation Committee, the Board resolves that the Director in question is in gross breach of his/her obligations.*

*26.3. When a Director vacates his/her office for whatever reason, he/she cannot work at another competing entity for two years, unless the Board grants him/her a dispensation from this obligation or curtails the duration of this prohibition.”*

The procedure followed and the criteria used are as provided for in the Corporations Law and the Mercantile Registry Regulations.

**B.1.15. Indicate the cases in which the Directors must resign:**

The cases in which the Directors must tender their resignations to the Board of Directors are regulated in Article 26. "Vacation of office by Directors" of the Board Regulations:

*"26.1. The Directors will vacate their office when the term for which they were appointed has expired, as well as in all other applicable cases in accordance with the Law, the Bylaws and these Regulations.*

*26.2. The Directors must tender their resignations to the Board and duly resign formally when they become subject to any legally established case of incompatibility or prohibition, or when, following a report from the Appointments and Compensation Committee, the Board resolves that the Director in question is in gross breach of his/her obligations.*

*26.3. When a Director vacates his/her office for whatever reason, he/she cannot work at another competing entity for two years, unless the Board grants him/her a dispensation from this obligation or curtails the duration of this prohibition."*

**B.1.16. Explain whether the function of the Company's chief executive falls to the office of Chairman of the Board. If appropriate, indicate what measures have been taken to limit the risks of power being concentrated in the hands of one person:**

YES  NO

<b>Measures to limit risks</b>

**B.1.17. Are qualified majorities, other than the statutory majorities, required for any type of decision?**

YES  NO

**Indicate how resolutions are adopted on the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:**

**Adoption of Resolutions**

Description of Resolution	Quorum	Type of Majority
Resolutions (See section G-Note B.1.17)	One half plus one	Absolute

**B.1.18. Explain whether there are any specific requirements, apart from those relating to the Directors, to be appointed Chairman:**

YES  NO

Description of requirements

**B.1.19. Indicate whether the Chairman has a casting vote:**

YES  NO

Matters on which there is a casting vote
Pursuant to Article 46 of the Corporate Bylaws: "The Board will debate on the business stated on the agenda and also on all other points proposed by the Chairman or the majority of the Directors attending the meeting in person or by proxy, even though they are not included on the agenda. Resolutions will be adopted by an absolute majority of the Directors, attending the Meeting in person or by proxy. In the event of a tie, the Chairman or whoever stands in for him/her at the Meeting will have the casting vote. The provisions of this Subarticle are deemed to be without prejudice to those resolutions that may only be adopted with a qualified majority of Directors, under these Bylaws or current legislation." Likewise, Article 11 of the Board Regulations provides that "in the event of a tie, the Chairman or whoever stands in for him/her will have the casting vote."

**B.1.20. Indicate whether the Bylaws or the Board Regulations impose any limit on the age of Directors:**

YES  NO

Age limit for Chairman	70
Age limit for Chief Executive Officer	65
Age limit for Director	70

**B.1.21. Indicate whether the Bylaws or the Board Regulations establish a limited term of office for independent Directors:**

YES  NO

Maximum term of office	8
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**B.1.22. Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details:**

Article 44 of the Corporate Bylaws provides that "proxies must be granted in writing and specifically for each Board Meeting. No Director may hold more than three proxies, with the exception of the Chairman, to whom this restriction shall not apply, although he/shemay not represent the majority of the Board."

Also, Article 11 of the Board Regulations provides that “Each Director may have another member of the Board represent him/her in accordance with the provisions of the Company’s Bylaws.”

**B.1.23. Indicate the number of Board meetings held during the year. Also indicate, as appropriate, how often the Board has met without the Chairman’s attendance:**

Number of Board meetings	20
Number of Board meetings without Chairman’s attendance	0

**Indicate how many meetings of the various Board Committees were held during the year:**

Number of Executive or Delegated Committee meetings	31
Number of Audit and Compliance Committee meetings	10
Number of Appointments and Compensation Committee meetings	8
Number of Strategy and Investment Committee meetings	0
Number of Committee meetings	0

**B.1.24. Indicate whether the individual and consolidated financial statements submitted for approval by the Board are certified previously:**

YES  NO

**Indicate, as appropriate, who certified the Company’s individual and consolidated financial statements, for formal preparation by the Board:**

Name	Office
RAFAEL MIRANDA ROBREDO	CHIEF EXECUTIVE OFFICER
JOSÉ LUIS PALOMO ÁLVAREZ	SENIOR VICE-PRESIDENT FINANCE AND CONTROL

**B.1.25. Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Shareholders’ Meeting with a qualified auditors’ report:**

There are no special procedures in this respect, although pursuant to the commercial legislation currently in force and with a view to having them approved at the related Shareholders’ Meeting, the Directors define the accounting policies and establish the systems of control required to prepare the individual and consolidated financial statements so that they present a true and fair view of the net worth, financial position, results of operations and the funds obtained and applied by the Consolidated Group.



Also, to check the absence of differences between the methods referred to above and the policies followed, the external auditors verify the financial statements and are apprised regularly of the controls and procedures defined by the Company and its subsidiaries; they perform their work with full independence; they have access to the Audit and Compliance Committee in order to set forth their conclusions and recommendations, and to the minutes of the meetings of the Board of Directors, Executive Committee, Audit and Compliance Committee and Appointments and Compensation Committee.

Furthermore, for the past 16 years the external auditors have expressed an unqualified opinion in their audit reports for the related consolidated financial statements.

**B.1.26. Give details of the measures adopted so that the information disclosed to the securities markets is conveyed fairly and symmetrically:**

To address the demand by shareholders and investors for information, and to ensure that there is equal and transparent access to information for all, the Company uses the following means of communication:

The Investor Relations Department, reporting to the Corporate Finance and Control Department, deals with any inquiry relating to ENDESA and its subsidiaries concerning performance, dividends, stock market prices, outstanding debenture and bond issues, Shareholders' Meetings, and so on, and any general information on the Company requested by investors.

The Shareholder Information Office, reporting to the Investor Relations Department, deals with telephone inquiries at a freephone number: 900 666 900, personal inquiries at ENDESA's registered office at calle Ribera del Loira, 60, Planta 0, 28042 Madrid, and written inquiries sent to the following e-mail address: [eoaccionista@endesa.es](mailto:eoaccionista@endesa.es).

ENDESA's website was created as a means of communicating information to the market (constantly analysed and updated) on the relevant aspects of the Company, in accordance with the rules set by the Directors and in conformity with Article 6 of the Board Regulations.

In conformity with the legislation in force on the mandatory disclosure of relevant events, the Company makes such information available to the shareholders, investors and the general public on its website at [www.endesa.es](http://www.endesa.es) and on the Spanish National Securities Market Commission website at [www.cnmv.es](http://www.cnmv.es).

**B.1.27. Is the Board Secretary a Director?**

YES  NO

**B.1.28. Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks, and of rating agencies:**

Pursuant to Article 51 of the Corporate Bylaws, the Audit and Compliance Committee is responsible for ensuring good corporate governance and transparency in all the actions of the Company in the economic/financial and external audit area and in the compliance and internal audit area. To achieve this, it is entrusted with the function of liaising with the external auditors to receive information on any matters that might jeopardise their independence and any other matters relating to the process of auditing the financial statements, as well as any other communications established in audit legislation and in technical audit standards.

There are no relationships other than those arising from professional dealings with financial analysts, investment banks and rating agencies.

**B.1.29. Indicate whether the audit firm performs other non-audit work for the Company and/or its Group, and if so, state the amount of fees received for such work and the percentage they represent out of the fees billed to the Company and/or its Group:**

YES  NO

	Company	Group	Total
Amount of other non-audit work (thousand euros)	1,260	772	2,032
Amount of non-audit work / total amount billed by audit firm (%)	27.137	13.718	19.785

**B.1.30. Indicate the number of years which the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:**

	Company	Group
Number of uninterrupted years	25	18

	Company	Group
Number of years audited by current firm / number of years during which the Company has been audited (%)	100.00	100.00

**B.1.31. Indicate any holdings, disclosed to the Company, owned by the members of the Company's Board of Directors in the capital of entities engaging in a business of a kind identical, similar or complementary to the business constituting the corporate**

**purpose of the Company or of its Group. Also indicate the offices they hold or the functions they perform at these companies:**

<b>Name or Corporate Name of Director</b>	<b>Name of Investee</b>	<b>% Holding</b>	<b>Office / Functions</b>
RAFAEL MIRANDA ROBREDO	ENAGÁS, S.A.	0.000	NONE
FRANCISCO NÚÑEZ BOLUDA	IBERDROLA, S.A.	0.000	NONE
FRANCISCO NÚÑEZ BOLUDA	UNIÓN FENOSA, S.A.	0.001	NONE
JUAN RAMÓN QUINTAS SEOANE	IBERDROLA, S.A.	0.000	NONE
FRANCISCO JAVIER RAMOS GASCÓN	IBERDROLA, S.A.	0.001	NONE
FRANCISCO JAVIER RAMOS GASCÓN	UNIÓN FENOSA, S.A.	0.003	NONE
FRANCISCO JAVIER RAMOS GASCÓN	RED ELÉCTRICA ESPAÑA, S.A.	0.000	NONE
FRANCISCO JAVIER RAMOS GASCÓN	ENEL, S.P.A.	0.000	NONE
JOSÉ SERNA MASÍA	IBERDROLA, S.A.	0.001	NONE
JOSÉ SERNA MASÍA	UNIÓN FENOSA, S.A.	0.001	NONE
MANUEL RÍOS NAVARRO	ENEL, S.P.A.	0.001	NONE

**B.1.32. Indicate whether there is a procedure for Directors to be able to receive outside counselling services, and if so, give details:**

YES  NO

**Details of Procedure**

The right to counselling and information is regulated in Article 31 of the Board Regulations: "The Directors will, whenever the performance of their functions so requires, have access to all the Company's services and may request such information and counselling as they may require on any matter. The right to information extends to investees and the request will be made by the Chairman through the Board Secretary and conveyed by the Chief Executive Officer.

The Directors will, by majority, also have the power to propose to the Board the engagement, at the Company's expense, of such legal, accounting, technical, financial, commercial or other advisers as they consider necessary in order to be aided in the discharge of their duties where it concerns specific problems of a certain importance and complexity related to the performance of their work.

The above proposal must be notified to the Company Chairman through the Board Secretary and will be conveyed by the Chief Executive Officer. The Board may refuse to approve financing for the counselling services referred to in the preceding Subarticle on the ground that they are not necessary for the performance of the functions entrusted, that their amount is disproportionate to the importance of the problem, or if it considers that such technical assistance could be adequately provided by Company personnel."

**B.1.33. Indicate whether there is a procedure for the Directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:**

YES  NO

**Details of Procedure**

Article 41 of the Corporate Bylaws provides that: "a Director must by virtue of his/her office: request the necessary information and properly prepare for meetings of the Board and of the corporate bodies to which he/she belongs." In conformity with the foregoing, the Company's services furnish the Directors with information for a meeting seven days in advance, where possible, but in any case 48 hours beforehand.

**B.1.34. Indicate whether there is a liability insurance policy for the Company's Directors:**

YES  NO

**B.2. Committees of the Board of Directors.**

**B.2.1. List the managing bodies:**

Name of Body	Nº of members	Functions
BOARD OF DIRECTORS	9-15	CORPORATE BYLAWS ARTICLE 36. BOARD OF DIRECTORS. GENERAL FUNCTION. BOARD REGULATIONS: ARTICLE 6. FUNCTIONS (SEE SECTION G – NOTE B.2.1)
EXECUTIVE COMMITTEE	5-7	BOARD REGULATIONS: ARTICLE 13. EXECUTIVE COMMITTEE (SEE SECTION G - NOTE B.2.1.)
CHIEF EXECUTIVE OFFICER	1	CORPORATE BYLAWS: ARTICLE 45. BOARD OFFICERS. BOARD REGULATIONS: ARTICLE 37. CHIEF EXECUTIVE OFFICER (SEE SECTION G - NOTE B.2.1.)

**B.2.2. Give details of all the committees of the Board of Directors and their members:**

**EXECUTIVE OR DELEGATED COMMITTEE**

Name	Office
MANUEL PIZARRO MORENO	CHAIRMAN
RAFAEL MIRANDA ROBREDO	MEMBER
ALBERTO ALONSO UREBA	MEMBER
MIGUEL BLESAS DE LA PARRA	MEMBER
JOSÉ M <sup>a</sup> FERNÁNDEZ CUEVAS	MEMBER
JOSÉ M <sup>a</sup> FERNÁNDEZ NORNIELLA	MEMBER
SALVADOR MONTEJO VELILLA	SECRETARY (NON MEMBER)

**AUDIT AND COMPLIANCE COMMITTEE**

Name	Office
FRANCISCO JAVIER RAMOS GASCÓN	CHAIRMAN
FRANCISCO NÚÑEZ BOLUDA	MEMBER
ALBERTO RECARTE GARCIA-ANDRADE	MEMBER
JOSÉ SERNA MASÍA	MEMBER
SALVADOR MONTEJO VELILLA	SECRETARY (NON MEMBER)

**APPOINTMENTS AND COMPENSATION COMMITTEE**

Name	Office
RAFAEL GONZÁLEZ-GALLARZA MORALES	CHAIRMAN
JUAN RAMÓN QUINTAS SEOANE	MEMBER

JUAN ROSELL LASTORTRAS	MEMBER
MANUEL RÍOS NAVARRO	MEMBER
SALVADOR MONTEJO VELILLA	SECRETARY (NON MEMBER)

#### STRATEGY AND INVESTMENTS COMMITTEE

Name	Office

#### **B.2.3. Describe the rules of organisation and functioning, and the responsibilities attributed to each of the Board committees:**

The rules for the organisation, functioning and responsibilities of the commissions, committees and advisory boards of the Board of Directors are established in the Corporate Bylaws and in Articles 13 through 16 of the Board Regulations:

##### Article 13. Executive Committee

13.1. The Executive Committee will be composed of a minimum of five and a maximum of seven Directors, including the Chairman and the Chief Executive Officer. It will meet at least once a month.

The Executive Committee will be chaired by the Chairman of the Board of Directors, and the Secretary of the Board will act as its Secretary. The rules on substitutions of these officers are as established for the Board of Directors.

13.2. The Executive Committee has the following powers:

- a. To adopt resolutions pursuant to the powers delegated to it by the Board.
- b. To perform functions relating to the supervision of the management of the Company.
- c. To study and propose the guidelines that must define the business strategy, and supervise its implementation, with particular attention to activities in the international and diversification areas.
- d. To debate and report, for referral to the Board, on issues relating to the following matters, whether or not they have been delegated by the Board:
  - Budgets of the Company with a detail of the projections for each line of business and monitoring of economic management, budgetary deviations and proposed corrective measures.
  - Tangible or financial investments and alliances or agreements which are relevant for the Company.

- Financial transactions of economic importance and medium-term action plans.

- Assessment of the extent to which the various operating units of the Company are meeting their objectives.

13.3. The appointment of the members of the Executive Committee will require the affirmative vote of at least two-thirds of the members of the Board.

13.4. Resolutions of the Executive Committee on matters for which it has been delegated powers by the Board must be implemented as soon as they have been adopted. However, in cases where, in the opinion of the Chairman or of the majority of the members of the Executive Committee, the importance of the matter so advises, the resolutions of the Executive Committee will be submitted for subsequent ratification by the Board.

13.5. The Secretary of the Executive Committee, who will be the Secretary of the Board, will draw up minutes of the resolutions adopted, and apprise the Board of them in conformity with the provisions of the Bylaws.

#### Article 14. Audit and Compliance Committee

14.1. The Audit and Compliance Committee will be composed of a minimum of four and a maximum of six members of the Board, designated by the affirmative vote of the majority of the Board itself. The majority of Committee members must be Directors whose relationship with the Company is confined to their status as Board members.

14.2. The Chairman of the Audit and Compliance Committee will be designated by the Board of Directors from among the members whose relationship with the Company is confined to their membership of the Board, by the affirmative vote of the majority of the Board itself. The Chairman must be replaced every four years, and may be reappointed one year after standing down.

In the absence of the Chairman, the member of the Committee provisionally appointed by the Board of Directors will substitute for him/her and, in the absence of such member, the eldest member of the Committee.

14.3. The Audit and Compliance Committee will meet as often as called by its Chairman, when the majority of its members so decides, or at the request of the Board of Directors. Committee meetings will take place at the Company's registered office or elsewhere as determined by the Chairman and stated in the call notice.

The Committee will be validly convened when a majority of its members are present.

14.4. Resolutions must be adopted by the affirmative vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman, or whoever is performing his/her functions, will have the casting vote.

14.5. The Secretary of the Board of Directors will be the Secretary of the Committee and will draw up minutes of the resolutions adopted, on which he/she will report to the Board.

14.6. The main function of this Committee will be to ensure good corporate governance and transparency in all the actions of the Company in the economic/financial and external audit area and in the compliance and internal audit area, and the Committee will in any case be entrusted with the following functions:

- a. To report to the Shareholders' Meeting on the issues raised at the Meeting by Shareholders in matters falling within its jurisdiction.
- b. To propose to the Board of Directors for submission to the Shareholders' Meeting the appointment of the external auditors, in conformity with Article 57 of the Bylaws.
- c. To oversee the internal audit service, should such a body exist within the business organisation.
- d. To be apprised of the financial reporting process and of the Company's reporting and internal control systems.
- e. To liaise with the external auditors on receiving information on issues that may jeopardise their independence and on any other audit-related issues, as well as other communications provided for in audit legislation and in technical auditing standards.

These functions will be deemed to be without limitation and without prejudice to such other functions as may be entrusted to the Committee by the Board of Directors.

#### Article 15. Appointments and Compensation Committee

15.1. The Appointments and Compensation Committee will be composed of a minimum of four and a maximum of six Board members, designated by the affirmative vote of the majority of the Board itself. The majority of Committee members must be Directors whose relationship with the Company is confined to their status as Board members.

15.2. The Chairman of the Appointments and Compensation Committee will be designated by the Board of Directors from among the members whose relationship with the Company is confined to their membership of the Board, by the affirmative vote of the majority of the Board itself. The Chairman must be replaced every four years, and may be reappointed one year after standing down.

In the absence of the Chairman, the Director provisionally appointed by the Board of Directors will substitute for him/her and, in the absence of such member, the eldest member of the Committee.

15.3. The Appointments and Compensation Committee will meet as often as called by its Chairman, when the majority of its members so decides, or at the request of the Board of Directors. Committee meetings will take place at the Company's registered office or elsewhere as determined by the Chairman and stated in the call notice.

The Committee will be validly convened when a majority of its members are present.

15.4. Resolutions must be adopted by the affirmative vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman, or whoever is performing his/her functions, will have the casting vote.

15.5. The Secretary of the Board of Directors will be the Secretary of the Committee and will draw up minutes of the resolutions adopted, on which he/she will report to the Board.

15.6. The Appointments and Compensation Committee will be entrusted with, among other functions, the functions of reporting on and proposing the appointment of the members of the Board of Directors, whether in the event of co-optation or for proposal to the Shareholders' Meeting. It will also report on their compensation.

The Committee will also be entrusted with the following functions:

- To report to the Board of Directors on ENDESA Senior Management appointments (at present, tiers I to III), and on Chief Executive appointments at Enersis, Chilectra and Endesa Chile.
- To approve the compensation of the members of Senior Management in the terms defined in the preceding section.
- To decide on the adoption of compensation arrangements for Senior Management that take into account the earnings of the companies. Also, it must ascertain and assess the Company's policy on executives, particularly in the areas of training, promotion and recruitment.
- To determine the specific rules on relationships between the Chairman and the Chief Executive Officer, and the Company.



- To prepare and approve the Charter Governing Senior Management.

These functions will be deemed to be without limitation and without prejudice to such other functions as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters falling specifically within its jurisdiction.

#### Article 16. Advisory Boards

The Board may resolve to set up Advisory Boards which, without the status of corporate bodies, can study and report on such issues as the Board may deem to be of interest to the performance of its functions.

The Board will, at the Chairman's proposal, approve the appointments of Advisory Board members who must be individuals of renowned prestige by virtue of their professional credentials in Spain or abroad.

The Board will also, at the Chairman's proposal, approve the matters to be studied by the Advisory Board members and, in particular, those aimed at attaining enhanced knowledge of the Company's environment and of the prospects for change in the Spanish and international markets, development in applied technologies or in the organisation of enterprises, as well as the integration and consolidation of the Group's companies.

#### **B.2.4. Indicate, as appropriate, the advisory and consultative powers and any delegated authority held by each of the committees:**

<b>Name of Committee</b>	<b>Brief Description</b>
EXECUTIVE COMMITTEE	DELEGATION BY THE BOARD OF DIRECTORS
AUDIT AND COMPLIANCE COMMITTEE	POWER TO ADVISE, PROPOSE, REPORT, OVERSEE AND APPROVE
APPOINTMENTS AND COMPENSATION COMMITTEE	POWER TO ADVISE, PROPOSE, REPORT AND APPROVE

#### **B.2.5. Indicate, as appropriate, whether there are any regulations for the Board committees, if so the place where they can be consulted, and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily:**

The Company's Executive Committee and other Committees are governed by the Corporate Bylaws and the Board Regulations, and were not amended in 2005.

For the third year running, the Audit and Compliance Committee has prepared a report on its activities during the previous year.

In addition, in compliance with section 407 of the Sarbanes–Oxley Act of 2002, the Securities and Exchange Commission requires all issuers on the New York Stock Exchange to disclose whether the Board of Directors comprises a financial expert. Accordingly, at the proposal of the Chairman, the Board of Directors unanimously appointed Francisco Javier Ramos Gascón, member of the Audit and Compliance Committee of the Company’s Board of Directors as financial expert as he/she meets all the requirements.

**B.2.6. If there is an executive committee, explain how far authority has been delegated and how much independence it has in performing its functions, in order to adopt resolutions on the Company’s management and administration:**

Article 47 of the Corporate Bylaws establishes that *“the Board of Directors may delegate temporarily or permanently to the Executive Committee, to the Chief Executive Officer and to the various Board Committees all or part of its powers, except those which, by law or by resolution of the Shareholders’ Meeting, fall within its exclusive jurisdiction.*

*The permanent delegation of the powers of the Board of Directors to the Executive Committee and to the Chief Executive Officer and the appointment of the Directors who are to hold such offices will require the affirmative vote of two thirds of the members of the Board to be valid and will not become effective until they are registered at the Mercantile Registry.*

*The Executive Committee and the Chief Executive Officer will inform the Board of Directors of the main decisions adopted in the exercise of the delegated powers.”*

In this connection, on 23 June 1972, the Board of Directors of ENDESA, in accordance with the provisions of the Corporate Bylaws, established an Executive Committee to which it delegated all its functions on a permanent basis, except those which, by law or by resolution of the Shareholders’ Meeting, fell within its exclusive jurisdiction.

**B.2.7. Indicate whether the composition of the executive committee reflects the participation of the various Directors on the Board according to their status:**

YES  NO

If “no,” explain the composition of the executive committee

**B.2.8. If there is an appointments committee, indicate whether all of its members are external Directors:**

YES  NO

**C RELATED-PARTY TRANSACTIONS**

**C.1 Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its group and the significant Shareholders of the Company:**

Name or Corporate Name of Significant Shareholder	Name or Corporate Name of Company or Group Company	Nature of Relationship	Type of Transaction	Amount (thousands of euros)
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	LONG-TERM CREDIT FACILITY	10,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	MULTICOMPANY GUARANTEE FACILITY	53,208
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	MULTICOMPANY GUARANTEE FACILITY – HEADCOUNT REDUCTION	64,349
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	INTERNATIONAL ENDESA B.V.	Contractual	FX DERIVATIVE	93,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	GAS ARAGÓN, S.A.	Contractual	CREDIT FACILITY	7,510
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	Contractual	PROJECT FINANCE	23,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA ITALIA SPA	Contractual	INTEREST-RATE DERIVATIVE	100,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENERSIS, S.A.	Contractual	SYNDICATED LOAN	9,521
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA CHILE	Contractual	SYNDICATED LOAN	7,163
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	GROUP PENSION FUND DEPOSITORY	978,063
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	INTEREST-RATE DERIVATIVES	1,663,885
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	FORWARD PURCHASE OF US DOLLARS	4,331
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA, S.A.	Contractual	FORWARD SALE OF US DOLLARS	2,088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENERGÍAS DE LA MANCHA, S.A.	Contractual	PROJECT FINANCE	12,473

CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENERGÍAS DE LA MANCHA, S.A.	Contractual	INTEREST-RATE DERIVATIVE	9,634
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	GESA GAS, S.A.	Contractual	CREDIT FACILITY	150
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	Contractual	PROJECT FINANCE	40,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	ENDESA ITALIA SPA	Contractual	BANK LOAN GUARANTEE	17,213
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	INTERNATIONAL ENDESA B.V.	Contractual	INTEREST-RATE DERIVATIVE	340,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	INTERNATIONAL ENDESA B.V.	Contractual	UNDERWRITER OF EMTN PROGRAMME	340,000
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	INTERNATIONAL ENDESA B.V.	Contractual	UNDERWRITER OF PREFERENCE SHARES	1,043,000
MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	ENDESA, S.A. – SEE NOTE SECTION G - C.1.	Contractual	SHARE IN LIABILITY INSURANCE	0
MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	ENDESA, S.A. – SEE NOTE SECTION G - C.1.	Contractual	SHARE IN THIRD-PARTY LIABILITY INSURANCE	0
MAPFRE EMPRESAS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	ENDESA, S.A. – SEE NOTE SECTION G - C.1.	Contractual	PRIMARY LIABILITY INSURANCE POLICY	0
AXA CORPORATE SOLUTIONS	ENDESA, S.A. – SEE NOTE SECTION G - C.1.	Contractual	SHARE IN THIRD-PARTY LIABILITY INSURANCE	0
AXA AURORA VIDA	ENDESA, S.A. – SEE SECTION G – NOTE C.1.	Contractual	LIFE INSURANCE	0
MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	ENDESA DISTRIBUCIÓN ELÉCTRICA, S.A. – SEE SECTION G – NOTE C.1.	Contractual	INSURANCE FINANCING	84,502
MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	ENDESA DISTRIBUCIÓN ELÉCTRICA, S.A. – SEE SECTION G – NOTE C.1.	Contractual	LIFE INSURANCE	0
MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	ENDESA GENERACIÓN, S.A. – SEE SECTION G – NOTE C.1.	Contractual	INSURANCE FINANCING	1,196
MAPFRE VIDA, S.A. DE SEGUROS Y REASEGUROS SOBRE LA VIDA HUMANA	ENDESA GROUP – SEE SECTION G - NOTE C.1.	Contractual	LIFE INSURANCE	0

**C.2. Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its group and the Company's Directors or executives:**

Name or Corporate Name of Directors or Executives	Name or Corporate Name of Company or Group Company	Nature of transaction	Type of Transaction	Amount (thousands of euros)

**C.3. Give details of material transactions by the Company with other companies of the same Group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and do not fall within the course of the Company's ordinary business, as regards their subject-matter or terms and conditions:**

Corporate Name of Group Company	Brief Description of Transaction	Amount (thousands of euros)

**C.4. Identify, as appropriate, the conflict-of-interest status of the Company's Directors, as provided for in Article 127 of the Corporations Law:**

The Directors were not subject to any conflicts of interest in 2005, notwithstanding the abstentions recorded in the Minutes of the meetings of the Managing Bodies of the Company, despite no conflict having existed and in order to take the utmost precautions.

**C.5. Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its Directors, executives or significant Shareholders:**

In conformity with Article 41 of the Corporate Bylaws, *"without prejudice to what is established statutorily, the Board Regulations will develop the Directors' duties of care, fidelity, loyalty and secrecy and, in particular, the obligation not to compete, the use of non-public information and of corporate assets, the exploitation of business opportunities, conflicts of interest and related-party transactions."* Thus the Board Regulations regulate: Directors' incompatibilities in Article 23; Directors' duties in Article 27; the duty of confidentiality in Article 28; the use of information and corporate assets in Article 29; and business opportunities in Article 30.

The final provision of the Regulations provides that *"The status of Director implies acceptance in writing of these Regulations and the declaration that the Director is not subject to any of the incompatibilities established in these Regulations. The Directors will sign, and will renew each year, a declaration of activities and assets related to the Company for the purposes of complying with the rules on incompatibilities."*

In this connection, the Directors declare that they are familiar with the Corporate Bylaws, the Board Regulations and the Internal Regulations on Conduct in Securities Markets, and that they are not subject to any legal incompatibilities that could affect the discharge of the office of Director, and they sign a

declaration of assets and activities disclosing, among other aspects, the following information:

- The offices they hold or duties they discharge at competing enterprises.
- Their membership of other Boards of Directors.
- Offices or duties at other companies that could potentially conflict with the Company's interests.
- Securities in the Company and other Group companies.
- Interests/securities in other companies engaging in an activity of a type identical, analogous or complementary to the activity constituting the Company's corporate purpose.
- Any other information of interest for the purpose of applying the rules on incompatibilities.

Lastly, they accept the obligation to disclose transactions by family members and by companies related by way of equity interests to the declarant, where such transactions are material to the Company, and to notify any change in declared information.

Furthermore, pursuant to Additional Provision Four of Law 44/2002 on Measures Reforming the Financial System, the Company has a set of Internal Regulations on Conduct in Securities Markets, which were approved by the Board of Directors on May 27, 2003, and which contain a commitment to ensure that they are kept up to date and that their provisions are known to, and understood and accepted by, all members of the organisation to whom they are applicable.

Article 5 of the Regulations establishes the general rules of conduct in connection with securities. Thus, persons subject to such rules, companies controlled by them, and related persons must give written notice to the Company's General Secretary of any transaction in the securities of the Company or of its investees, within seven calendar days from its performance.

Persons subject to the rules must also inform the General Secretary of any potential conflicts of interest. The General Secretary keeps a list, updated annually, of the persons subject to the Regulations and a record of notices, the details of which are confidential and can only be disclosed to the Board of Directors or to whomever the Board designates in the course of a specific procedure.

Lastly, the Company has Rules on Corporate Integrity, which consist of the Charter Governing Senior Management, the Charter Governing Executives and the Employees' Code of Conduct, and which develop the principles and values of the Company, lay down the rules governing dealings with customers and suppliers, and establish the principles that should be followed by employees in their work: ethical conduct, professionalism and confidentiality. They also establish the limitations and define the incompatibilities arising from their status as executives and senior executives.

## **D** RISK CONTROL SYSTEMS

### **D.1. General description of the risk policy of the Company and/or its Group, giving details of and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk:**

The growing complexity of sectors of business and the varied interests involved in them give rise to myriad risks. ENDESA is affected by these risk factors and by those resulting from its activities.

To mitigate and control all these risks as far as possible, internal operating rules that reasonably ensure the establishment of operating principles for, and the bodies in charge of, the control and management of risks, have been established, per the control strategy and risk profile defined by the Board of Directors.

#### General principles

- The Audit and Compliance Committee is entrusted by the Board of Directors with the function of approving the system for evaluating and controlling risks relevant to ENDESA and its subsidiaries.
- There is a Risk Committee, the composition and functions of which are detailed below, to define and keep up-to-date the global risk policy of ENDESA.
- ENDESA has established a series of risk limits and activities with risk levels that exceed these limits must be approved previously by the Risk Committee.
- To control and manage risks, regard is had to the various businesses, with global risk measurements that ensure that the sum of the parts is optimised.
- Each business line and corporate area is responsible for preparing, keeping up-to-date and applying its own risk policy in line with the global risk policy, and for establishing risk management mechanisms ensuring compliance with that policy.
- Given the corporate nature and corporate purpose of ENDESA, the levels of risk that are assumed are always associated with the activities of its business.

#### Risk Control System

ENDESA's Risk Control System, in which global risk is defined as the risk resulting from the consolidation of all the risks to which ENDESA is exposed (market, credit, operating, and business risks) having regard to the effects of mitigating the various exposures to and categories of risk, makes it possible to consolidate and evaluate the risk exposures of all the business units and areas of the Company, as well as prepare the relevant management information for making decisions on risk and the adequate use of capital.

The risk control process is the result of a model based, on the one hand, on the ongoing analysis of the risk profile, on the best practices prevailing in the energy industry or as benchmarks in risk management, on uniform measurement standards, on the separation between risk managers and

controllers, and on the other hand, on ensuring the connection between the risk borne and the resources necessary to operate the businesses and on optimising the risk/return ratio of the businesses.

ENDESA has developed a specific risk control methodology and system to address the risks to which ENDESA is exposed, having regard to the particularities of the markets in which ENDESA or its subsidiaries operate.

In its Risk Control System, ENDESA considers four risk categories: market, credit, operating and business risks. The following tables show the main risks quantified in the system:

#### MARKET RISK

The risk of price fluctuations and market variables (interest rates, exchange rates, commodities prices, etc.) changing ENDESA's worth or margin.

- Financial investments in listed and unlisted companies
- Interest rates
- Exchange rates
- Commodities prices (fuel, gas and electricity)

#### CREDIT RISK

The risk of a counterparty or a customer not meeting their contractual obligations, translating into a loss for ENDESA:

- Counterparties in financial markets
- Trade debts
- Counterparties in energy markets
- Intercompany debt

#### OPERATING RISK

Risk of losses due to defects caused by inadequate processes and systems (Operational Risk) and associated with the operation of power plants and with the supply of energy (Operating Risk):

- Service interruptions
- Technical and non-technical losses (electricity)
- Damage to physical assets
- Commercial practices
- Labour practices
- Process management
- Internal and external fraud

#### BUSINESS RISK

Risk of losses due to external factors such as regulation, level of competition, demand trends, industry structure, etc.



- Regulatory risk
- Demand
- Rainfall
- Inflation

**D.2. Indicate the control systems in place for evaluating, mitigating or reducing the main risks of the Company and its Group:**

ENDESA's Risk Control System is based on a set of strategic and operational actions aimed at complying with the global risk policies necessary to fulfil the objectives approved by the Board of Directors without exceeding the risk limits established.

The basic objectives of the risk control process at the Company are as follows:

1. To serve as support to Senior Management in the definition of the risk limits in the businesses.
2. To establish the procedures for identifying, approving, analysing, controlling and reporting on ENDESA's risks in accordance with its strategy and risk tolerance.
3. To facilitate the development and implementation of risk measurement methodologies that encompass all ENDESA's risks and enable them to be identified early.
4. To communicate to the risk-taking areas the corporate policies and procedures, and monitor compliance in this connection.
5. To ensure that the risk policies and procedures of the Business Units are consistent with the global risk policy of the Company.
6. To ensure that ENDESA complies with existing regulations.
7. To promote at the Organisation the prioritisation of risk as a vector in the management of the businesses.

The fundamental metric chosen to quantify ENDESA's global risk is the economic capital (or capital at risk) necessary to cover losses that are unexpected or rather unlikely.

Based on corporate economic capital, ENDESA establishes risk control measures for its business (Spain and Portugal; Europe; Latin America) in order to be able to evaluate the potential risks and thus take the relevant steps to mitigate or reduce them.

To measure its economic capital, ENDESA has developed certain methodologies that take into account the particularities of the various markets in which ENDESA or its subsidiaries operate.

These methodologies take into account the degree of correlation between the various risks to which ENDESA is exposed (market, credit, operating and business risks), and diversification among various business units in order to measure the capital required to support the risk borne by ENDESA with a certain degree of confidence.

In terms of its main features, the risk control model is:

- Centralised: enabling uniform control and measurement of the risk borne in all the business units and activities of the ENDESA Group.
- Global: aimed at producing a comprehensive and single measurement of the diversified risk borne by ENDESA for subsequent attribution to business units, activities and assets.
- Independent: to ensure a segregation of functions between risk managers and controllers enabling a better application of the Company's risk policy.
- Inventoried: based on the documentation of material risks in a risk map, allowing for better control and monitoring of exposures.
- Integrated: within the planning and decision-making process, via the creation of tools allowing for assessments of solvency in various scenarios and analysis of risk-adjusted returns.
- Oriented towards maximising Shareholder value: creating suitable incentives, aligning the interest of the risk-takers with the Shareholders and connecting the level of risk borne with the necessary resources.

**D.3. If any of the risks affecting the Company and/or its group have materialised, indicate the circumstances that caused them and whether the control systems in place worked:**

In carrying out their business, ENDESA and its subsidiaries monitor the risks described in D.1. based on a corporate limit set in terms of economic capital.

ENDESA's Risk Control System has been working adequately to control and manage its risks.

**D.4. Indicate whether any committee or other governing body is responsible for establishing and overseeing these control mechanisms and give details of its functions:**

ENDESA's global risk policy establishes various levels of delegated authority and governing bodies (committees and commissions) are set up so that decisions are taken collectively, thereby avoiding the risks associated with decisions made individually.

The main governing bodies with risk control responsibilities are as follows:

1. Audit and Compliance Committee
2. ENDESA Risk Committee
3. ENDESA Risk Commission
4. Business Risk Committee

**AUDIT AND COMPLIANCE COMMITTEE**

The Audit and Compliance Committee is entrusted by the Board of Directors with the function of approving and overseeing the system for the evaluation and control of risks material to ENDESA and its subsidiaries.

## ENDESA RISK COMMITTEE

The Risk Committee reports to the Audit and Compliance Committee. Regular meetings are quarterly, while special meetings are held whenever called by its Chairman. Its main functions are:

1. To establish and keep updated ENDESA's Global Risk Policy, tailoring it to ENDESA's activities and businesses from time to time.
2. To establish ENDESA's level of exposure to global risk and to communicate the risk limits.
3. To approve the methods for measuring global risk.
4. To oversee ENDESA's level of exposure to risk using periodic information.
5. To periodically inform the Board's Audit and Compliance Committee of the level of exposure to risk.
6. To analyse the impact on earnings and on the level of risk involved by entering new businesses, markets, etc.
7. To promote an independent audit of the corporate risk control processes and procedures.
8. To approve the risk policy of each Business Unit and Corporate Area.
9. To supervise the objectives set for the Business Units in relation to the inclusion of the evaluation and maintenance of the level of risk within the limits set as a priority in their work.

Composition of the Risk Committee:

Chairman: Chief Executive Officer

Members:

- Executive Vice-President – Spain and Portugal
- Executive Vice-President – Latin America
- Executive Vice-President – Europe
- Senior Vice-President - Finance and Control
- Senior Vice-President - Legal Adviser
- Senior Vice-President - Strategy
- Senior Vice-President – Energy Management
- Senior Vice-President – Services
- Vice-President – Control
- Vice-President – Finance

Committee Secretary: Manager – Risk Control and Budgets

## ENDESA RISK COMMISSION

The Risk Commission supports the Committee in the performance of its functions. Regular meetings are monthly and special meetings are held whenever called by its Chairman.

The Commission's main function is to monitor constantly the level of risk to which ENDESA is exposed.

## BUSINESS RISK COMMITTEE

There are also Risk Committees in the businesses (Spain and Portugal; Europe; Latin America), which meet periodically to implement and oversee their risk policies in accordance with the risk exposure level set by the ENDESA Risk Committee.

**D.5. Identification and description of the procedures for compliance with the various regulations affecting the Company and/or its group:**

The Company and its subsidiaries conduct business within the framework of various sets of industry-specific, securities-market, environmental, labour, tax and other regulations in Spain and in other countries where they operate. Rules, procedures and controls have therefore been established to prevent irregularities from arising or to promptly rectify any that do.

Each of the Company's business or corporate areas is responsible for complying with the regulations applicable to the industry in which it conducts business. However, there are four units with clearly defined responsibilities that ensure compliance with the internal and external regulations affecting ENDESA and its subsidiaries:

- Office of the General Secretary and Secretary of the Board of Directors, which ensures that the activities of the Company's governing bodies are lawful from the formal and substantive standpoints, ensures that they are compliant with the Corporate Bylaws and with the provisions made by regulatory bodies, and that the principles and rules of good governance are respected.

- Corporate Legal Advisory Department, which is responsible for promoting measures that ensure compliance by ENDESA and its Group companies with the regulations in force in all applicable respects. To achieve this, internal procedures ensure that the Department participates in all areas of the business where there may be significant legal consequences.

The Company also seeks the necessary advice on the regulations affecting it both in Spain and in the other countries in which it has a presence.

- Corporate Audit Department, the brief of which is to ensure compliance with internal regulations directly applicable at ENDESA's wholly-owned investees. At ENDESA's other investees, its representatives on the governing and managing bodies encourage the option of these internal rules. With respect to external audits, the Department is responsible for coordinating and overseeing the work performed by the audit firms engaged.

- Corporate Finance and Control Department, which oversees and coordinates the financing of the business areas and subsidiaries. Insofar as risk control is concerned, it identifies, evaluates and controls risks, and measures whether the businesses and corporate areas are within the set limits.

**E**

**SHAREHOLDERS' MEETING**

**E.1. List the quorums for convening the Shareholders' Meeting, as per the Bylaws. Describe how they differ from the system of minimum quorums established in the Corporations Law:**

The quorums for convening the Shareholders' Meeting are established in Article 25 of the Corporate Bylaws: *"The Shareholders' Meeting will be validly convened on first call if the Shareholders present in person or by proxy hold at least 25 percent of the subscribed voting capital stock. On second call, the Meeting will be validly convened regardless of the capital stock attending it,"* and in Article 26, relating to special resolutions: *"An Annual or Special Shareholders' meeting may resolve validly on debenture issues, capital increases or reductions, changes in the legal form, or the merger or spin-off, of the Company and, in general, any amendment to the Corporate Bylaws provided that on first call the Meeting is attended by Shareholders, in person or by proxy, holding at least 50 percent of the subscribed voting capital stock. On second call, the attendance of 25 percent of that capital stock will suffice."* There is no difference between these provisions and the minimum quorums provided for in Articles 102 and 103 of the Corporations Law.

**E.2. Explain the rules on adopting corporate resolutions. Describe how they differ from the rules established in the Corporations Law:**

In conformity with Article 31 of the Corporate Bylaws: *"Resolutions must be adopted with the affirmative vote of the majority of the voting capital attending the Meeting in person or by proxy, without prejudice to the qualified quorums for convening and voting provided for by Law and in these Bylaws. For the adoption of resolutions the system for determining votes provided for in the Shareholders' Meeting Regulations will be followed,"* and in the case of special resolutions, Article 26 provides that *"Where Shareholders holding less than 50 percent of the voting capital stock attend the Meeting, the resolutions referred to in the preceding Subarticle may only be adopted validly by the affirmative vote of two-thirds of the capital stock attending the Meeting in person or by proxy."* These provisions are similar to the rules established in the Corporations Law.

**E.3. List any rights of the Shareholders in connection with Shareholders' Meetings that differ from those established in the Corporations Law:**

Neither the Corporate Bylaws, nor the Shareholders' Meeting Regulations confer any rights on the Company's Shareholders different to those established in the Corporations Law and regardless of whether the shares are common, non-voting, redeemable or preferred stock.

**E.4. Indicate, as appropriate, the measures adopted to encourage participation by Shareholders at Shareholders' Meetings:**

In compliance with the Corporate Bylaws, the Company approved the Shareholders' Meeting Regulations with a view to bolstering Shareholder participation at Shareholders' Meetings by suitably arranging for mechanisms to provide them with information and encouraging them to contribute to the decision-making process at the Company by exercising their rights to participate in debates and to vote.

Notwithstanding this, since ENDESA is a listed company which, according to the information provided by Iberclear for the last Shareholders' Meeting held on April 2, 2004, has a highly dispersed Shareholder structure, with a *free float* of approximately 85 percent and approximately 46 percent of the capital stock owned by foreign investors (See Section G – Other Information of Interest. A.2.), where possible, the Company operates an active policy aimed at achieving the widest dissemination of call notices for Shareholders' Meetings, while seeking to encourage Shareholder participation through the following measures:

- Widest dissemination of call notices for Shareholders' Meetings by publishing them in nine national daily newspapers, eight more than required by Article 97 of the Corporations Law, and for longer than the 15-day period required by Article 97 of the Corporations Law and a period of time between the date of publication of the call notice and the date of holding of the Meeting. This period was 35 days in 2005, 33 days in 2004 and 35 days in 2003, so Shareholders had ample time to familiarise themselves with the full wording of the resolutions and other supplementary information.
- Increase in the number of usual communication channels between Shareholders and the Company by making available to them an additional mailbox on the website under the "Shareholders' Meeting" section.
- Signing of agreements with financial institutions to encourage Shareholder participation at Shareholders' Meetings through financial incentives agreed on with those institutions and based on the quorum achieved, regardless of whether the vote is for or against the resolution in question.
- Engagement of the services of a firm specialising in the identification and analysis of the Shareholder structure and in the preparation and sending of informational documentation and arranging proxies to the Shareholders.
- Live webcast of the Shareholders' Meeting on the Company website ([www.endesa.es](http://www.endesa.es)).
- For the 2005 General Meeting, voting and proxies by remote means of communication (conventional mail and e-mail) and payment of Meeting attendance fee.

In short, in recent years ENDESA has been making a constant effort to achieve the largest possible participation of Shareholders at Shareholders' Meetings. Accordingly, the quorums for the past four years were as follows:

Year	Quorum
2002	35.19%
2003	37.53%
2004	37.40%
2005	66.23%

**E.5. Indicate whether the Chairman of the Board of Directors chairs Shareholders' Meetings. Give details, as appropriate, of what measures are adopted to ensure the independence and sound functioning of the Shareholders' Meeting:**

YES  NO **Details of measures**

The existence of the Shareholders' Meeting Regulations provided for by the Company in 2003 ensures the independence and sound functioning of the Shareholders' Meeting. Article 1 provides that "pursuant to the legal provisions and the Corporate Bylaws" the Regulations "govern the organisation and functioning of the Shareholders' Meeting, its call notices, preparation, information, attendance and proceedings, with a view to facilitating the Shareholders' exercise of their related rights," thereby contributing to the corporate decision-making process through the exercise of their rights to participate in debates and to vote.

**E.6. Indicate, as appropriate, any amendments introduced into the Shareholders' Meeting Regulations during the year:****E.7. Indicate the attendance data at the Shareholders' Meetings held in the year to which this report refers:****Attendance Data**

Date of Shareholders' Meeting	% Attendance in Person	% Attendance by Proxy	% Remote Voting	Total %
27-05-2005	3.82	60.82	1.59	66

**E.8. Briefly indicate the resolutions adopted at the Shareholders' Meetings held in the year to which this report refers and the percentage of votes with which each resolution was adopted:**

At the Annual Shareholders' Meeting held on 27 May 2005, the resolutions adopted and results of the voting were as follows:

ONE: Examination and approval, as appropriate, of the annual accounts (balance sheet, income statement and notes to the financial statements) and management report for the year ended 31 December 2004, as well as the conduct of the Company's business during the year.

*"To approve the financial statements (balance sheet, statement of income and notes to financial statements) of the Company and of its consolidated group for the year ended 31 December 2004, as well as the conduct of the Company's business in that fiscal year".*

The voting went as follows: 677,052,935 votes in favour (96.553%), 87,161 votes against (0.012%), 23,969,892 abstentions (3.418%); 117,174 blank votes (0.017%); total votes: 701,227,162.

TWO: Appropriation of income and distribution of dividends.

*"To approve the appropriation of income for the year and the distribution of a dividend proposed by the Board of Directors".* Income for 2004 amounted to Euro 841,108,763.37. This, combined with the Euro 153,426,415.62 of retained

earnings in 2003, gives a total of Euro 994,535,178.99. The proposed appropriation is as follows:

To dividends (the maximum amount to be distributed at Euro 0.7382 per share for a total of 1,058,752,117 shares) .....	Euro 781,570,812.77
To retained earnings.....	Euro 212,964,366.22
TOTAL .....	Euro 994,535,178.99

The Board resolves expressly to pay shares with dividend rights a gross amount of Euro 0.7832 per share. This dividend will be paid on 1 July 2005 at the banks and financial institutions to be announced minus the gross Euro 0.272 per share interim dividend paid on 3 January 2005 following the resolution adopted by the Board of Directors on 26 October 2004.”

The voting went as follows: 686,544,055 votes in favour (97.906%), 61,758 votes against (0.009%), 14,516,904 abstentions (2.070%); 104,445 blank votes (0.015%); total votes: 701,227,162.

THREE: Appointment of account auditor for the Company and the consolidated group.

*“To appoint the current external auditors, Deloitte, S.L., as the auditors of ENDESA, S.A. and of its Consolidated Group for 2005.*

*To engage said audit firm for the external audit of the financial statements of ENDESA, S.A. and of its Consolidated Group, delegating authority to the Board of Directors, in the widest terms, to determine the other terms and conditions of its engagement.”*

The voting went as follows: 686,152,937 votes in favour (97.850%), 183,472 votes against (0.026%), 14,749,141 abstentions (2.103%); 141,612 blank votes (0.020%); total votes: 701,227,162.

FOUR: Authorisation for the derivative acquisition of shares of treasury stock by the Company and its subsidiaries in accordance with article 75 and 1<sup>st</sup> additional provision of the Spanish Companies Law.

*“To revoke and render void the authority for the derivative acquisition of shares of the Company granted by the Annual Shareholders’ Meeting held on 2 April 2004.*

*To grant a new authority for the derivative acquisition of treasury stock, as well as pre-emptive rights of subscription of treasury stock, in accordance with Article 75 of the Corporations Law, on the following conditions:*



a) *Acquisitions may be made by any legally permitted means, directly by ENDESA, S.A. itself, by companies of its Group, or by an interposed person, up to the maximum figure permitted by the Law.*

b) *Acquisitions shall be made at a minimum price per share of its par value and a maximum price equal to its market price plus an additional 5%.*

c) *The term of this authority shall be 18 months."*

The voting went as follows: 686,240,971 votes in favour (97.863%), 226,033 votes against (0.032%), 14,629,939 abstentions (2.086%); 130,219 blank votes (0.019%); total votes: 701,227,162.

FIVE: Delegation to the Board of Directors the authority to increase capital, up to the maximum provided by law, with the possibility of excluding pre-emptive rights.

*"To empower the Board of Directors, as amply as is legally necessary in order that, in accordance with the provisions of article 153.1.b) of the Spanish Corporations Law ("Ley de Sociedades Anónimas"), it may increase the capital stock, in one or more times, and at any time prior to five years from the date of this General Meeting lapsing, in the maximum amount of 635,251,270.20 euros, equivalent to 50% of the figure of capital stock as at the date hereof, through the issuance of new shares—voting or non-voting, callable or non-callable—the consideration for the new shares to be issued consisting of monetary contributions, with the power to set the terms and conditions of the capital increase and the characteristics of the shares—within the limits applicable by law and by the bylaws—as well as to freely offer the new unsubscribed shares within a period or periods of preferred subscription, and to establish that, in case of incomplete subscription, the capital will be increased only by the amount of subscriptions made. The Board of Directors is also empowered to exclude the pre-emptive right of first refusal in the terms of article 159 of the Spanish Corporations Law and to apply for admission to trading of the new shares to be issued on the Stock Exchanges".*

The voting went as follows: 678,900,140 votes in favour (96.816%), 7,027,604 votes against (1.002%), 15,171,680 abstentions (2.164%); 127,738 blank votes (0.018%); total votes: 701,227,162.

SIX: Delegation to the Board of Directors for a period of five years of the authority to issue simple, non-convertible bonds, preference shares, promissory notes and other fixed income securities of an analogous nature and to guarantee those issued by subsidiary companies, as well as to resolve the application for admission to trading of the securities issued on secondary markets.

*"To delegate to the Board of Directors, in accordance with the provisions of article 319 of the Mercantile Registry Regulations and the general scheme for bond issues, and with express powers of substitution in the Executive*

*Committee, the authority to issue securities in accordance with the following conditions:*

- 1. The securities issued may be simple, non-convertible bonds, preference shares, promissory notes and other fixed income securities.*
- 2. The issuance thereof may be carried out on one or more occasions within the maximum period of five (5) years from the date of adoption of this Resolution.*
- 3. The delegation to issue the aforementioned securities shall extend to setting the various aspects and conditions of each issue (face or par value, type of issue, redemption price, interest rate, redemption, issue guarantees, admission to trading, etc.).*

*The delegation to issue securities granted by the Annual General Shareholders' Meeting of May 10, 2002 is heretofore deemed null and void.*

*To apply for admission to trading on official or unofficial secondary markets, whether or not organised, whether domestic or foreign, of the bonds or other securities to be issued by Endesa S.A. by virtue of this delegation, empowering the Board, with express authorisation for substitution in favour of the Executive Committee, to carry out the necessary formalities and actions for the admission to trading before the competent bodies of the various domestic or foreign securities markets.*

*To authorise the Board of Directors, with express authorisation for substitution in favour of the Executive Committee, to grant guarantees on the above securities issues, carried out by companies belonging to the Company's consolidation group.*

*For the purpose of the provisions of article 27 of the Securities Exchange Regulations, it is hereby expressly stated for the record that, in the event that the delisting of the securities issued by virtue of this delegation is subsequently applied for, the latter shall be adopted with the same formalities as referred to in the said article and, in such case, the interest of the shareholders or bondholders who object to or do not vote for the resolution shall be guaranteed, complying with the requisites established by the Spanish Corporations Law ("Ley de Sociedades Anónimas") and ancillary provisions, all of which in accordance with the provisions of the said Securities Exchange Regulations, the Securities Market Act and provisions implementing the same."*

The voting went as follows: 684,986,672 votes in favour (97.684%), 1,122,794 votes against (0.160%), 14,965,602 abstentions (2.134%); 152,094 blank votes (0.022%); total votes: 701,227,162.

SEVEN: Reappointment of Directors.

*"To reappoint Miguel Blesa de la Parras as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Blesa de la Parra shall hold office for a term of four years. His/her status as a*

*member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type c)."*

*"To reappoint Rafael Miranda Robredo as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Miranda Robredo shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type a)."*

*"To reappoint Manuel Pizarro Moreno as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Pizarro Moreno shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type a)."*

*"To reappoint Francisco Javier Ramos Gascón as a member of the Board of Directors. By virtue of the provisions established in article 38 of the Corporate Bylaws, Mr. Ramos Gascón shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b)."*

The voting went as follows: 682,707,974 votes in favour (97.359%), 866,429 votes against (0.124%), 16,075,321 abstentions (2.292%); 193,845 blank votes (0.028%); 1,383,593 votes not counted (0.197%); total votes: 701,227,162.

EIGHT: Appointment of Directors.

*"To appoint Juan Rosell Lastortras as a member of the Board of Directors. By virtue of the provisions of article 38 of the Corporate Bylaws, Mr. Rosell Lastortras shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b)."*

*"To appoint Alberto Recarte García-Andrade as a member of the Board of Directors. By virtue of the provisions of article 38 of the Corporate Bylaws, Mr. Recarte García-Andrade shall hold office for a term of four years. His/her status as a member of the Board of Directors, as per the classification set out in article 37 of the Corporate Bylaws, is established as type b)."*

The voting went as follows: 684,157,776 votes in favour (97.566%), 776,730 votes against (0.111%), 16,093,460 abstentions (2.295%); 199,196 blank votes (0.028%); total votes: 701,227,162.

NINE. Delegation to the Board of Directors power to execute, develop and amend, as appropriate, the resolutions adopted at the General Shareholders' Meeting and to replace the powers received from it and grant powers to put them on record and execute them.

*"1. To delegate to the Company's Board of Directors the broadest authorities to adopt such resolutions as may be necessary or appropriate for the execution, implementation, effectiveness and successful conclusion of the General Shareholders' Meeting resolutions and, in particular, for the following acts, without limitation:*

*(i) clarify, specify and complete the resolutions of this General Meeting and resolve such doubts or aspects as are presented, remedying and completing such defects or omissions as may prevent or impair the effectiveness or registration of the pertinent resolutions;*

*(ii) execute such public and/or private documents and carry out such acts, legal businesses, contracts, declarations and transactions as may be necessary or appropriate for the execution and implementation of the resolutions adopted at this General Shareholders' Meeting; and*

*(iii) delegate, in turn, to the Executive Committee or to one or more Directors, who may act severally and indistinctly, the powers conferred in the preceding paragraphs.*

*2. To empower the Chairman of the Board of Directors, Mr. Manuel Pizarro Moreno, the Chief Executive Officer (CEO) Mr. Rafael Miranda Robredo and the Secretary of the Board of Directors and Secretary General Mr. Salvador Montejo Velilla, in order that, any of them, indistinctly, may:*

*carry out such acts, legal businesses, contracts and transactions as may be appropriate in order to register the preceding resolutions with the Mercantile Registry, including, in particular, inter alia, the powers to appear before a Notary Public in order to execute the public deeds or notary records which are necessary or appropriate for such purpose, to publish the pertinent legal notices and formalise any other public or private documents which may be necessary or appropriate for the registration of such resolutions, with the express power to remedy them, without altering their nature, scope or meaning; and*

*(ii) appear before the competent administrative authorities, in particular, the Ministries of Economy and Finance and Industry, Tourism and Commerce, as well as before other authorities, administrations and institutions, especially the Spanish Securities Market Commission ("Comisión Nacional del Mercado de Valores"), the Securities Exchange Governing Companies and any other which may be competent in relation to any of the resolutions adopted, in order to carry out the necessary formalities and actions for the most complete implementation and effectiveness thereof".*

The voting went as follows: 686,146,139 votes in favour (97.849%), 163,712 votes against (0.023%), 14,776,960 abstentions (2.107%); 140,351 blank votes (0.020%); total votes: 701,227,162.

**E.9. Indicate, as appropriate, the number of shares required to attend Shareholders' Meetings and whether there is any restriction in the Bylaws in this respect:**

The right to attend Shareholders' Meetings is regulated in Article 27 of the Company's Bylaws: "Shareholders who, individually or grouped together with others, hold at least 50 shares, may attend Shareholders' Meetings provided that they have registered their shares in the appropriate book entry accounting

record five days before the Meeting is held and they obtain the relevant attendance card. Attendance cards made out in the Shareholder's name will be issued by the Company, either directly on the basis of the Shareholders' register or through the entities in charge of the accounting records, and may be used by the Shareholder as a document for granting representation by proxy at the Shareholders' Meeting in question. This will be deemed to be without prejudice to certificates of standing issued in accordance with the accounting record entries by the entity in charge or relevant participating entity."

**E.10. Indicate and provide support for the policies followed by the Company with respect to proxy voting at Shareholders' Meetings:**

The policy followed by the Company in this respect is in keeping with the provisions of its Corporate Bylaws, the Shareholders' Meeting Regulations and the legislation currently in force.

**E.11. Indicate whether the Company is aware of the policy of institutional investors on participating or not participating in the Company's decisions:**

YES  NO

Describe the policy

**E.12. Indicate the URL and means of accessing corporate governance content on your website:**

The URL for the Company's website is [www.endesa.es](http://www.endesa.es), although it can be accessed from [www.endesa.com](http://www.endesa.com). From the home page, corporate governance content can be accessed by two different routes:

- Corporate Governance.
- Shareholder and Investor Information.

This information is also provided in English, although it is structured differently.

**F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

**Indicate the degree of the Company's compliance with or, as the case may be, non-acceptance of existing Corporate Governance recommendations.**

**In the event of non-compliance with any of the recommendations, explain the recommendations, rules, practices or criteria applied by the Company.**

**In the event the single document referred to in Order ECO/3722/2003, of 26 December has not been prepared, the Olivencia and Aldama Reports should be taken as a reference to fill out this section. "OLIVENCIA COMMITTEE" RECOMMENDATIONS**

Recommendation 1.

*“The Board of Directors should accept expressly as its core mission the general function of supervision, discharge on a non-delegable basis the duties that this entails, and establish a formal list of the matters reserved for its knowledge.”*

X Followed.

Not followed.

Partially followed.

The Board of Directors is responsible for defining the general strategy and management guidelines of the Company, providing impetus for and overseeing the conduct of business by Senior Management, monitoring the transparency and truthfulness of the information on the Company in its relations with Shareholders and the markets in general, and the organisation and functioning of the Board itself.

- Corporate Bylaws: Article 36. Board of Directors. General functions.

- Board Regulations: Article 6. Functions.

Recommendation 2.

*“The Board of Directors should include a reasonable number of independent Directors, whose profile should be that of persons of professional prestige unrelated to the executive team or to significant Shareholders.”*

X Followed.

Not followed.

Partially followed.

Of the 14 members making up the Board of Directors, 12 are Directors whose only relationship with the Company is confined to their status as members of the Board, and all of them are persons of renowned prestige.

- Corporate Bylaws: Article 37. Number and classes of Directors.

- Board Regulations. Article 5. Structure and composition of the Board.

Recommendation 3.

*“There should be a broad majority of external Directors (nominee and independent Directors) over executives in the composition of the Board of Directors and the proportion between nominee and independent Directors should be established bearing in mind the relationship existing between the capital composed of significant holdings and other holdings.”*

X Followed.

Not followed.

Partially followed.

The Company has two Directors related professionally to the Company and 12 external Directors, of whom only one is a Director by virtue of being a Shareholder of the Company.

- Corporate Bylaws: Article 37. Number and classes of Directors.
- Board Regulations. Article 5. Structure and composition of the Board.

Recommendation 4.

*“The Board of Directors should adjust its size to ensure that it functions in a more effective and participatory manner. In principle, the suitable size could vary between five and 15 members.”*

X Followed.  
 Not followed.  
 Partially followed.

The Corporate Bylaws and the Board Regulations establish a number of between 9 and 15 Directors. The Board of Directors of ENDESA is currently composed of 15 members.

- Corporate Bylaws. Article 37. Number and classes of Directors.
- Board Regulations. Article 5. Structure and composition of the Board.

Recommendation 5.

*“If the Board opts to have one individual hold the offices of Chairman and chief executive, it should adopt the safeguards necessary to reduce the risk of concentration of power in the hands of one person.”*

X Followed.  
 Not followed.  
 Partially followed.

The Chairman of the Board and the Chief Executive Officer have differentiated functions. In addition, the Chairman of the Board can delegate his/her powers to other members of the Company's Board.

- Corporate Bylaws. Article 45. Board officers.
- Board Regulations. Article 34. Differentiation of functions; Article 35. Chairman of the Board of Directors; and Article 37. Chief Executive Officer.

Recommendation 6.

*“The Secretary of the Board should be given more prominence, strengthening his/her independence and stability and highlighting his/her function of ensuring that the activities of the Board are lawful from the formal and substantive standpoints.”*

X Followed.

Not followed.

Partially followed.

The Secretary has independence to professionally perform the functions entrusted to him/her, without prejudice to his/her reporting to the Board Chairman.

The Secretary, who will have such status on the various corporate bodies, may also hold office as General Secretary, reporting to the Chief Executive Officer.

– Corporate Bylaws. Article 45. Board officers.

– Board Regulations. Article 38. Secretary of the Board of Directors.

Recommendation 7.

*“The composition of the Executive Committee, if any, should reflect the same balance as that maintained by the Board among the various classes of Directors, and relations between the two bodies should be based on the principle of transparency so that the Board is fully aware of the business transacted and of the decisions adopted by the Committee.”*

X Followed.

Not followed.

Partially followed.

The Executive Committee is currently composed of six members, of whom two are executive members, three are independent and one is a nominee.

The resolutions of the Committee are binding as soon as they are adopted, and the Committee appraises the Board of Directors of any decisions adopted in the exercise of its powers.

– Corporate Bylaws. Article 48. Composition of the Executive Committee.

– Board Regulations. Article 13. Executive Committee.

Recommendation 8.

*“The Board of Directors should set up from among its members delegated supervision Committees composed solely of external Directors in the areas of accounting control and reporting (Audit); selection of Directors and senior executives (Appointments); determination and review of compensation policy (Compensation); and evaluation of the governance system (Compliance).”*



X Followed.

Not followed.

Partially followed.

The delegated Committees are composed solely of external Directors.

The Audit and Compliance Committee ensures good corporate governance and transparency in all the operations of the Company and the Appointments and Compensation Committee has as its main functions those of apprising the Board of Senior Management appointments, approving their compensation and determining the rules governing the relationship between the Chairman and the Chief Executive officer of the Company.

– Corporate Bylaws. Article 51. Audit and Compliance Committee; and Article 52. Appointments and Compensation Committee.

– Board Regulations. Article 14. Audit and Compliance Committee; and Article 15. Appointments and Compensation Committee

Recommendation 9.

*“The necessary measures should be adopted to ensure that the Directors have enough information, sufficiently in advance, specifically drawn up and of relevance to enable Board meetings to be prepared, without the importance or confidential nature of the information being able to exclude the application of such measures, except in exceptional circumstances.”*

X Followed.

Not followed.

Partially followed.

The Directors have the right and the obligation to request all the information necessary to perform their functions. The information is usually furnished to the Directors seven days in advance and in all cases at least 48 hours in advance.

– Corporate Bylaws. Article 41. Responsibility.

– Board Regulations. Article 27. Directors' duties; and Article 31. Right to counselling and information.

Recommendation 10.

*“In order to ensure the proper functioning of the Board, its meetings should be held as often as necessary to fulfil its mission; the Chairman should encourage all the Directors to take the floor and form opinions freely; special care should be taken in drafting the minutes and the quality and effectiveness of its work should be evaluated at least once a year.”*

- X Followed.
- Not followed.
- Partially followed.

Pursuant to the Corporate Bylaws, the Board must meet at least once every two months, and as often as called by the Chairman. In 2005, the Board of Directors met 20 times.

The resolutions of the Board of Directors are recorded in minutes, which are approved by the Board itself and signed by the Secretary of the Board or of the meeting in question and countersigned by the Chairman.

- Corporate Bylaws. Article 43. Call notices and meeting venue; and Article 46. Debating and adoption of resolutions.
- Board Regulations. Article 10. Call notices and meeting venue.

#### Recommendation 11.

*“The Board’s involvement in the recruitment and reappointment of its members should follow a formal and transparent procedure, based on a reasoned proposal from the Appointments Committee.”*

- X Followed.
- Not followed.
- Partially followed.

The Shareholders’ Meeting is responsible for both the appointment and removal of Directors. In the event of a vacancy, the Board will appoint, among Shareholders, a replacement until the next Shareholders’ Meeting is held.

The Appointments and Compensation Committee reports on and proposes the appointment of Board members, whether by cooption or by proposal to the Shareholders’ Meeting.

- Corporate Bylaws. Article 38. Term of Office; and Article 52. Appointments and Compensation Committee.
- Board Regulations. Article 5. Structure and composition of the Board; Article 15. Appointments and Compensation Committee; and Article 25. Reappointment of Directors.

#### Recommendation 12.

*“Companies should include in their regulations the obligation of Directors to resign in cases where they may adversely affect the functioning of the Board or the name and reputation of the Company.”*

- X Followed.

Not followed.  
Partially followed.

Directors must tender their resignations to the Board where they become subject to any of the situations of incompatibility or prohibition and where the Board, following a report from the Appointments and Compensation Committee, resolves that the Director in question is in gross breach of his/her obligations.

- Board Regulations: Article 26. Vacation of office by Directors.

Recommendation 13.

*“An age limit should be set for discharging the office of Director. This limit could be seventy-five for executive Directors and the Chairman, and somewhat more flexible for the other members.”*

X Followed.  
Not followed.  
Partially followed.

A Director may not be older than 70 years of age. The Chief Executive Officer may not be older than 65, although he/she/ may remain as a Director.

– Corporate Bylaws. Article 42. Incompatibilities.

– Board Regulations. Article 23. Incompatibilities.

Recommendation 14.

*“The right of each Director to request and obtain the information and counselling necessary to perform his/her supervisory functions should be formally recognised, and the suitable channels for the exercise of this right, including consulting with external experts in special circumstances, should be established.”*

X Followed.  
Not followed.  
Partially followed.

Directors have access to any of the Company's services and may request such information and counselling as they may require on any matter.

- Board Regulations: Article 31. Right to counselling and information.

Recommendation 15.

*“The policy on Directors' compensation, which should be proposed, evaluated, and reviewed by the Compensation Committee, should be consistent with the principles of*

*moderation, proportionally to the income of the company, and provision of detailed and itemised information.”*

X Followed.

Not followed.

Partially followed.

Directors' compensation consists of a fixed monthly salary and a share in income subject to an overall annual limit for the entire Board of Directors of one per mil of the income of the Consolidated Group approved at the Shareholders' Meeting. The members of the Board of Directors will also receive fees for attending each of the meetings of the managing bodies of the Company and its committees.

– Corporate Bylaws. Article 40. Compensation.

– Board Regulations. Article 33. Directors' compensation.

Recommendation 16.

*“The internal regulations of the Company should set forth in detail the obligations that arise from the general duties of care and loyalty of the Directors, including, in particular, the situation as regards conflicts of interest, the duty of confidentiality, the exploitation of business opportunities, and the use of corporate assets.”*

X Followed.

Not followed.

Partially followed.

There is a detailed set of rules on incompatibilities to which the Directors are subject, as well as a number of obligations that ensure their duties of loyalty and care.

– Corporate Bylaws. Article 41. Responsibility; and Article 42. Incompatibilities.

– Board Regulations. Article 23. Incompatibilities; Article 27. Directors' duties; Article 28. Duty of confidentiality; Article 29. Use of information and corporate assets; and Article 30. Business opportunities.

Recommendation 17.

*“The Board of Directors should promote the adoption of appropriate measures to extend the duties of loyalty to significant Shareholders, establishing, in particular, safeguards for transactions between significant Shareholders and the company.”*

X Followed.

Not followed.

Partially followed.

In its relations with relevant Shareholders, the Board cannot supply them with any information that places them in a privileged position or at an advantage with respect to other Shareholders.

The transactions between the Company and identified significant Shareholders during the year were closed on arm's-length conditions.

– Board Regulations: Article 18. Relations with relevant Shareholders; and Article 30. Business opportunities.

Recommendation 18.

*“Measures should be taken to make the proxy-voting mechanism more transparent and to enhance the company's communication with its Shareholders, in particular with institutional investors.”*

X Followed.

Not followed.

Partially followed.

The Company establishes the necessary channels for Shareholders to exercise their right to attend the Shareholders' Meeting and facilitates the right to information by making available to Shareholders all the documentation required by law and any other documentation requested of it, provided that it is not detrimental to the corporate interests.

The Company also promotes relations with shareholders and investors, both private and institutional, through the Investor Relations Department, the Shareholder Information Office and the Company's website at [www.endesa.es](http://www.endesa.es).

– Corporate Bylaws. Article 28. Representation; Article 30 bis. Voting and proxies by remote means of communication; and Article 33. Right to information.

– Board Regulations. Article 17. Relations with the Shareholders in general; Article 18. Relations with relevant Shareholders; and Article 19. Relations with the Shareholders' Meeting.

– Shareholders' Meeting Regulations: Article 9. Right to information; Article 11. Representation by proxy; Article 12. Public request for proxies; and Article 20 bis. Voting and proxies by remote means of communication.

Recommendation 19.

*“The Board of Directors should go beyond the requirements imposed by the legislation in force and take responsibility for supplying the markets with swift, accurate and reliable information, in particular on the Shareholder structure, on material changes to governance rules, on especially relevant related-party transactions, or on treasury stock.”*

X Followed.  
Not followed.  
Partially followed.

In 2005, there were no significant changes in treasury stock, nor were any especially relevant related-party transactions performed, except for those formalised, on arm's-length conditions, with the financial institutions identified as significant Shareholders of the Company, or material changes to governance rules.

Recommendation 20.

*"All periodical financial information which, in addition to annual financial information, is offered to the markets should be prepared in conformity with the same principles and professional practices as those applying to and used for the financial statements, and before being disclosed, should be verified by the Audit Committee."*

X Followed.  
Not followed.  
Partially followed.

All the information made available to the markets is prepared in accordance with the same principles, standards and professional practices as those applying to and used for the preparation of the financial statements and is reviewed by the Audit and Compliance Committee, whose functions include ensuring good corporate governance and transparency in all the activities of the Company in the economic/financial and external audit area and in the compliance and internal audit area.

– Corporate Bylaws. Article 51. Audit and Compliance Committee.

– Board Regulations. Article 14. Audit and Compliance Committee; and Article 20. Relations with the Auditors.

Recommendation 21.

*"The Board of Directors and the Audit Committee should monitor any situations that may pose a risk to the independence of the company's external auditors and, specifically, verify the percentage that the fees paid for all items represent out of the total revenues of the audit firm, and publicly disclose any fees relating to professional non-audit services."*

X Followed.  
Not followed.  
Partially followed.

One of the functions entrusted to the Audit and Compliance Committee is that of liaising with the external auditors in order to receive information on matters that may jeopardise their independence.

The Audit and Compliance Committee proposes to the Board the persons who are to perform the audit, for submission to the Shareholders' Meeting.

The amounts paid to audit firms in this connection and for other non-audit services are disclosed in detail in the Annual Report, in the Annual Corporate Governance Report and in the Audit and Compliance Committee's own Annual Activities Report.

– Corporate Bylaws. Article 51. Audit and Compliance Committee; Article 56. Audits; and Article 57. Appointment of auditors.

– Board Regulations. Article 14. Audit and Compliance Committee; and Article 20. Relations with the Auditors.

Recommendation 22.

*“The Board of Directors should procure that the financial statements it prepares are not submitted to the Shareholders' Meeting with reservations or qualifications in the auditors' report and, where this is not possible, both the Board and the auditors should clearly explain the substance and scope of the discrepancies to the Shareholders and to the markets.”*

X Followed.

Not followed.

Partially followed.

The annual financial statements and management report are checked by the auditors as soon as they are received from the Directors.

No qualifications, reservations or observations were attached to the audit of the 2005 financial statements.

– Corporate Bylaws. Article 56. Audits.

– Board Regulations. Article 14. Audit and Compliance Committee; and Article 20. Relations with the Auditors.

#### “ALDAMA COMMITTEE” RECOMMENDATIONS

Recommendation 1. The principle of transparency and the duty of disclosure

*“The duties of disclosure should cover the Company's governance practices and structures and measures should be adopted to ensure information of the highest quality in order to relay to the market all relevant information for investors in a correct, true, symmetrical and fair manner and in useful time.”*

X Followed.

Not followed.

Partially followed.

To comply with the right of Shareholders to information and to disclose all relevant information to investors and to the public at large, ensuring equal and transparent access for all in conformity with the criteria set by its Directors, the Company has an Investor Relations Department, reporting to the Corporate Finance and Control Department, a Shareholder Information Office, reporting to the Investor Relations Department, and a website at “www.endesa.es.”

– Corporate Bylaws. Article 36. Board of Directors. General functions.

– Board Regulations. Article 6. Functions; Article 17. Relations with the Shareholders in general; and Article 18. Relations with relevant Shareholders.

#### Recommendation 2. Corporate Governance provisions. Public disclosure

*“The set of provisions on Corporate Governance at each company (principles governing Directors’ conduct, specification of their duties, functions and incompatibilities, rules of functioning for the Board of Directors or the Shareholders’ Meeting) should be published to apprise shareholders and investors.”*

X Followed.

Not followed.

Partially followed.

The Company provides shareholders, investors and the public at large with access to its collection of Corporate Governance provisions on its website at [www.endesa.es](http://www.endesa.es).

– [www.endesa.es](http://www.endesa.es): “Corporate Governance” and “Shareholder and Investor Information” sections.

#### Recommendation 3. Instruments of disclosure

*“All the relevant information on Corporate Governance should be consolidated periodically in a special document entitled ‘Annual Corporate Governance Report’ and updated using Internet technologies to facilitate the dissemination of that information and of any other relevant information so that the market can evaluate each company’s Corporate Governance guidelines and practices.”*

X Followed.

Not followed.

Partially followed.

The Company published Corporate Governance Reports for 2002, 2003, 2004 and 2005. These reports are available on the Company’s website through the Corporate Governance and the Shareholder and Investor Information sections. The Company also posts all relevant information on its website.

– Board Regulations. Article 6. Functions; and Article 7. Specific functions relating to the annual financial statements, management report and report on corporate governance.



- [www.endesa.es](http://www.endesa.es): “Corporate Governance” and “Shareholder and Investor Information” sections.

#### Recommendation 4. The Annual Corporate Governance Report

*“The Annual Corporate Governance Report should be examined and approved by the Board of Directors following a report from the Audit and Compliance Committee or, as the case may be, from the Appointments and Compensation Committee, and made available to the Shareholders on the occasion of the Annual Shareholders’ Meeting.”*

X Followed.

Not followed.

Partially followed.

The 2002, 2003, 2004 and 2005 Corporate Governance Reports were reported on by the Audit and Compliance Committee, approved by the Board of Directors, notified to the Spanish National Securities Markets Commission, and then posted on the Company's website. The Annual Report is also made available to Shareholders as soon as the Shareholders’ Meeting is called.

- Board Regulations. Article 7. Specific functions relating to the annual financial statements, management report and report on corporate governance.

- [www.endesa.es](http://www.endesa.es): “Corporate Governance” and “Shareholder and Investor Information” sections.

#### Recommendation 5. The Company's website

*“The Company should have a website, the content of which will be determined by the Board of Directors and through which it informs its shareholders, investors and the market, in general, of economic, and any other significant, events taking place in relation to the company, and the shareholders should have a way of making proposals on the business on the agenda and making requests for information.”*

X Followed.

Not followed.

Partially followed.

ENDESA has a website at [www.endesa.es](http://www.endesa.es), on which all information relevant to shareholders, investors and the market in general is posted, and, in conformity with the legislation in force, the Board of Directors is responsible for determining what information should be posted on it.

- Board Regulations. Article 6. Functions.

- [www.endesa.es](http://www.endesa.es): “Corporate Governance” and “Shareholder and Investor Information” sections.

Recommendation 6. Professional service providers

*“A summary of reports issued by the main analysts, investment banks or rating agencies monitoring the Company on a continuous basis should be posted on the website.”*

X Followed.

Not followed.

Partially followed.

The Company’s website at [www.endesa.es](http://www.endesa.es) contains a summary with: (i) the name of the firm issuing the analysis; (ii) the first and last names of the analyst; (iii) the target price published; and (iv) recommendation made in the reports by analysts who have previously given the Company permission to publicise it.

– [www.endesa.es](http://www.endesa.es): “Shareholder and Investor Information” section, in the “Other Information and Economic/Financial Information” section.

Recommendation 7. The “comply or explain” principle

*“The Corporate Governance practices that are actually followed should be evaluated regularly and an opinion should be offered on the degree of compliance, furnishing, where possible, data and support to be able to provide evidence of such practices.”*

X Followed.

Not followed.

Partially followed.

Since 2000 (FY99), the Company has reported on the corporate governance practices followed, including them in its Annual Reports and responding to Spanish National Securities Markets Commission (CNMV) questionnaires on compliance with the Olivencia Code, which are posted on the websites of the CNMV and which have also featured in the Company’s Annual Corporate Governance Reports since 2002.

– Board Regulations. Article 7. Specific functions relating to the annual financial statements, management report and report on corporate governance.

– [www.cnmv.es](http://www.cnmv.es).

Recommendation 8 . Directors’ responsibility. Duties of loyalty

*“Details of the basic obligations arising from the duty of loyalty and the definition of the specific guidelines for action aimed at increasing the ability to verify misconduct should be given, and they should be extended to persons acting behind the formal decision-making bodies.”*

X Followed.

Not followed.

Partially followed.

The Company regulates all aspects of the duties of loyalty of the Directors in the Board Regulations and in the Internal Regulations on Conduct in Securities Markets, and under the latter Regulations and the Rules on Corporate Integrity, it extends these duties to Senior Management, other executives and employees.

– Board Regulations. Article 28. Duty of confidentiality; Article 29. Use of information and corporate assets; and Article 30. Business opportunities.

– Internal Regulations on Conduct in Securities Markets.

– Rules on Corporate Integrity. Charter Governing Senior Management, Charter Governing Executives and Employees' Code of Conduct.

Recommendation 9 . Directors' responsibility. Duties of diligence

*“The duties, rights and obligations of the Directors in relation to the general interests of the company and the Shareholders should be defined, and they should discharge their office in good faith and with the necessary diligence in pursuit of the company's interests, acting with a view to participating effectively in Board meetings and in meetings of any committees of which they are members.”*

X Followed.

Not followed.

Partially followed.

The rights, duties and obligations of the Company's Directors are defined in the Corporate Bylaws and in the Board Regulations.

– Corporate Bylaws. Article 36. Board of Directors. General functions; Article 39. Representation of the Company; and Article 41. Responsibility.

– Board Regulations. Article 27. Directors' duties; Article 28. Duty of confidentiality; and Article 31. Right to counselling and information.

Recommendation 10. The ethical framework of Corporate Governance

*“Each company should, within the general framework of sustainable development, be free to assume the additional ethical or social obligations or commitments that it wishes in managing its business and in its relations with stakeholders, such as the presentation of a threefold assessment (economic, social and environmental) in order to inform the Shareholders, employees and the Company as a whole of such obligations and commitments, based on the principles of voluntariness and transparency.”*

X Followed.

Not followed.

Partially followed.

The Company's commitment to the communities in the geographical areas where it is present is a fundamental, distinguishing feature of its business track record; accordingly, the Company has adopted a model of responsible growth guided by the principles of sustainable development and social responsibility. The Company engages in these activities basically through its Foundations or through direct initiatives undertaken by it or by its investees.

– In the past three years the Company has published a Sustainability Report to provide information, in an integrated way, on the Company's main initiatives in the social, economic and environmental areas, and on its contribution to sustainable development in the pursuit of its business.

– [www.endesa.es](http://www.endesa.es): "Our Commitment" section, under the "Sustainability" and "Foundations" menu items.

– Sustainability Report.

#### Recommendation 11. The Shareholders' Meeting. Information

*"All aspects relating to procedures for making available information should be included in the Shareholders' Meeting Regulations, and as soon as the Meeting is called, the Company should disclose the full wording of all the proposed resolutions to be submitted to the Meeting in precise, clear, intelligible and useful terms, using its website for such purpose and regardless of any other statutory or voluntary procedure used by the company, in order to evaluate the proposed decision and form an opinion as part of the corporate decision-making process."*

X Followed.

Not followed.

Partially followed.

The Shareholders' Meeting Regulations of the Company include all aspects relating to the procedures for making available information to the Shareholders, so that all the documentation available to the Shareholders regarding Shareholders' Meetings can be found through the relevant section on the website.

– Shareholders' Meeting Regulations: Article 1. Purpose; Article 8. Publication and announcement of calls; Article 9. Right to information; and Article 24. Publication.

– [www.endesa.es](http://www.endesa.es): "Corporate Governance" and "Shareholder and Investor Information" sections.

#### Recommendation 12. The Shareholders' Meeting. Regulations

*"The Company should draw up and disseminate specific regulations for the Shareholders' Meeting and post them on the Company's website."*

X Followed.

Not followed.

Partially followed.

The Shareholders' Meeting Regulations were approved at the Shareholders' Meeting on 19 June 2003 and were later amended by the Shareholders' Meeting on 2 April 2004. The Regulations are registered at the Madrid Mercantile Registry in volume 14779, book 0, sheet 135, section 8, page 6405, entry no. 903.

– Corporate Bylaws. Article 18. Shareholders' Meeting.

– Shareholders' Meeting Regulations: Article 1. Purpose; and Article 2. Validity and interpretation.

– [www.endesa.es](http://www.endesa.es): "Corporate Governance" and "Shareholder and Investor Information" sections.

Recommendation 13. The Shareholders' Meeting. Call notices

*"Call notices for Shareholders' Meetings should be made public sufficiently in advance so that Shareholders can request and obtain supplementary information on any business on the agenda or give voting instructions."*

X Followed.

Not followed.

Partially followed.

The Company has been calling Shareholders' Meetings with notice periods of 35, 33 and 35 days, respectively, each year from 2003 through 2005.

Recommendation 14. The Shareholders' Meeting. Functioning and Proceedings

*"The Shareholders' Meeting Regulations should govern the rules for proceedings at such Meetings and all measures should be adopted to facilitate the participation of Shareholders at Shareholders' Meetings, and ensure that their votes are cast in accordance with their wishes."*

X Followed.

Not followed.

Partially followed.

The Company's Shareholders' Meeting Regulations seek to encourage participation by Shareholders at Meetings by duly arranging for mechanisms to furnish them with information and encourage them to contribute to the company's decision-making process, by exercising their rights to take part in debates and to vote. To this end, the Regulations embrace all aspects of Shareholders' Meetings, including their organisation, functioning, convocation and preparation, the provision of information, shareholder attendance, and operational proceedings.

– Corporate Bylaws. Article 18. Shareholders' Meeting.

– Shareholders' Meeting Regulations:

Recommendation 15. The Shareholders' Meeting. Card

*“The standardisation of attendance cards or documents furnished to Shareholders for attending Shareholders' Meetings, granting proxies and giving voting instructions should be encouraged.”*

X Followed.

Not followed.

Partially followed.

The Company has prepared a model Shareholders' Meeting attendance card, which in conformity with the Corporate Bylaws and the Shareholders' Meeting Regulations, has been made available to the Shareholders on the Company's website ([www.endesa.es](http://www.endesa.es)) so that they can exercise their right to grant a proxy and vote by remote means of communication.

The Company formalises agreements, where possible, with the financial institutions acting as depositories for the largest number of ENDESA Shareholders, to ensure that they call the next Shareholders' Meeting with the model attendance card prepared by the Company.

– [www.endesa.es](http://www.endesa.es): “Corporate Governance” and “Shareholder and Investor Information” sections.

Recommendation 16. The Shareholders' Meeting. Electronic voting

*“The necessary systems for computing quorums electronically should be implemented, as should systems for representation by proxy and voting by mail or by electronic means.”*

X Followed.

Not followed.

Partially followed.

The Company has been computing votes electronically for over 10 years, and in order to be able to implement systems for voting and granting proxies by remote means of communication, the Shareholders' Meeting of the Company on 2 April 2004 approved the amendment of Article 33 and the inclusion of a new Article 30 bis. in the Corporate Bylaws, adapting these Articles to the new developments introduced by Transparency Law 26/2003 of 17 July. The Shareholders' Meeting also approved the amendment of Articles 9, 12 and 18 and the inclusion of a new Article 20 bis. in the Shareholders' Meeting Regulations.

At the Annual Shareholders' Meeting held on 27 May 2005, these systems were used for the first time, with the following results:

Electronic voting: 146 Shareholders with 90,224 shares, representing 0.009% of capital stock.

Mailed-in vote: 40,473 Shareholders with 16,647,720 shares, representing 1.572% of capital stock.

Electronic proxy: 102 Shareholders with 74,029 shares, representing 0.007% of capital stock.

– Corporate Bylaws. Article 33. Right to information; and Article 30 bis. Voting and proxies by remote means of communication.

– Shareholders' Meeting Regulations: Article 9. Right to information; Article 12. Public request for proxies; Article 18. Taking the floor; and Article 20 bis. Voting and proxies by remote means of communication.

#### Recommendation 17. Board of Directors. Information

*“The Directors should have the necessary information for the best and most effective discharge of their duties; it should be their responsibility to identify and request such information and their requests should, unless otherwise provided for in the bylaws or by law, be made to the Secretary of the Board; any shortcomings detected by them in the fulfilment of their requests for information should be noted in a formal record.”*

X Followed.

Not followed.

Partially followed.

To enable the Directors to prepare adequately for Board meetings and meetings of the corporate bodies on which they sit, the Company furnishes the Directors with documentation relating to the meeting, seven days in advance, where possible, but in any case at least 48 hours beforehand.

– Corporate Bylaws. Article 41. Responsibility.

– Board Regulations. Article 27. Directors' duties; and Article 38. Secretary of the Board of Directors.

#### Recommendation 18. Board of Directors. Meetings

*“The Board of Directors should hold regular meetings as often as is appropriate, normally monthly, to monitor closely the activities of executives and committees, and should also meet whenever the Chairman or a sufficient number of Directors so request.”*

X Followed.

Not followed.

Partially followed.

In 2005, 20 Board meetings were held, 12 of which were regular meetings and six special meetings.

- Corporate Bylaws. Article 43. Call notices and meeting venue.
- Board Regulations. Article 10. Call notices and meeting venue.

Recommendation 19. Board of Directors. Functions

*“Throughout the year the Board of Directors should analyse specifically the budget and progress with the strategic plan and the degree of compliance with it, as well as the quarterly financial statements that the company is required to send to the market regulatory or supervisory bodies for publication.”*

- X Followed.
- Not followed.
- Partially followed.

Pursuant to the Corporate Bylaws and the Board Regulations, the Board approves and, if appropriate, ratifies the resolutions of the Executive Committee on matters including the budget and progress with the strategic plan and the degree of compliance with it and, following a report from the Audit and Compliance Committee, approves the periodic financial statements sent for publication to the market regulatory and supervisory bodies.

- Corporate Bylaws. Article 36. Board of Directors. General functions.
- Board Regulations. Article 6. Functions; and Article 7. Specific functions relating to the annual financial statements, management report and report on corporate governance.

Recommendation 20. External Directors. Classes and vacation of office

*“A basic distinction should be drawn between executive Directors and external Directors, within which are defined the subcategories of nominee and independent Directors; it should not be proposed to remove external Directors before the completion of their term of office, per the Bylaws, for which they were appointed, except for exceptional, justified reasons approved by the Board of Directors, following a report from the Appointments and Compensation Committee.”*

- X Followed.
- Not followed.
- Partially followed.

The Corporate Bylaws and the Board Regulations establish the number of Directors, their classes and proportions and the reasons for their vacating office. Pursuant to these regulations, an appointment to the office of Director is revocable; however, the Company has not removed any member of the Board.

- Corporate Bylaws. Article 37. Number and classes of Directors.



– Board Regulations. Article 5. Structure and composition of the Board; and Article 26. Vacation of office by Directors

Recommendation 21. Directors. Age

*“The policy adopted on the age of Directors should be established clearly in the company’s internal regulations (Bylaws or Regulations).”*

X Followed.

Not followed.

Partially followed.

Both the Corporate Bylaws and the Board Regulations provide with total clarity that the maximum age for being appointed as a Director is 70, while the maximum age for holding office as Chief Executive Officer is 65.

– Corporate Bylaws. Article 42. Incompatibilities.

– Board Regulations. Article 23. Incompatibilities.

Recommendation 22. Board of Directors. Composition

*“There should be a broad majority of external Directors on the Board and, among the external Directors, a very significant participation by independent Directors, bearing in mind the company’s Shareholder structure and the capital stock represented on the Board.”*

X Followed.

Not followed.

Partially followed.

The Company’s internal regulations set the proportion that should be maintained among the various types of Director, both on the Board of Directors and on the Executive Committee, the Audit and Compliance Committee, and the Appointments and Compensation Committee.

At present, external Directors make up 86% of ENDESA’s Board of Directors, of which 75% are independent. The ratio on the Executive Committee is 67% external and 75% independent and on the Audit and Compliance and Appointments and Compensation committees 100% external and 75% independent.

– Corporate Bylaws. Article 37. Number and classes of Directors. Article 51. Audit and Compliance Committee; and Article 53. Appointments and Compensation Committee.

– Board Regulations. Article 5. Structure and composition of the Board; Article 13. Executive Committee; Article 14. Audit and Compliance Committee and Article 15. Appointments and Compensation Committee.

Recommendation 23. Board of Directors. Committees

*“The Board of Directors should set up specialised committees to diversify the work and ensure that in certain areas proposals and resolutions must have been considered first by a specialised body. The Board should appoint their members, where applicable approve the specific rules and regulations governing such committees, and consider their proposals and reports; such committees should report to the Board on their work.”*

X Followed.

Not followed.

Partially followed.

The Company has had an Executive Committee since 1972 and an Audit and Compliance Committee and an Appointments and Compensation Committee since 1998. Their main aspects are regulated in the Corporate Bylaws and in the Board Regulations.

– Corporate Bylaws. Article 47. Delegation of powers; Article 48. Composition of the Executive Committee; Article 51. Audit and Compliance Committee; and Article 52. Appointments and Compensation Committee.

– Board Regulations. Article 12. Executive Committee and Committees of the Board of Directors; Article 13. Executive Committee; Article 14. Audit and Compliance Committee; Article 15. Appointments and Compensation Committee; and Article 16 Advisory Boards.

Recommendation 24. Board compensation. Stock options

*“Compensation in the form of an award of shares in the company or in group companies, stock options, or linked to the value of the shares, should be restricted to executive Directors.”*

X Followed.

Not followed.

Partially followed.

The Corporate Bylaws do not expressly provide for compensation in the form of stock bonuses, or stock options, or rights linked to the value of shares, as required by Article 130. “Compensation” of the Corporations Law. Accordingly, no member of the Board of Directors receives compensation in this form.

Recommendation 25. Board compensation. Itemisation

*“The compensation of each Director should be published on an itemised basis in the Annual Report.”*

Followed.

Not followed.

X Partially followed.

The Company has included in its Annual Report and in its Annual Corporate Governance Report details of the compensation received by the Board of Directors and senior executives in 2004 and 2005, as required in Spanish National Securities Markets Commission Circular 1/2004.

– 2004 and 2005 Annual Report and Annual Corporate Governance Reports.

– [www.endesa.es](http://www.endesa.es): “Shareholder and Investor Information” section.

Recommendation 26. Compensation of executive Directors and senior management

*“With respect to executive Directors, the compensation to which they are entitled as Board members should be differentiated from the compensation to which they are entitled as company executives, and the total compensation paid to senior management should be included in the annual report, together with the number and personal particulars of the members of senior management.”*

X Followed.

Not followed.

Partially followed.

In recent years the Company has reported on the compensation paid to executive Directors as such and as senior executives on a separate basis. It has also reported on the number of senior executives and their aggregate compensation, and in the 2005 report the senior executives are identified.

– Annual Report and Corporate Governance Report.

Recommendation 27. Safeguard clauses. Approval

*“Any contract with safeguard clauses in favour of senior management members of the company in the event of their dismissal or a change in control should be formally approved by the Board of Directors.”*

X Followed.

Not followed.

Partially followed.

All the contracts with safeguard clauses formally signed by the Company with the thirty-one senior executives identified in the 2005 Annual Corporate Governance Report were formally approved by the Board of Directors.

Recommendation 28. Safeguard clauses. Provision

*“Once the amount of the agreed severance has been approved by the Board, where the amount exceeds two years’ agreed salary, a provision for the excess should be*

*recorded in the balance sheet for the same year as that in which the amount of agreed severance is approved, with the amount of the provision being recorded separately.”*

- Followed.
- X Not followed.
- Partially followed.

The amount of severance agreed on in the contracts executed by the Company with the executive Directors and senior executives of the Company exceeds two years' agreed salary, as explained in the 2005 Annual Corporate Governance Report and in the 2005 Annual Report, although the Company does not record any provision in this connection, as permitted by the legislation in force.

#### Recommendation 29. Preparation of annual financial statements. Certification

*“The annual financial statements and the management report presented to the Board of Directors for formal preparation and to be expressed in clear and precise terms should be previously certified as exact and complete by the Chairman (if he/she has executive duties), the Chief Executive Officer and the Financial Manager or head of the relevant department, and it should be placed on record that the consolidated financial statements include the financial statements of all Spanish and foreign investees within the consolidated group in accordance with the applicable corporate and accounting legislation. Certification of the financial statements is a specific responsibility of those directly related to the conduct of the Company's business, but does not exclude the joint and several liability of all the Directors for the preparation of the annual financial statements.”*

- X Followed.
- Not followed.
- Partially followed.

The Chief Executive Officer and the Finance and Control Manager of the Company certify that the information contained in the Annual Report has been reviewed and that, based on the information available to them, the reports contain no misrepresentations, omit no relevant facts and present a true and fair view of the financial position and the results of the issuing Company. The Chief Executive Officer and the Finance and Control Manager are also liable for the effectiveness and evaluation of the internal controls relating to the Company's information and inform the external auditors and the Audit Committee of all significant weaknesses found by them in the system, and of any detected fraud.

In accordance with the corporate legislation in force, the Directors define the accounting policies and establish the control systems enabling the financial statements to be prepared on the basis of the accounting records of the Company and of each of the consolidated subsidiaries. The Annual Consolidated Financial Statements of the ENDESA group and the individual financial statements of the parent company ENDESA, S.A. are drawn up by the Board of Directors and approved by shareholders at the General Meeting.

Recommendation 30. Preparation of annual financial statements. Accounting principles

*“The accounting principles applied in the preparation of the annual financial statements, and in the preparation of the half-yearly and quarterly financial statements to be sent to the market regulatory or supervisory bodies, in strictest compliance with the corporate and accounting legislation applicable where the company’s shares are listed, should be internationally accepted principles; in the case of companies listed on markets in other countries, the results that would be recorded in the financial statements to be presented in those markets if the related accounting principles were applied should be reported.”*

X Followed.

Not followed.

Partially followed.

In accordance with the legislation in force, the Company prepares and presents its financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union.

Recommendation 31. Half-yearly and quarterly financial statements

*“The Board of Directors should monitor the financial statements at least on a quarterly basis, with the related reports from the Audit Committee and the involvement of the Company’s statutory auditors.”*

X Followed.

Not followed.

Partially followed.

The Company’s Board of Directors holds specific quarterly meetings to analyse the quarterly financial statements and the accompanying press releases, following a report from the Audit and Compliance Committee and before their public disclosure.

The external auditors are regularly updated on the controls and procedures defined by the Company and its investees, are free to carry out their work without restriction and in total autonomy, and have access to the Audit and Compliance Committee to set forth their conclusions and recommendations, and also to the minutes of meetings of the Board of Directors, the Executive Committee, the Audit and Compliance Committee, and the Appointments and Compensation Committee.

Recommendation 32. Corporate Governance. Regulations

*“All companies should have a set of rules or principles of Corporate Governance, at least including Shareholders’ Meeting regulations and Board regulations, registered at the Mercantile Registry, filed with the Spanish National Securities Market Commission, and available to any shareholder or investor on the Company’s website.”*

X Followed.

Not followed.

Partially followed.

The Company has had a set of Board Regulations, registered at the Madrid Mercantile Registry (volume 14779, book 0, sheet 127, section 8, page M-6405, entry no. 901), since 1998, and a set of Shareholders' Meeting Regulations, also registered at the Madrid Mercantile Registry (volume 14779, book 0, sheet 135, section 8, page M-6405, entry no. 903), since 2003.

Both sets of Regulations have been registered with the Spanish National Securities Markets Commission and are available to shareholders, investors and the public at large on the Company's website.

– [www.endesa.es](http://www.endesa.es): "Corporate Governance" and "Shareholder and Investor Information" sections.

#### Recommendation 33. Corporate Governance. General Secretary

*"Apart from the duty to ensure the lawfulness of the Board's activities from the formal and substantive standpoints, the Secretary of the Board of Directors should also expressly have the duty to verify that they are in keeping with the bylaws, to ensure compliance with regulations made by regulatory bodies, to ensure that the recommendations of such regulatory bodies are taken into consideration, and to ensure that the Company's rules or principles of Corporate Governance and the provisions of the Board regulations are observed."*

X Followed.

Not followed.

Partially followed.

Pursuant to Article 38 of the Board Regulations, the Secretary of the Board has the following responsibilities:

- To keep the corporate documentation, duly reflect in the minutes books the proceedings at meetings and certify the resolutions of the corporate bodies.
- To see to it that the activities of the Board are lawful from the formal and substantive standpoints, and ensure that its procedures and rules of governance are respected.
- To channel, in general, dealings between the Company and the Directors in all matters relating to the functioning of the Board, in conformity with the Chairman's instructions.
- To deal with requests from Directors for information and documentation on matters of which the Board should be apprised.
- To ensure observance of the principles and rules of corporate governance and the provisions of the Bylaws and Regulations of the Company.
- Board Regulations. Article 38. Secretary of the Board of Directors

#### Recommendation 34. Professional service providers

*“Companies should specify the control systems for contracts with audit firms for non-audit services, and the need for their approval by the Audit and Compliance committee and their disclosure in the annual report.”*

X Followed.

Not followed.

Partially followed.

In accordance with the functions assigned to it under the Company Bylaws and Regulations of the Board of Directors, and with the assistance of the Corporate Audit Division, the Audit and Compliance Committee is also responsible for reviewing the contracts of the external auditors, negotiating their fees, monitoring the quality of the services they provide, and verifying the independence of their work.

In May 2003 the Audit and Compliance Committee adopted a pre-approval policy for the appointment of the external auditors and any professional services subsidiary of the auditor. This policy extends not only to auditing services but also to any other professional services supplied to the Company or its investees.

The Audit and Compliance Committee approves periodical audit services and the related fees as part of the annual budgetary procedure. For non-periodic services the Corporate Audit Department analyses the applicable proposal and after agreeing a final proposal with the external auditor submits it to the Committee for approval or rejection.

The pre-approval policy established for non-audit services is as follows:

- The business unit requesting the service and the audit firm requested to provide it request the Senior Vice-President - Audit to analyse the nature of the service to be provided.
- The Corporate Audit Department analyses the request and asks the audit firm to have the person in charge of the audit of the consolidated financial statements issue a certificate attesting to the independence of the audit firm.
- Lastly, the proposal is submitted to the Audit and Compliance Committee for approval or rejection.

Pursuant to Additional Provision Fourteen, “Transparency in Auditors’ Fees,” of Law 44/2002 on Measures Reforming the Financial System, the Company discloses in its Annual Report and in its Corporate Governance Report the fees billed by the external auditors, distinguishing between fees for audit services and fees for non-audit services, and between fees paid to the statutory auditors and fees paid to any other firm, or to any other firm to which the statutory auditors are related through common ownership, management or control.

All the related fees described in the Annual Report and in the Corporate Governance Report have been approved under the aforementioned procedure since 2003.

Recommendation 35. Rating agencies. Hiring

*"It should be impossible to hire from a rating agency the person responsible for a report rating the Company for two years after the issuing of the report."*

X Followed.

Not followed.

Partially followed.

The Company has not hired anyone responsible for reports rating the Company and issued before or during such period of time.

## **G** OTHER INFORMATION OF INTEREST

**If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, indicate and explain below.**

**This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.**

**In particular, indicate whether the Company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to furnish, where such information differs from that required in this report.**

EXPLANATORY NOTES FOR THE FOLLOWING SECTIONS:

A.2.

On 26 March 2003, the financial institution Santander Central Hispano, S.A. notified the Spanish National Securities Market Commission, as a declarant with respect to Chase Nominees, Ltd., of a Significant Holding of 60,683,704 shares, equal to 5.732% of the capital stock of ENDESA, S.A.

Chase Nominees, Ltd. is required to notify its holding in ENDESA, S.A. as a listed entity as a result of its participation as an interposed person (Article 3.1 of Royal Decree 377/1991) since it acts for the account of its customers, none of whom are in turn required to notify a significant holding in ENDESA, S.A. if regard is only had to the shareholding position the ownership of which Chase Nominees, Ltd. has on record.

On 2 February 2005, State Street Bank & Trust Co. notified the Spanish National Securities Markets Commission of a significant holding of 53,339,905 shares of ENDESA, representing 5.038% of the capital stock. The financial institution is a party under an obligation to give legally required notice of significant holdings in ENDESA, S.A., although since it owns the holding as an interposed person acting on behalf of its customers (Article 3.1 of Royal Decree 377/1991), State Street Bank & Trust Co. has, in its capacity as a custodian, given notice that none of its customers is, in turn, under an obligation to notify any significant holding since they do not possess holdings exceeding 5% or multiples thereof (customers not resident in tax havens) or exceeding 1% (customers resident in tax havens) in ENDESA, S.A.



On 4 April 2005, Caja de Ahorros y Monte de Piedad de Madrid notified the Spanish National Securities Market Commission that it had increased its holding in ENDESA, S.A. to 9% and that it intended to continue investing, in accordance with the legislation in force, until it reached 10%.

On 8 September 2005, AXA, S.A. notified the Spanish National Securities Markets Commission of a significant holding of 56,646,095 shares of ENDESA, representing 5.350% of the capital stock. This shareholding is divided up as follows: 4,639,809 shares (0.438%) directly held and 52,006,286 shares (4.912%) indirect, of which AXA IM directly owns 0.432%, AXA ROSENBERG 0.739% and ACM 3.741%.

ENDESA's shares are represented by book entries and are registered in the Central Register of IBERCLEAR, the entity in charge of the accounting record for the shares. They are listed on the Spanish Stock Exchanges, on the New York Stock Exchange and on the Off-Shore Stock Exchange in Santiago, Chile, and they form part of the IBEX 35, Eurotop 100, DJ Eurostoxx 500, DJ Eurostoxx Utilities and DJ Stoxx 600 Utilities stock market indices.

On the New York Stock Exchange, the shares are admitted to listing in the form of American Depositary Shares (ADSs), represented by American Depositary Receipts (ADRs), on a one-for-one basis and, as of December 31, 2005, there were 22,676,060 instruments. They form part of the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Stoxx Sustainability Index (DJSI STOXX). Citibank, N.A. is the financial institution that ensures the matching of balances or deposits of the securities placed on the market.

In accordance with the information provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) on 22 April 2005, on the occasion of the 2005 Annual Shareholders' Meeting, there were approximately 0.859 million Shareholders and the structure of ENDESA's capital stock had the following composition:

Tranches	C.C.V. <sup>(1)</sup>		SHARES	
	Number	%	Number	%
1 through 1,000 15.36		811,179	94.44	162,633,017
1,001 through 5,000 7.23		42,320	4.93	76,579,403
5,001 through 25,000 3.79		4,487	0.52	40,148,620
25,001 through 80,000 2.17		529	0.06	22,933,211
80,001 and beyond	431	0.05	756,457,866	71.45
Total	858,946	100.00	1,058,752,117	100.00

<sup>(1)</sup> Share deposit security code accounts.

B.1.3.

The function of reporting on and proposing the appointment of the members of the Board of Directors was attributed to the Appointments and Compensation Committee in the amendment to the Board Regulations on 24 September 2002. Thereafter, all proposals for the appointment or reappointment of Directors have been reported on by this Committee.

B.1.8.

Section a)

(1) At all the companies of the ENDESA Group, the fixed compensation of the Company Chairman is 10% higher than that of the chief executive.

(2) In general, the Company has established a guarantee for future compensation and pension rights in the case of personnel who satisfy certain age and length-of-service requirements.

In 2005, these guarantees for the personnel referred to in the preceding paragraph, included in this section, amount to Euro 1,389 thousand in connection with future pension funds and plans services and Euro 10,369 thousand in connection with "Guarantees provided by the Company for Directors". The guaranteed compensation will decrease for each year of service for the Company.

B.1.8.

Section d)

If regard is had to the percentage referred to in Article 40 of the Corporate Bylaws, i.e., the aggregate fixed salaries and share in the income of the Consolidated Group approved at the Shareholders' Meeting, it would be 0.02%.

B.1.9.

(1) They participate in the same arrangement as that described in note (2) of section a) of B.1.8. (Other benefits), with their specific conditions.

(2) Juan Rosell Lastortras stepped down as a senior executive of the Company on 27 May 2005 and was replaced by Antón Costas Comesaña.

B.1.10.

This type of clause is the same as the clause in the contracts of the Executive Directors and of the Senior Executives of the Company and of its Group. Such clauses are common practice in the market, according to the reports requested by the Company, and have been approved by the Board of Directors following a report from the Appointments and Compensation Committee. The clauses set forth the cases in which severance will be paid for termination of employment and contain a post-contractual non-competition covenant. The clauses establish the following regime:

Termination:

- By mutual agreement: severance equal to three times the annual compensation.
- By a unilateral decision of the executive: no right to severance, unless his/her withdrawal from the contract was based on a gross culpable breach by the Company of its obligations, where the post was rendered devoid of substance or other provisions for cases in which severance will be paid for termination of employment included in Article 10 section 3 of Royal Decree 1382/1985.
- By withdrawal of the Company from the contract: severance equal to three times the annual compensation.
- By a decision of the Company, based on the wilful misconduct or gross negligence of the executive in the discharge of his/her duties: no right to severance.

These cases are alternatives to those arising from changes in the pre-existing labour relationship or in the termination of this relationship due to the retirement of the Chief Executive Officer and Senior Executives.

Post-contractual non-competition covenant:

Two-year period. As consideration for the covenant, the executive is entitled to collect an amount equal to his/her fixed annual compensation.

B.1.17

Permanent delegation of the Board's powers to the Executive Committee and to the Chief Executive Officer and appointment of the Directors who are to hold such offices, are approved by a two-thirds majority of the members of the Board.

B.1.20.

In conformity with Article 42. "Incompatibilities", section a) of the Corporate Bylaws, "the maximum age for being appointed as a Director is 70. The maximum age for holding the office of Chief Executive Officer is 65, although the Chief Executive Officer may continue to be a Director."

B.1.21.

Article 38. "Term of Office" of the Corporate Bylaws limits the term of office of independent Directors to eight years (two terms) but "for the purpose of computing the term of office of Directors, it must be deemed that a year commences and ends on the date on which the Annual Shareholders' Meeting is held, or on the last possible date on which it should have been held."

B.1.24.

The Chief Executive Officer and Senior Vice-President of Finance and Control of the Company certify that the information contained in the Annual Report has been reviewed and that, based on the information available to them, the reports contain no misrepresentations, omit no relevant facts and present a true and fair view of the financial position and results of the issuing Company. The Chief Executive Officer and the Senior Vice-President of Finance and Control are also liable for the effectiveness and evaluation of the internal controls relating to the Company's information and inform the external auditors and the Audit Committee of all significant weaknesses found by them in the system, and of any detected fraud.

In accordance with the corporate legislation in force, the Directors define the accounting policies and establish the control systems enabling the financial statements to be prepared on the basis of the accounting records of the Company and of each of the consolidated subsidiaries. The Annual Consolidated Financial Statements of the ENDESA group and the individual financial statements of ENDESA, S.A. are prepared by the Board of Directors and approved at the Shareholders' Meeting.

#### B.1.30.

It has been deemed that there is continuity in the firm providing the audit services, since Arthur Andersen & Cia. S. Com. was absorbed in 2002 by Deloitte, S.L., the firm that currently provides services to the Company.

#### B.1.34.

The members of the Board of Directors are covered by the same liability policy as that insuring all the board members, Directors, and executives of the Company and its investees.

#### B.2.1.

### CORPORATE BYLAWS

#### Article 36. Board of Directors. General Functions

The Board has power to govern and manage the Company. The Board is responsible for the following general functions:

1. To establish strategy. The Board has power to govern and manage the Company. The Board is responsible for the following general functions:
  - a) To establish corporate strategy and management guidelines.
  - b) To oversee the conduct of Senior Executives, hold them accountable for their decisions and evaluate their conduct of business.
  - c) To ensure the transparency of the Company's relations with third parties. These functions will be discharged by the Board sitting in plenary session or through its commissions and committees.

2. In implementing the provisions of Article 2 of these Bylaws, the Board will establish the general strategy of the Business Group formed from holdings in other companies.

3. In accordance with the law and the Bylaws, and under Article 141 of the Corporations Law, the Board will regulate its own functioning and that of its commissions and committees, make its Regulations, which will be binding on the members of the Board, and act in plenary session or through its commissions and committees.

## BOARD REGULATIONS

### Article 6. Functions

6.1. Notwithstanding the powers reserved for the Shareholders' Meeting by law or the Bylaws, the main brief of the Board is to promote the governance of the Company, with full authority in this connection to direct, manage and represent the Company in the pursuit of the activities of which its corporate purpose is comprised.

Without prejudice to the foregoing, the work of the Board of Directors will focus on the general function of supervision, for which purpose its functions will include defining the general strategy and guidelines for managing the Company, promoting and overseeing management by Senior Executives, establishing the bases for the corporate organisation with a view to ensuring that its efficiency is maximised, monitoring the transparency and truthfulness of the Company's information in its relations with Shareholders and the markets in general, and overseeing its own organisation and functioning.

6.2. In relation to general strategy, the Board is responsible for:

- a) Approving the budgets of the Company, setting the economic objectives and the basic aspects of the general strategy, and the plans and policies aimed at meeting those objectives.
- b) Determining the policy on information to and communications with the Shareholders, the markets and public opinion.
- c) Deciding on what information to post on the Company's website, in conformity with the provisions of the legislation in force.
- d) Overseeing commercial, industrial or financial agreements of strategic importance.

6.3. In relation to management, the Board is responsible for:

- a) Promoting and overseeing the management of the Company, as well as the meeting of the objectives set.
- b) Performing such functions as the Shareholders' Meeting may have entrusted to the Board, which may only delegate such functions if the resolution of the Shareholders' Meeting expressly so provides.
- c) Resolving to form new companies or take up holdings in existing companies which, due to their amount or nature, are relevant for the Company, and perform mergers, absorptions, spin-offs or concentrations in which the Company has an interest.
- d) Approving acquisitions and disposals of substantial assets and holdings in the capital stock of companies, as well as any financial transactions of the Company that

have a significant impact on the net worth position or which, due to any circumstance, are particularly significant.

- e) Approving investments which, due to their amount or nature, significantly affect the net worth position or the strategy of the Company.
- f) Approving the issue of promissory notes, debentures or other like securities.
- g) Providing guarantees to secure obligations of entities that are not Endesa investees.
- h) Approving the licensing of the trade name and trademarks, as well as patents, technology and any type of industrial property.
- i) Overseeing commitments under employee welfare arrangements that entail long-term financial liabilities for the Company.
- j) Setting the general rules for the appointment of Directors at investees and approving the proposed appointment of such Directors at direct investees, as well as being apprised of any appointments made at indirect investees and which will comply with the aforementioned rules.

The Board will also approve proposed appointments of Directors at companies in which Endesa has a shareholding which, despite not being a majority holding, is stable and of particular economic relevance.

- k) Approving the rules and procedures for appointments, vacation of office and compensation applicable to Senior Management, without prejudice to the powers of the Committee established for the purpose and the powers, in this connection, of the Chief Executive Officer.

6.4. In relation to organisation and functioning, the Board is responsible for:

- a) Appointing Directors, if a vacancy arises, until the first Shareholders' Meeting is held, and accepting the resignation of Directors.
- b) Appointing and removing the Directors who are to form part of the Executive Committee and the Committees provided for in these Regulations, and delegating powers to the Executive Committee, the Chairman, the Chief Executive Officer and, exceptionally, the Committees established in these Regulations.
- c) Designating and revoking the appointments of the Chairman and the Deputy Chairmen of the Board, and designating and revoking, at the Chairman's proposal, the appointments of the Chief Executive Officer and the Secretary of the Board.

6.5. The Board will also be responsible, as far as is legally possible, for establishing the bases for proper and efficient coordination between the Company and its investees, in all cases respecting the decision-making independence of their managing bodies and executives in conformity with the Company's own interests and those of each of its investees.

The powers set forth in the preceding letters, relating to the functions of the Board, are without limitation and are deemed to also include any other powers which, although not expressly referred to but relating to those functions, can be regarded as being necessarily for the attention and decision of the Board itself, whether by reason of their being analogous or corresponding to, or inferred by, the powers set forth.

## BOARD REGULATIONS

### Article 13. Executive Committee

13.2. The Executive Committee has the following powers:

- a) To adopt resolutions pursuant to the powers delegated to it by the Board.
- b) To perform functions relating to the supervision of the management of the Company.
- c) To study and propose the guidelines that must define the business strategy, and supervise its implementation, with particular attention to activities in the international and diversification areas.
- d) To debate and report, for referral to the Board, on issues relating to the following matters, whether or not they have been delegated by the Board:
  - Budgets of the Company with a detail of the projections for each line of business and monitoring of economic management, budgetary deviations and proposed corrective measures.
  - Tangible or financial investments and alliances or agreements which are relevant for the Company.
  - Financial transactions of economic importance and medium-term action plans.
  - Assessment of the extent to which the various operating units of the Company are meeting their objectives.

#### CORPORATE BYLAWS

##### Article 45. Board Officers

*“... “...as the highest authority on business management, he/she is in charge of all the services of the Company and is the head of Senior Management of the Company. He/She also implements and monitors the general strategy of the Business Group formed from holdings in other companies, without prejudice to any powers held individually by each of the investees.”*

#### BOARD REGULATIONS

##### Article 37. Chief Executive Officer

*“... is responsible for directing the management of the Company, in accordance with the decisions made and criteria set by the Board and by the Executive Committee. He/She/She will be in charge of all the services of the Company and will be the head of Senior Management of the Company. The Chief Executive Officer is also responsible for implementing and monitoring the general strategy of the Company and its lines of business, as well as overseeing and monitoring relations between the Company and its investees in conformity with the provisions of Article 6 of these Regulations.”*

##### B.2.2.

The exact names are: Executive Committee, Audit and Compliance Committee and Appointments and Compensation Committee. The Company's Board of Directors previously considered the advisability of setting up a Strategy and Investments

Committee, but concluded that it was not necessary, since the functions of such a Committee were being performed by the Executive Committee.

C.1.

The inclusion of transactions carried out with this company does not imply that it can be considered a related party in accordance with Order EHA/3050/2004 of 15 September.

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**This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting on 16 January 2006.**

**Indicate the Directors who voted against or abstained from the approval of this Report.**

The report was approved unanimously at the aforementioned meeting.



**EXHIBIT II**  
2005 AUDIT AND COMPLIANCE  
COMMITTEE REPORT

## 1. REGULATORY FRAMEWORK

The Audit and Compliance Committee will be composed of a minimum of four and a maximum of six members of the Board, designated by the affirmative vote of the majority of the Board itself. The majority of Committee members must be Directors whose relationship with the Company is confined to their status as Board members.

The Chairman of the Audit and Compliance Committee will be designated by the Board of Directors from among the members whose relationship with the Company is confined to their membership of the Board, by the affirmative vote of the majority of the Board itself.

The Chairman must be replaced every four years, and may be reappointed one year after standing down.

In the absence of the Chairman, the member of the Committee provisionally appointed by the Board of Directors will stand in for him/her and, in the absence of such member, the eldest member of the Committee.

The Audit and Compliance Committee will meet as often as called by its Chairman, when the majority of its members so decides, or at the request of the Board of Directors. Committee meetings will take place at the Company's registered office or elsewhere as determined by the Chairman and stated in the call notice.

The Committee will be validly convened when a majority of its members are present. Resolutions must be adopted by the affirmative vote of the majority of the Directors attending the meeting. In the event of a tie the Chairman, or Acting Chairman, will have the casting vote.

The Secretary of the Board of Directors will be the Committee Secretary, and will draw up minutes of the resolutions adopted and apprise the Board of them.

The main function of this Committee will be to ensure good corporate governance and transparency in all the actions of the Company in the economic/financial and external audit area and in the compliance and internal audit area, and the Committee will in any case be entrusted with the following functions:

- a) To report to the Shareholders' Meeting on the issues raised at the Meeting by Shareholders in matters falling within its jurisdiction.
- b) To propose to the Board of Directors for submission to the Shareholders' Meeting the appointment of the external auditors, in conformity with Article 57 of the Corporate Bylaws.
- c) To oversee the internal audit service, should such a body exist within the business organisation.
- d) To be apprised of the financial reporting process and of the Company's reporting and internal control systems.

To liaise with the external auditors on receiving information on issues that may jeopardise their independence and on any other audit-related issues, as well as other communications provided for in audit legislation and in technical auditing standards.

These functions are deemed to be without limitation and without prejudice to such other functions as may be entrusted to the Committee by the Board of Directors.

## 2. COMPOSITION

Office	Members	Date of Appointment	Type
Chairman	Francisco Javier Ramos Gascón	29/03/2001 14/05/2002	b) (1)
Board members	Francisco Núñez Boluda Alberto Recarte García-Andrade José Serna Masía	07/07/1998 27/05/2005 07/02/2000	b) b) b)
Secretary non board member	Salvador Montejo Velilla	01/07/1999	–

(1) Date of appointment as Chairman of the Audit and Compliance Committee.

b) Directors whose relationship with the Company is confined to their status as Board members.

## 3. WORK PERFORMED IN 2005

### 3.1. Analyses of specific issues

- On 29 March 2005, the Committee was apprised of a report entitled "Adaptation of the 2004 Financial Statements to International Financial Reporting standards (IFRS)".
- At its meeting of 19 April 2005, the Committee analysed ENDESA's 2004 Corporate Governance Report and the content on the website.

At the same meeting, the Committee approved the report.

The Senior Vice-President of Finance and Control informed the Committee of the information sent to the SEC (Securities Exchange Commission).

- On 26 July 2005, DELOITTE presented the Committee a document entitled "Filing Form 20-F by ENDESA Group for 2004 with the SEC. Disclosure requirements for the Audit Committee".
- On 7 November 2005, the Audit and Compliance Committee was informed of the documents presented to the European Commission regarding the takeover bid launched by GAS NATURAL. Specifically, this entailed the document entitled "Report on the calculation of turnover of ENDESA for 2004 in accordance with Council Regulation (EC) No. 139/2004, of 20 January 2004, on the control of concentrations between undertakings". In addition, the Equity and Accounting Vice-President made the addendum to Form 20-F filed with the SEC.

At the same session, DELOITTE presented a document on the revised procedures agreed entitled "Report on Agreed-upon Procedures for Submission to the European Commission".

- On 15 November 2005, the Chief Executive Officer presented the Audit and Compliance Committee with a document entitled "ENDESA: stronger business, greater value. Results for 9M05: mission accomplished", which was approved by the Committee.

### 3.2. 2004 Consolidated Financial Statements

- At the meeting on 8 February 2005, the Audit and Compliance Committee reported favourably on 2004 consolidated income. The external auditors, DELOITTE, S.L., took part in the meeting and presented a report on the 2004 consolidated financial statements.
- On 8 March 2005, the Audit and Compliance Committee was apprised of, and reported favourably on, the 2004 financial statements and management report before their presentation to the Board of Directors. It was also apprised of the report presented by the external auditors, DELOITTE, S.L., on the 2004 financial statements.
- On 19 April 2005, the Audit and Compliance Committee proposed recommending to the Board of Directors and the Shareholders' Meeting that DELOITTE continue to be ENDESA's external auditor in 2005.

### 3.3. Quarterly Consolidated Financial Statements

- On 10 May 2005, the Committee reported favourably on the Consolidated Financial Statements at 31 March 2005. At the same session, external auditor DELOITTE presented its review of the financial statements.
- At its meeting of 26 July 2005, the Committee analysed and reported favourably on the Financial Statements at 30 June 2005. External auditor, DELOITTE, presented the conclusions of its partial review.
- On 15 November 2005, the Committee reported favourably on the Consolidated Financial Statements at 30 September 2005. DELOITTE presented its report on the limited review of these financial statements.

### 3.4. Press releases

The Audit and Compliance Committee reported favourably on the press releases issued when the annual and quarterly results were published.

- At its meeting of 8 February 2005, on 2004 consolidated income.
- On 10 May 2005, the Compliance analysed and approved the press release on results for the first quarter of 2005.
- On 26 July 2005, the Audit and Compliance Committee analysed the press release issues on results for the second quarter of 2005.
- At its meeting of 15 November 2005, the Committee reported favourably on the press release issued on results for the year's third quarter.

### 3.5. Internal Audit Work

- At its meeting of 25 January 2005, as part of the review of its internal audit function, the Committee met with representatives of ERNST & YOUNG. Members of the Audit and Compliance Committee were asked questions about the content of the internal audit function, the approach followed by the unit and the degree of information the Committee receives.
- At the meeting held 29 March 2005, the Company reviewed the results of the Audit Programme for the third four-month period of 2004 and approved the Programme for 2005. At the same meeting, the Committee studied establishing the means for reporting possible irregularities. In 2005, the Committee agreed to approach the internal audit on financial information in compliance with the Sarbanes-Oxley Act.
- On 13 May 2005, audit firm ERNST & YOUNG presented its conclusions on the situation of ENDESA's internal audit. At the same meeting, the internal auditor informed about the progress in the study of the internal financial reporting control system in compliance with the requirements of sections 302 and 404 of the Sarbanes-Oxley Act. At the same meeting, the internal auditor presented the Audit Programme for the third four-month period of 2005, which was approved by the Audit and Compliance Committee. The Committee also approved the establishment of the ENDESA Ethics section for submitting internal complaints. Lastly, the Committee was apprised of the results of the audit function, the degree of compliance with the recommendations made and those being carried out.
- At its meeting on 15 November 2005, the Committee approved the Audit Programme for the first fourth-month period of 2006. It was apprised of the progress of the Audit Program for the third fourth-month period of 2005 and was informed of the conclusion of the audit of the internal financial reporting control system deriving from section 404 of the Sarbanes-Oxley Act.
- At the same meeting, the Committee was apprised of the operation of the ENDESA Ethics section and approved the budget of and personnel assigned to the internal audit for 2006.









[www.endesa.es](http://www.endesa.es)

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