

endesachile07

ANNUAL REPORT



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Endesa Chile was constituted as Empresa Nacional de Electricidad S.A. The paid-in capital of the company amounts to Ch\$ 1,222,877,948 thousands, divided into 8,201,754,580 shares. Endesa Chile shares are traded on Chilean stock exchanges, the New York Stock Exchange in the form of American Depositary Receipts (ADR), and in the Latin American Stock Exchange of the Madrid Stock Exchange (Latibex). The principal activities of Endesa Chile and its subsidiaries are related to the generation and sale of electricity and also the sale of consultancy and engineering services of all kinds. Its total assets were C\$ 5,387,378 thousands at December 31, 2007. Endesa Chile is controlled by the Chilean company Enersis S.A. and operates in the electricity market of five countries in Latin America. The net income for the year 2007 was Ch\$ 192,439,270 thousands and the operating income was Ch\$ 570,830,101 thousands. The permanent personnel employed by Endesa Chile and its subsidiaries in Latin America at December 31, 2007 were 1,769 workers.

SANTIAGO STOCK EXCHANGE
ENDESA

NEW YORK STOCK EXCHANGE
EOC

LATIBEX (MADRID)
XEOC

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CHAIRMAN'S LETTER TO SHAREHOLDERS





TO OUR SHAREHOLDERS,

I have pleasure in presenting to you the Annual Report and Financial Statements of Endesa Chile for the year 2007.

I can proudly say that Endesa Chile last year reaffirmed its leadership in the electricity industry in Chile and in Latin America. Although the energy sector faced very complex situations, our Company reacted positively and firmly to confront these great challenges.

During 2007, all those forming part of Endesa Chile worked hard to produce clean energy, using renewable sources to the maximum, reducing environmental impact to the minimum and at the same time ensuring supplies for supporting the economic and social development of the country and the region.

We have been developing large projects, exchanging opinions responsibly and intelligently, facing environmental and technical challenges, and responding to the doubts of various parties for over 60 years. Committed to reducing the impact on the environment to the limit, without ever dropping our guard with respect to what is our essential mission: to produce energy for the development and growth of our societies.

Endesa Chile has always been an active participant in the debate concerning energy supplies in Chile. We are therefore working today on the task of taking advantage, efficiently and responsibly, of the country's natural energy, basically the use of our great hydroelectric and wind-power potential.

The Company has made a great effort to promote water as the generation source for clean, national, renewable, safe and economic energy. We have therefore proposed various hydroelectric plants, including those of Aysén, and are studying alternative energies.

We are proud that our dreams have become reality and perhaps the most important thing is for a company to speak through its works. We inaugurated Canela in December 2007, the first wind farm in Chile and the one with the largest capacity in Latin America, in the presence of the President of the Republic Michelle Bachelet and the top executive of our principal indirect shareholder, the Spanish company Endesa, S.A., José Manuel Entrecanales.



For these reasons, and because we are convinced that we should advance in the generation of clean energies and in the search for initiatives for developing renewable and innovative energies, this Company created in 2005 the subsidiary Endesa Eco, which owns Canela, a development that has signified a total investment of US\$ 30 million.

At the same time, we are sure that Chile has a great opportunity in hydroelectricity. We have the resource and, more than that, it is a renewable and clean alternative that can and should be carried out with the maximum respect for the environment. An example of this is the Palmucho 32 MW plant which has been providing energy to the Central Electricity Grid since December 2007.

In order for Chile to grow and meet its goals in economic and social development, it needs a solid electricity system that provides supplies at a reasonable cost.

The Ralco hydroelectric plant, with its 690 MW of capacity, has been a fundamental contribution to the country's supply and energy safety. For a moment, let us imagine the immense cost that the country would have paid if our Company had fallen into the easy and simplistic temptation of those who rejected the project, thus denying its contribution to domestic growth. We feel that Endesa Chile is the country's natural energy so we shall never elude our responsibility with respect to the development of Chile. Moreover, we have always placed this development to the forefront when taking decisions with respect to new projects, while fully complying with the environmental regulations and respecting the communities affected by these.

Endesa Chile has a commitment with all Chileans. We therefore continue to develop a series of new projects, either directly, through Endesa Eco or in alliance with others. We currently have a most complete investment portfolio which includes different generation technologies and which points to meeting an important part of Chile's demand for electricity over the next ten years.

This portfolio includes the San Isidro II plant, today operating with liquid fuel but which in 2009, and once liquefied natural gas is available in Chile, will reach its full capacity of 377 MW. In addition to this, there is the 240 MW Quintero plant, using liquefied natural gas.

As Endesa Chile, we are actively taking part in the government initiative for increasing the diversification of the energy matrix through the liquefied natural gas project, with a 20% participation in the new re-gasification terminal, where we are partners with Enap, Metrogas and the gas supplier, British Gas. This investment of US\$ 940 million will enable us to have a daily capacity of 9.5 million cubic meters of liquefied natural gas.

On the other hand, we are working on the expansion of the Bocamina plant, consisting of a second electricity-generating unit of approximately 350 MW installed capacity. The project also considers the incorporation of a sleeve filter in the plant's first unit, in order to reduce emissions of particle matter.

Hydroelectric projects other than HidroAysén are also being developed, including pass-through and reservoir plants that together will contribute 1,780 MW and involve an investment of US\$ 1,475 million.

I would like to mention as an aside another project of Endesa Eco, which during 2008 will start operating its Ojos de Agua pass-through mini-hydroelectric plant. The investment in this 9.5 MW plant, located some 100 kilometers from the city of Talca, is estimated to be around US\$ 20 million.

We are progressing seven projects and are constantly studying new alternatives. In all of these, as well as the technical excellence that characterizes us, we are working to the highest environmental standards, incorporating the opinions of the community and the authorities through participation and dialogue.

The energy sector will have to face important challenges during 2008. As a first step, energy efficiency has to be promoted, plus the development of renewable energies and other electricity-generation technologies producing low emissions of carbon dioxide.

We also believe that mutual collaboration between private and public-sector entities will facilitate economic, social and sustainable environmental development. We believe that Chile is advancing in that direction and right now we as a company have committed our capacities and experience.

FINANCIAL STRENGTH

In 2007, Endesa Chile produced a net income of Ch\$ 192,439 million, which represents a decrease of Ch\$ 11,128 million compared to the Ch\$ 203,567 million reported the previous year.

This is mainly explained by higher costs as a result of less hydrology and the scarcity of natural gas in both Chile and Argentina, and a lower result due principally to a provision of Ch\$ 48,890 million because of an investment impairment of Gas Atacama following the uncertainty of its negotiations, and a charge following the application of Technical Bulletin No.64 with respect to our subsidiary in Colombia.

Regarding financing, notable in Chile was the redemption in advance on April 16 of the whole Series G bond issue which amounted to UF 4 million and matured in October 2010, with a nominal interest rate of 4.8%. To finance this transaction, the Company issued a Series K bond on April 19 for UF 4 million, with a term of 20 years and a bullet repayment, and a nominal interest rate of 3.8%.

Endesa Chile made drawings of US\$ 116 million in 2007 under its revolving credit facilities and made repayments of US\$ 81 million. The Company thus has US\$ 216 million drawn out of a total of the US\$ 650 million available.

Regarding the financial activities of the foreign subsidiaries that Endesa Chile consolidates, a series of transactions were carried out in 2007 to refinance short-term loans and extend the average life of the debt.

The most active foreign subsidiary in terms of issues was Edegel in Peru, which made nine issues during the year for a total of approximately US\$ 70 million, with interest rates fluctuating between 5.9% and 6.75% and terms of up to 15 years. The proceeds of all these placements have been used to refinance programmed maturities.

At the close of 2007, the consolidated financial debt of Endesa Chile, expressed in dollars, amounted to US\$ 4,076 million, 4% higher than at the end of 2006. However, the Company's average leverage declined from 74.3% in 2006 to 71.2% at the end of 2007.

You, our shareholders, can be fully confident about the rigor and prudence that will continue to be fundamental pieces in the financial management of Endesa Chile, as has been the case in recent years.

OPERATING INCOME

Operating income in 2007 amounted to Ch\$ 570,830 million, 5.4% more than the Ch\$ 541,806 million produced in 2006. This improvement is due to its strong rise in both Chile and Colombia. However, it reflects some situations of difficulties in gas supplies, dryer hydrology and the high cost of liquid fuels in the case of Chile; regulatory, pricing, fuel shortage and low hydrology difficulties in the case of Argentina; and transmission and plant and pipeline maintenance problems in Peru.

Endesa Chile's consolidated EBITDA, defined as operating income plus depreciation and amortization, reached Ch\$ 765,028 million in 2007, a 4.9% increase over 2006. The contributions to EBITDA were 56.4% from Chile, 25.1% from Colombia, 10.3% from Peru and 8.2% from Argentina. These percentages do not include the contribution from the investment in Endesa Brasil, as this is not consolidated by the Company.

NON-OPERATING RESULT

Endesa Chile's non-operating result was a negative Ch\$ 207,485 million, compared to Ch\$ 133,395 million negative in 2006. This decrease is fundamentally explained by the above-mentioned provision of Ch\$48,890 million for the possible equity impairment of Gasatacama.

It is also explained by a negative result of Ch\$ 52,728 million deriving from the charge for the translation adjustment of our foreign subsidiaries in accordance with Technical Bulletin No.64 of the Chilean Institute of Accountants, an increase in the provision for income tax of our Colombian subsidiary, reduced indemnities and commissions received, and fewer reversals of provisions for contingencies and litigation from previous years and a higher provision for contingencies in Chile.

SUSTAINABILITY AND THE ENVIRONMENT

Endesa Chile obtained important distinctions during 2007 in sustainability and environmental matters, evidencing a management committed to the development of Chile and positioning the Company at a level of excellence within the electricity sector.

In October 2007, Endesa Chile obtained the public recognition for the "Best Sustainability Report" granted by Acción RSE, which praises the excellence of its economic, social and environmental management reports.

During the same period, our Fundación Pehuén received the AMCHAM prize for the "Best Corporate Citizen 2007", for its program for promoting secondary and tertiary education for young Pehuenche people in six neighboring communities of the Upper Bío Bío. This initiative has enabled the continuity of formal studies for sixty young people of the foundation's member communities.

In June, Endesa Chile was placed first nationally in the ranking of largest non-banking companies in Latin America committed to sustainability, corporate governance, ethics, transparency and corporate social responsibility (CSR), prepared by Management & Excellence S.A. and the Latinfinance magazine.

It also improved its place in 2007 in the ranking prepared every year by Fundación Prohumana, from ninth to sixth place.

Endesa Chile is committed with Chile and Latin America and therefore believes that the country and the region cannot stand aside from the efforts of humanity to limit greenhouse-effect emissions, as the contribution is important and growing significantly. We therefore need to act fast.

In the first place, developing renewable energies and generation technologies producing low emissions of carbon dioxide and, in this, hydroelectricity is a great contribution which we should be proud of. Endesa Chile is also committed to promoting energy efficiency.

In closing, I should like to thank all those who are part of Endesa Chile and who have permitted making projects of excellence a reality

and have faced future challenges with conviction and optimism. We should not forget that our results today and tomorrow have been and will be possible thanks to the support of the communities where we operates, the national, regional and local authorities, our employees, and the trust of our shareholders.

As chairman of Endesa Chile, I can state that the whole board of directors will work so that our Company maintains its leadership position in the electricity-generation industry and continues to be a fundamental player in the future development of the country and the region.



Mario Valcarce Durán
Chairman

HIGHLIGHTS OF THE YEAR



SUCCESSFUL START-UP OF BOCAMINA PLANT SLEEVE FILTER

Bocamina I has been operating with its sleeve filter since March 23, 2007. This is a mitigation system that enables a 99.9% reduction in particle-matter emissions at Endesa Chile's coal-fired thermal plant in the town of Coronel, in Chile's 8th Region, providing the plant with the latest technology in terms of environmental standards.



FIRST CDM PROJECT OF ENDESA ECO

On April 19, 2007, the Ojos

de Agua mini-hydroelectric project, managed by Endesa Chile's subsidiary for developing renewable energies, Endesa Eco, was registered with the United Nations Executive Secretariat of the Framework Convention on Climate Change, making it Endesa Chile's first project completing the circuit established in the Clean Development Mechanism (CDM) of the Kyoto Protocol, for recording the reduction in emissions that this mini-plant will save, estimated at 20,870 tons of carbon annually. Its start-up is planned for the first half of 2008.



START OF COMMERCIAL OPERATIONS SAN ISIDRO II

The second San Isidro unit was declared to be in commercial operation on April 23, 2007. This is connected to the Central Electricity Grid (SIC), with a capacity of 248 MW in open cycle

using oil. In its second stage, in combined cycle, it will contribute a total of 350 MW, which will be increased to 377 MW once the liquefied natural gas (LNG) becomes available on the local market.



GNL QUINTERO S.A. SIGNS COMMERCIAL CONTRACTS

On May 31, Endesa Chile, together with ENAP, Metrogas and British Gas (BG), signed the commercial contracts necessary (final investment decision – FID), as partners in the company GNL Quintero S.A., as the supplier in the case of BG and as buyers in the case of the other companies. The project is currently under construction and the contractually-guaranteed start-up dates agreed with the EPC contractor are June 2009, in its fast-track stage, and June 2010 in its final stage.



AMONG THE CHILEAN LEADERS IN CSR

Endesa Chile is among the principal companies in Chile in terms of Corporate Social Responsibility, according to the CSR Ranking 2007 prepared by Fundación PROhumana and Capital magazine, which surveyed the performance of companies in terms of sustainability. This outstanding position, which was recognized at a prize-winning ceremony held in late June, reflects the Company's strong commitment with sustainable development, its communities and the environment.

CREDIT RATING OF ENDESA CHILE IMPROVES

The international foreign-currency credit rating of Endesa Chile improved in 2007 after the agency Standard & Poor's (S&P) raised its rating to BBB with stable

outlook, from BBB- with positive outlook, due to the excellent performance of its operations in Chile, the satisfactory debt service, appropriate coverage ratios and excellent liquidity and financial flexibility. The agency Feller Rate improved its rating from A+ to AA-, changing its outlook from positive to stable. Meanwhile, Fitch Ratings raised its rating from A+ to AA-, maintaining its stable outlook.



POSITION AMONG THE BEST COMPANIES FOR WORKING PARENTS

In mid August, the Company was placed eighth in the ranking of the "Ten best companies for working parents 2007" prepared by Fundación ChileUnido and the Ya magazine of El Mercurio newspaper, an award that seeks to recognize companies that have policies for facilitating conciliation between working and family lives.



PRIZE FOR THE BEST SUSTAINABILITY REPORT

COMMUNICATION OF PROGRESS DESCRIBED AS NOTABLE

Endesa Chile's Sustainability Report 2006 received a broad recognition from Acción RSE on September 7, 2007, being awarded the prize for the best sustainability report, and also in the categories of best economic performance, best global description and integral management, with an honorable mention for the auditing of its reports. In addition, the last Communication of Progress sent to the United Nations Global Compact was classified as notable, information that was included in the same report.

EMGESA AND BETANIA COMPLETE SUCCESSFUL MERGER

On September 1, 2007 the merger was completed of the Colombian companies Emgesa S.A. E.S.P. and Central Hidroeléctrica

de Betania S.A. E.S.P., with Emgesa S.A. E.S.P. being the resultant company. Endesa Chile's direct and indirect shareholding in the new company is 28.91%.



FUNDACIÓN PEHUÉN RECEIVES AMCHAM "BEST CORPORATE CITIZEN 2007" PRIZE

This foundation, sponsored by Endesa Chile, was distinguished in October for the successful development of its program for promoting secondary and tertiary education for young Pehuenche people from the communities of Ayín Mapu, Callaqui, Pitril,



Quepuca Ralco, Ralco Lepoy and El Barco, in the Upper Bío Bío in Chile's 8th Region.



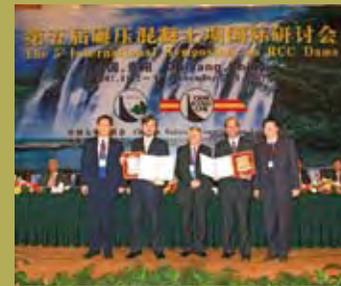
PALMUCHO, NEW CONTRIBUTION TO THE SIC

On November 28, the Palmucho hydroelectric plant began its commercial operation, contributing 32 MW of installed capacity to the SIC. Following a 28-month construction period, the plant, located at the foot of the Ralco dam and operating with its ecological flow, constitutes a new contribution by the Company to the country's energy supplies.

INTERNATIONAL COMMITTEE OF LARGE DAMS DISTINGUISHES ENDESA CHILE FOR RALCO

In early November, the International Committee of Large Dams (ICOLD) distinguished Endesa Chile, Ingendesa and the Fe Grande and Brotec (Febrag) consortium, for the Ralco plant dam and its

outstanding contribution to the development of roller-compacted concrete (RCC), the system used in the construction of that hydroelectric plant.



CIGRÉ PRIZE 2007 FOR CSR AND TECHNOLOGICAL INNOVATION

On December 3, 2007, and for the second consecutive year, Endesa Chile was distinguished by the Chilean subsidiary of the International Large Dams Council, Cigré, recognizing the Company's commitment with the communities where its installations are located



and its outstanding environmental and economic performance, where the new technologies generate value.



CANELA, THE FIRST WIND FARM IN CHILE

In the presence of the President of the Republic, Michelle Bachelet, and the Executive President of Endesa, José Manuel Entrecanales, accompanied by senior executives of Endesa, Enersis, Chilectra and Endesa Chile, plus national and local authorities, the inauguration ceremony was held on December 4, 2007 of the Canela wind farm, the first in Chile to contribute energy to the SIC and which the generator operates through its subsidiary for the development of renewable energy, Endesa Eco. Endesa Chile thus contributed to the country's principal electricity grid another 18 MW of installed capacity from this plant located in the region of Coquimbo.



MANAGEMENT

01. DIRECTORS



CHAIRMAN
Mario Valcarce Durán
Commercial Engineer
Universidad Católica de Valparaíso
Tax No.: 5.850.972-8



VICE CHAIRMAN
Carlos Torres Vila
Electrical engineer
Massachusetts Institute of Technology - MIT
Spanish Passport: 50710025-Q



DIRECTOR
Raimundo Valenzuela Lang
Commercial Engineer
Pontificia Universidad Católica de Chile
Tax No.: 7.836.580-3



DIRECTOR
José María Calvo-Sotelo Ibáñez-Martín
Degree in Physical Sciences
Specialist in Basic Physics
Universidad Complutense de Madrid
Spanish Passport: BA645142



DIRECTOR
Rafael Español Navarro
Lawyer
Universidad de Barcelona
Tax No.: 48.101.912-5



DIRECTOR
Enrique García Álvarez
Engineer in Roads, Canals and Ports
Escuela Técnica Superior de ICCP de Madrid
Spanish Passport: 00368833-M



DIRECTOR
José Fernández Olano
Mining Engineer
Universidad Politécnica de Madrid
Degree in Economics & Business Administration
Universidad Complutense de Madrid
Tax No.: 48.100.453-5



DIRECTOR
Jaime Estévez Valencia
Bachelor in Economics
Universidad de Chile
Tax No.: 4.774.243-9



DIRECTOR
Leonidas Vial Echeverría
Vice Chairman of Santiago Stock Exchange
Tax No.: 5.719.922-9



The company is managed by a board of directors composed of nine members elected at the shareholders' meeting. The directors are elected for a term of three years and may be re-elected.

The present board was appointed at the ordinary shareholders' meeting held on April 24, 2007 except for José María Calvo-Sotelo Ibáñez-Martín and Rafael Español Navarro who were appointed at the ordinary board meeting held on July 24, 2007, in replacement of Pedro Larrea Paguaga and Héctor López Vilaseco.

02. DIRECTORS' REMUNERATION

In accordance with clause 50 bis of the Corporations Law, the ordinary shareholders' meeting determines the remuneration and expense budget of the members of the Directors' Committee.

03. DIRECTORS' REMUNERATION RECEIVED DURING 2007

(Thousands of pesos)

DIRECTOR	ENDESA CHILE		PER DIEM SUBSIDIARIES	TOTAL
	PER DIEM	COMMITTEES (1)		
Mario Valcarce Durán	47,056	8,467	4,312	59,835
Carlos Torres Vila	25,323	-	-	25,323
Pedro Larrea Paguaga (2)	21,438	-	-	21,438
Enrique García Álvarez	23,528	2,826	-	26,354
José Fernández Olano	23,528	2,826	-	26,354
Héctor López Vilaseco (3)	14,292	-	-	14,292
Jaime Bauzá Bauzá (4)	6,950	2,835	-	9,785
Jaime Estévez Valencia	23,528	10,585	-	34,113
Leonidas Vial Echeverría	20,708	-	-	20,708
Raimundo Valenzuela Lang (5)	15,176	4,939	-	20,115
Rafael Español Navarro (6)	8,891	-	-	8,891
José María Calvo-Sotelo Ibáñez-Martín (7)	8,538	-	-	8,538
TOTAL	238,956	32,478	4,312	275,746

04. ATTENDANCE AT BOARD MEETINGS

DIRECTOR	DATE OF EACH BOARD MEETING														
	JAN. 24	FEB. 14	FEB. 28	MAR. 29	APR. 24	APR. 25	May 29	Jun 28	Jun 29	Jul 24	Aug. 29	Sep 28	Oct 30	Nov 29	Dec 13
	Ord.	Extr.	Ord.	Ord.	Ord.	Ord.	Ord.	Ord.	Extr.	Ord.	Ord.	Ord.	Ord.	Ord.	Ord.
Mario Valcarce Durán	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Carlos Torres Vila	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Pedro Larrea Paguaga (2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	-	-	-	-	-
Enrique García Álvarez	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
José Fernández Olano	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Héctor López Vilaseco (3)	Yes	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	-
Jaime Bauzá Bauzá (4)	Yes	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	-
Jaime Estévez Valencia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Leonidas Vial Echeverría	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Raimundo Valenzuela Lang (5)	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Rafael Español Navarro (6)	-	-	-	-	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes
José María Calvo-Sotelo Ibáñez-Martín (7)	-	-	-	-	-	-	-	-	-	-	Yes	No	Yes	Yes	Yes

1) Relates to fees as a member of the directors' and audit committees.

2) Pedro Larrea Paguaga was a director of the Company until July 24, 2007.

3) Héctor López Vilaseco was a director of the Company until July 24, 2007.

4) Jaime Bauzá Bauzá was a director of the Company until July 24, 2007.

5) Raimundo Valenzuela Lang is a director of the Company since April 24, 2007.

6) Rafael Español Navarro is a director of the Company since August 1, 2007.

7) José María Calvo-Sotelo Ibáñez-Martín is a director of the Company since July 24, 2007.

05. REPORT OF THE DIRECTORS' COMMITTEE

In accordance with clause 50 bis of the Corporations Law, introduced by Law 19,705, published in the Official Gazette on December 20, 2000, an extraordinary board meeting of Endesa Chile, held on April 24, 2007, elected the present members of the Directors' Committee of Empresa Nacional de Electricidad S.A., these being Mario Valcarce Durán, Raimundo Valenzuela Lang and Jaime Estévez Valencia. Mario Valcarce is related to the controlling group of the Company and the directors Raimundo Valenzuela and Jaime Estévez are independent directors in accordance with the Corporations Law.

The Directors' Committee met on 12 occasions during 2007, basically examining the Company's operations and contracts with related companies and generally reporting on the matters referred to in clause 50 bis of the Corporations Law, and reporting its resolutions to the Company's board, each one concluding that these met conditions of equity similar to those prevailing in the market.

The Committee's ordinary meeting for the month of December 2007 took note of the company's executive remuneration system, on which it made no comment.

The Directors' Committee made quarterly revisions and examinations of the Company's quarterly financial statements, and also of the unconsolidated and consolidated annual financial statements, with no observations being made about any of these.

The ordinary shareholders' meeting of Endesa Chile held on April 24, 2007 adopted the following resolution regarding the remuneration and budget of the Directors' Committee: set a remuneration for attendance at meetings of 36 Unidades de Fomento, with a limit of 12 remunerated meetings each year, and an annual expense budget of 2,729 Unidades de Fomento.

During 2007, the members of the Directors' Committee were remunerated with a total of 1,224 Unidades de Fomento.

In 2007, the Directors' Committee made no use of the annual expense budget set by the shareholders' meeting.

06. REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Empresa Nacional de Electricidad S.A. was created by board resolution No.1358-6 adopted at its ordinary meeting held on June 30, 2005, in accordance with the requirements of the United States Sarbanes Oxley Act and the complementary regulations issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), as Endesa Chile is an issuer of American Depositary Receipts (ADRs) which are duly registered on the New York Stock Exchange, and is also an issuer of bonds registered on that market.

The most relevant functions of the Audit Committee include (i) to be one of the proponents to shareholders meetings in the appointment and remuneration of the external auditors, (ii) to control the work of the Company's external auditors, (iii) to approve in advance the external audit services to be provided by the external auditors and (iv) to establish procedures for the receipt and handling of complaints relating to accounting, internal control and audit matters.

The board, at its meeting No.1382 of April 24, 2007 appointed the following directors as members of the Audit Committee of Endesa Chile: Enrique García Alvarez, who chairs the Committee, Jaime Estévez Valencia, and José María Fernández Olano, who was appointed as the Committee's financial expert.

The Audit Committee met on four occasions during 2007, pronouncing on matters of its competence, including the

following:

1. The examination of the Company's quarterly and annual financial statements.
2. The supervision and evaluation of the work of the external auditors.
3. To take note of and resolve complaints received through the Company's ethics channel.
4. The approval of services provided by the firm of external auditors other than regular auditing services.
5. Follow-up of the external auditors' internal controls letter and the internal certification process for the purposes of Section 404 of the United States Sarbanes Oxley Act, for:

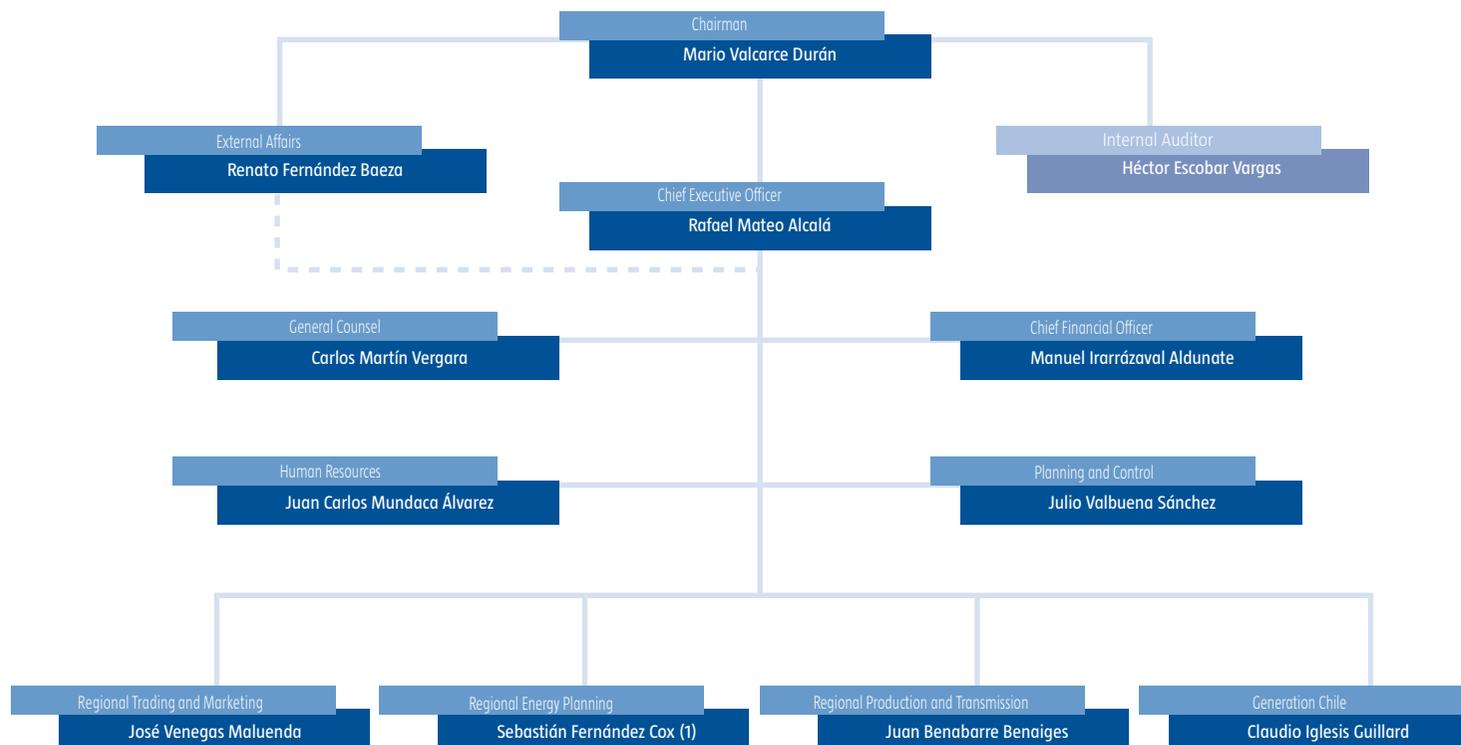
- Evaluating the design and operative effectiveness of the controls over the documented financial reporting by Endesa Chile and its respective subsidiaries.
- Identifying control deficiencies that could compromise the result of the certification of the internal control model, for compliance with Section 404 in 2007, and establishing the respective action plans for resolving these points quickly.
- Improving the documentation of the Group's internal control model (out-of-date or incomplete documentation in processes and controls, processes not yet documented, etc.)
- Training user areas in their understanding and knowledge of the internal certification process that has to be carried out to comply with the requirements of the Sarbanes Oxley Act.

The ordinary shareholders meeting held on April 24, 2007 agreed to set the remuneration and budget of the Audit Committee, being remuneration for attending meetings of 36 Unidades de Fomento, with a limit of 12 remunerated meetings a year and an annual expenses budget of 2,729 Unidades de Fomento.

During 2007, the members of the Audit Committee were remunerated with a total of 432 Unidades de Fomento.

The Audit Committee made no use of its annual expense budget during 2007.

07. ORGANIZATION STRUCTURE



(1) Sebastián Fernández Cox is the Regional Manager Energy Planning since January 5, 2008. Rafael Errázuriz Ruiz-Tagle occupied that position until January 4, 2008.

08. REMUNERATION OF THE PRINCIPAL EXECUTIVES AND MANAGERS

The total remuneration received by the principal executives and managers of Endesa Chile, whether or not they report directly to the chief executive officer, amounted to Ch\$ 2,429,047,119 in 2007.

09. INCENTIVE PLANS

Endesa Chile has an annual bonus plan for its executives based on meeting objectives and the level of individual contributions to the Company's results. This plan includes a definition of ranges of bonuses according to the hierarchical level of the executives. The bonuses paid to the executives consist of a certain number of gross monthly remunerations.

10. SEVERANCE INDEMNITIES

Endesa Chile in 2007 made severance payments to its senior executives amounting to Ch\$95,028,578.

11. PRINCIPAL EXECUTIVES



CHIEF EXECUTIVE OFFICER
Rafael Mateo Alcalá
Industrial Engineer
Escuela Técnica Superior de Ingenieros Industriales de Zaragoza
Tax No.: 14.709.515-5

COMMUNICATIONS
Renato Fernández Baeza
Journalist & Degree in Social Sciences
Universidad Gabriela Mistral
Tax No.: 10.871.675-4

GENERAL COUNSEL
Carlos Martín Vergara
Lawyer
Universidad Católica de Valparaíso
Tax No.: 6.479.975-4

ADMINISTRATION AND FINANCE
Manuel Irrarázaval Aldunate
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax No.: 7.011.664-2

HUMAN RESOURCES
Juan Carlos Mundaca Álvarez
Commercial Engineer
Universidad de Santiago
Tax No.: 7.160.389-K

PLANNING AND CONTROL
Julio Valbuena Sánchez
Engineer in Roads, Canals and Ports
Universidad Politécnica de Madrid
Tax No.: 21.188.517-3

REGIONAL TRADING AND COMMERCIALIZATION
José Venegas Maluenda
Civil Industrial Engineer
Pontificia Universidad Católica de Chile
Tax No.: 7.893.919-2

REGIONAL ENERGY PLANNING (1)
Sebastián Fernández Cox
Commercial Engineer
Universidad de Los Andes
Tax No.: 10.673.365-1

REGIONAL PRODUCTION AND TRANSMISSION
Juan Benabarre Benaiges
Civil Engineer
Universidad de Chile
Tax No.: 5.899.848-6

GENERATION CHILE
Claudio Iglesias Guillard
Civil Electrical Engineer
Universidad de Chile
Tax No.: 7.289.154-6

12. MANAGEMENT OF THE PRINCIPAL SUBSIDIARIES

GENERATION ARGENTINA

José Miguel Granged Bruñen
Industrial Engineer
Escuela Técnica Superior de Ingenieros Industriales de Zaragoza
Argentine passport: 93.797.057

GENERATION COLOMBIA

Lucio Rubio Díaz
Degree in Economic and Business Sciences
Universidad de Santiago de Compostela
Spanish passport: 32642408-A

GENERATION PERU

Carlos Luna Cabrera
Civil Engineer
Escuela Colombiana de Ingeniería Julio Garavito
Tax No.: 12187070

INGENDESA

Rodrigo Alcaíno Mardones
Civil Structural Engineer
Universidad de Chile
Tax No.: 6.130.728-1

PEHUENCHE

Lucio Castro Márquez
Civil Engineer
Universidad de Chile
Tax No.: 4.419.330-2

PANGUE

Lionel Roa Burgos
Civil Industrial Engineer
Universidad de Chile
Tax No.: 10.441.453-2

ENDESA ECO

Wilfredo Jara Tirapegui
Civil Mechanical Engineer
Universidad de Santiago
Tax No.: 6.028.327-3

(1) Sebastián Fernández Cox is the Regional Manager Energy Planning since January 5, 2008. Rafael Errázuriz Ruiz-Tagle occupied that position until January 4, 2008.

CORPORATE GOVERNANCE





Endesa Chile is managed by its Executive Officers under the direction of its Board of Directors which, in accordance with the estatutos, or articles of incorporation and bylaws, of Endesa Chile, consists of nine directors who are elected at the annual regular shareholders' meeting. Each director serves for a three-year term and the term of each of the nine directors expires on the same day. However, the directors can be reelected indefinitely. Staggered terms are not permitted under Chilean law. If a vacancy occurs on the Board during the three-year term, the Board of Directors may appoint a temporary director to fill the vacancy. In addition, the vacancy will trigger an election for every seat on the Board of Directors at the next regular annual shareholders' meeting. The current Board of Directors was elected in the annual regular shareholders' meeting that took place on April 1, 2008. See " - A. Directors and Senior Management," for more details on the disclosure of the terms of the directors' offices. The members of the Board of Directors do not have service contracts with Endesa Chile or any of its affiliates that provide benefits upon termination of employment.

Chilean corporate law provides that a company's board of directors is responsible for the management, administration and representation of a company in all matters concerning its corporate purpose, subject to the provisions of the company's estatutos and the stockholders' resolutions. In addition to the estatutos, the Board of Directors of Endesa Chile has adopted regulations and policies that guide our corporate governance principles. The most important of these regulations and policies are the following:

The Internal Regulations on Conduct in Securities Markets' approved by the Board in June 2002, defines the rules of conduct that must be followed by members of the Board of Directors, senior management and other managers and employees who, due to the nature of their job responsibilities, may have access to sensitive or confidential information, with a view to contributing to transparency and to the

protection of investors. These regulations are based on the principles of impartiality, good faith, placing the company's interests before one's own, and care and diligence in using information and acting in the securities markets.

The Charter Governing Executives ("Estatuto del Directivo"), approved by the Board in July 2003, and the Employees Code of Conduct, explain our principles and ethical values, establish 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 impose limitations on the activities our senior executives and other employees may undertake outside the scope of their employment with us, such as non-compete limitations.

The Bases of Corporate Governance of Endesa Chile ("Bases del Gobierno Corporativo"), approved by the Board of Directors on February 28, 2005, has four principal purposes:

1. Committing the efforts of the Board and Management to focus on maximizing the value of the Company for all its shareholders, and also for its employees, customers and suppliers;
2. Reaffirming the Board's duty to provide guidelines for the Management to attain the best practices at each level of the Organization;
3. Emphasizing one of the most important objectives of the Board, which is to make known the Company's Vision, its Objectives and the Strategy for achieving them;
4. Emphasizing the responsibility of the Board to continuously control the performance of the Management in line with the Company's Vision and Strategy.

The aforementioned regulations and rules reflect our core principles of transparency, respect for stockholders' rights, and the duty of diligence and loyalty of the directors imposed by Chilean law.

01. COMPLIANCE WITH NYSE LISTING STANDARDS ON CORPORATE GOVERNANCE

The following is a summary of the significant differences between our corporate governance practices and those applicable to domestic issuers under the corporate governance rules of the New York Stock Exchange.

02. INDEPENDENCE AND FUNCTIONS OF THE AUDIT COMMITTEE

Under the NYSE corporate governance rules, all members of the Audit Committee must be independent. We are subject to this requirement as of July 31, 2005.

Under the NYSE corporate governance rules, the Audit Committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies have been required to comply with Rule 303A.06 beginning July 31, 2005. Non-U.S. companies are not required to comply with Rule 303A.07. As of July 31, 2005, we comply with the independence and the functional requirements of Rule 303A.06. As required by the Sarbanes-Oxley Act and the NYSE corporate governance rules, on June 29, 2005, the Board of Directors of Endesa Chile created an Audit Committee, composed of three directors, who are also directors of the Company. The current directors of this

Committee, who satisfy the requirements of independence of NYSE are: Enrique García, José María Fernández and Jaime Estévez V. Mr. José María Fernández, is relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B). Mr. Fernández sits on the Board of Directors of Endesa Internacional, S.A., an affiliate of the Company. Mr. Fernández otherwise meets the independence requirements of Rule 10A-3(b)(1)(ii).

As required by Chilean Law, Endesa Chile also has a Comité de Directores composed of three members of the Board. Although Chilean Law requires that a majority of the Comité de Directores (two out of three members) must be composed of directors who were not nominated by the controlling shareholder and did not seek votes from the controlling shareholder (a “non-control director”), it permits the Comité de Directores to be composed of a majority of control directors or even completely of control directors, if there are not sufficient non-control directors on the Board to serve on the committee. Currently, our Comité de Directores is composed of two non-control directors and one director appointed by the controlling shareholder.

Our Comité de Directores performs the following functions:

- examination of Annual Report, Financial Statements and the Reports of the External Auditors and Inspectors of the Accounts;
- formulation of the proposal to the Board of Directors for the selection of external auditors and private rating agencies;

- examination of information related to operations by the Company with related parties and/or related to operations in which the Company board members or relevant executive officers may have personal interest;
- examination of the compensation framework and plans for managers and executive officers; and
- any other function mandated to the committee by the estatutos, the Board of Directors or the shareholders of the Company.

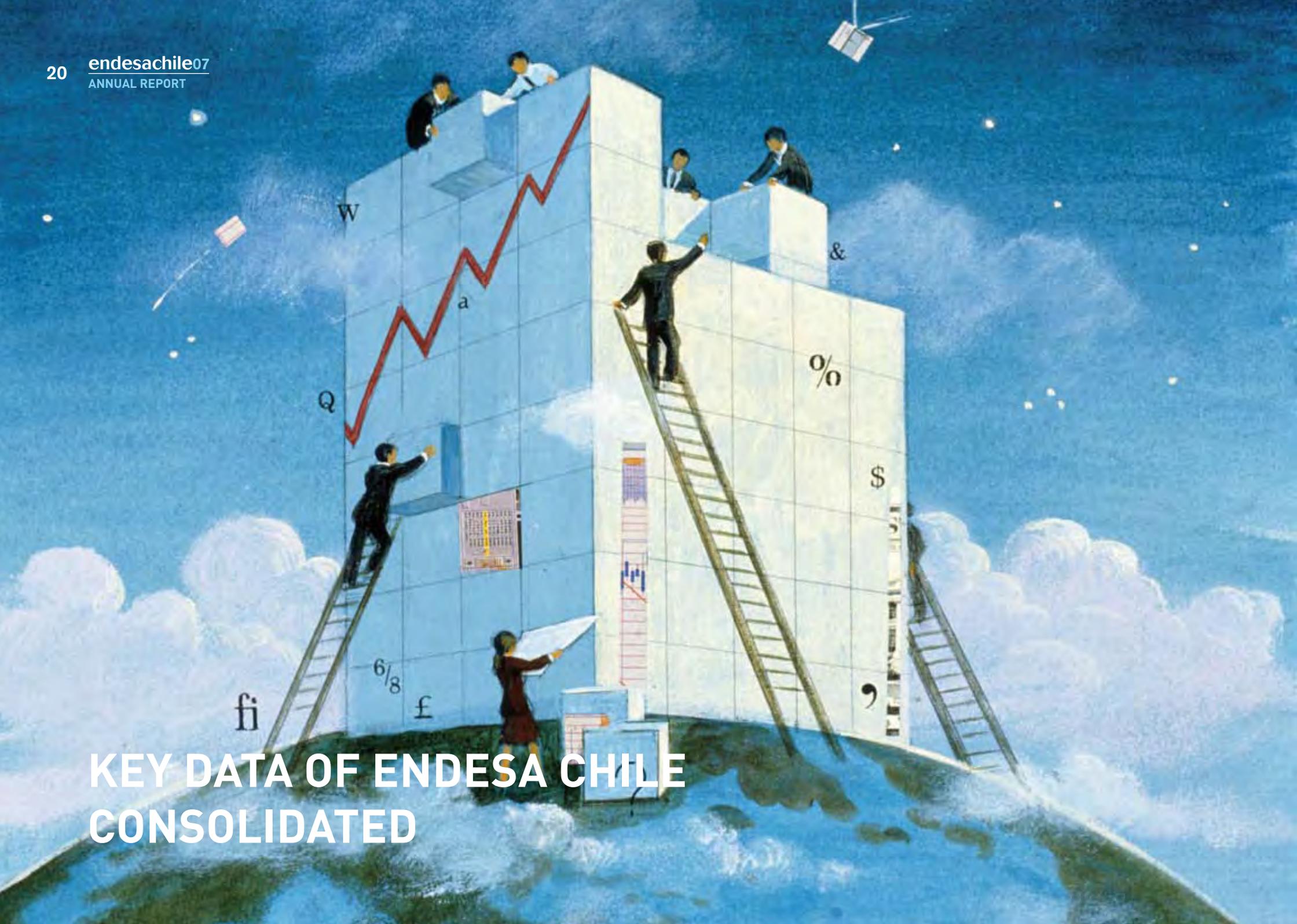
The current members of this Committee are Mario Valcarce D., Raimundo Valenzuela L. and Jaime Estévez V.

By agreement adopted by the special shareholders’ meeting held on March 21, 2006, a new chapter was included in the Endesa Chile’s bylaws, which refers to the “Comité de Directores and Audit Committee.” Visit our website for details.

03. CORPORATE GOVERNANCE GUIDELINES

The NYSE’s corporate governance rules require listed companies to adopt and disclose corporate governance guidelines. Although Chilean law does not contemplate this practice, other than with respect to the codes of conduct described above, the Company establishes guidelines in The Bases of Corporate Governance of Endesa Chile (“Bases del Gobierno Corporativo”), approved by the Board of Directors in February 2005.





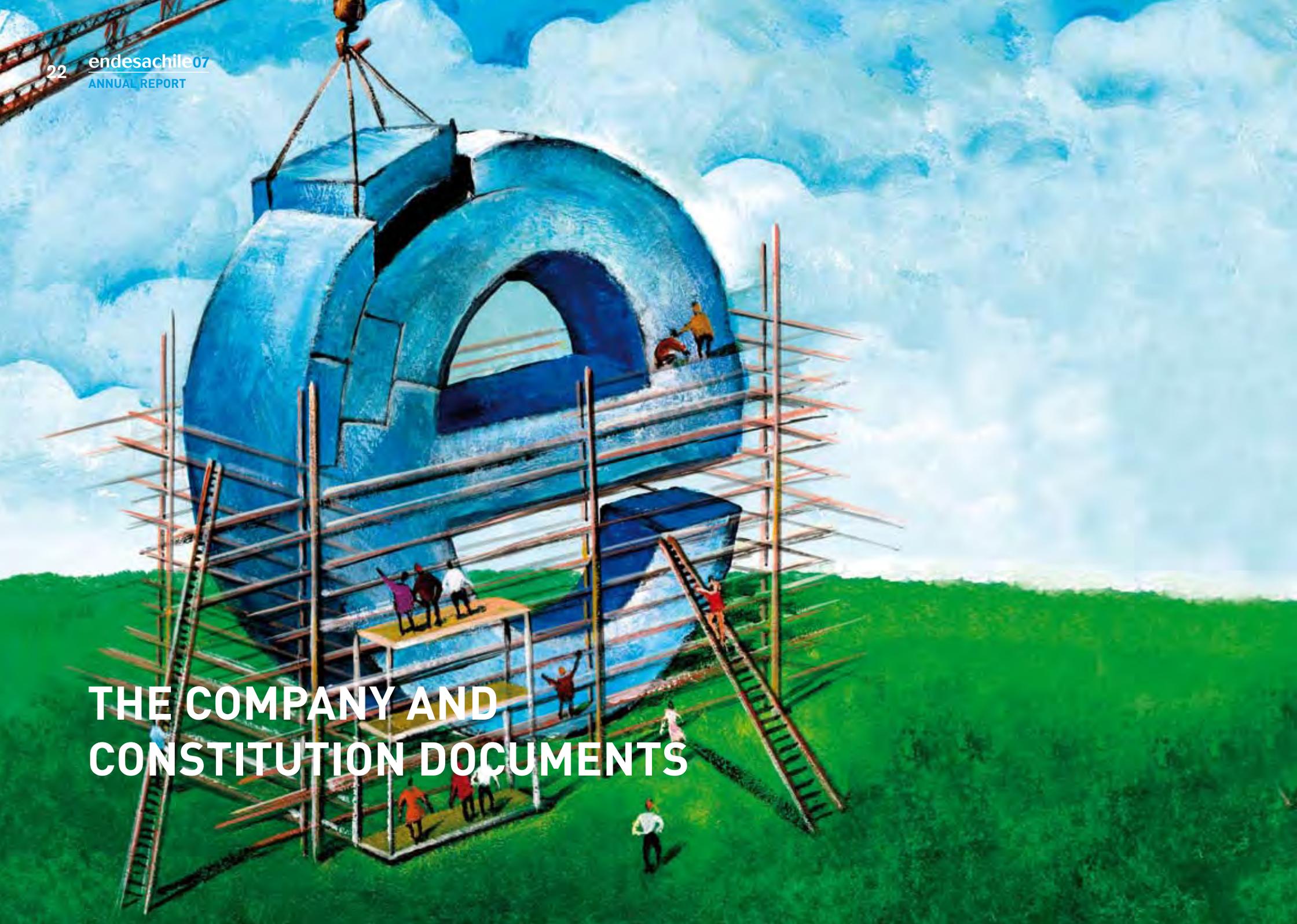
KEY DATA OF ENDESA CHILE CONSOLIDATED

	AS OF DECEMBER 31 OF EACH YEAR				
	2003	2004	2005	2006	2007
IN ARGENTINA					
Number of employees	283	311	311	316	323
Number of generating plants	5	5	5	5	5
Installed capacity (MW)	3,622	3,623	3,624	3,639	3,644
Electricity generated (GWh)	7,997	11,290	12,333	13,750	12,117
Energy sales (GWh)	9,259	11,604	12,579	13,926	12,406
IN BRAZIL (1)					
Number of employees	53	53	-	-	-
Number of generating plants	1	1	-	-	-
Installed capacity (MW)	658	658	-	-	-
Electricity generated (GWh)	3,024	3,262	2,645	-	-
Energy sales (GWh)	3,770	3,902	2,898	-	-
IN CHILE					
Number of employees	708	725	765	789	841
Number of generating plants	21	22	22	22	25
Installed capacity (MW)	3,763	4,477	4,477	4,477	4,779
Electricity generated (GWh)	16,524	16,797	18,764	19,973	18,773
Energy sales (GWh)	18,681	18,462	20,731	20,923	19,212
IN COLOMBIA					
Number of employees	319	319	326	376	399
Number of generating plants	9	10	11	11	11
Installed capacity (MW)	2,589	2,609	2,657	2,779	2,829
Electricity generated (GWh)	10,794	11,881	11,864	12,564	11,942
Energy sales (GWh)	14,481	15,148	15,077	15,327	15,613
IN PERU					
Number of employees	152	154	158	200	206
Number of generating plants	8	8	8	9	9
Installed capacity (MW)	967	967	969	1,426	1,468
Electricity generated (GWh)	4,287	4,136	4,516	6,662	7,654
Energy sales (GWh)	4,443	4,328	4,600	6,767	7,994
(MILLIONS OF PESOS OF DECEMBER 31, 2007)					
Total assets	6,364,005	6,041,020	5,345,121	5,678,830	5,387,378
Total liabilities	3,207,918	2,977,955	2,520,224	2,747,349	2,616,269
Minority interest	1,417,977	1,280,750	1,024,071	1,004,392	886,882
Shareholders' equity	1,738,110	1,782,315	1,800,825	1,927,089	1,884,227
Sales	1,071,604	1,173,135	1,231,473	1,436,068	1,726,964
Cost of sales	(640,957)	(714,780)	(756,183)	(851,961)	(1,119,053)
Operating income	394,172	419,224	432,987	541,806	570,830
Non-operating result	(208,439)	(187,569)	(170,105)	(133,395)	(207,485)
Net income	90,978	95,187	121,304	203,567	192,439
Current ratio	0.84	1.27	0.54	0.91	0.97
Debt ratio (2)	1.02	0.97	0.89	0.94	0.94

(1) On September 30, 2005, following the formation of the holding company Endesa Brasil S.A., Centrais Eléctricas Cachoeira Dourada S.A. ceased to be a subsidiary of Endesa Chile and became a subsidiary of Enersis S.A. As from 2005 therefore, the workforce and installed capacity of the Cachoeira Dourada plant in Brazil have been excluded, and the table shows the generation and sales of Cachoeira Dourada for just the first nine months of 2005.

2) Total liabilities / Shareholders' equity plus minority interest.





THE COMPANY AND CONSTITUTION DOCUMENTS

01. THE COMPANY

NAME	: Empresa Nacional de Electricidad S.A. (ENDESA or ENDESA CHILE)
KIND OF ENTITY	: A publicly held limited liability company
TAX NO.	: 91.081.000-6
ADDRESS	: Santa Rosa 76 833-0099 SANTIAGO
TELEPHONE	: (56-2) 6309000
FAX	: (56-2) 6354720 (56-2) 6353938
PO BOX	: 1392, Santiago
WEB SITE	: www.endesa.cl
INVESTOR RELATIONS TELEPHONE	: 6342329
INVESTOR RELATIONS FAX	: 6354980
EXTERNAL AUDITORS	: Ernst & Young Serv. Prof. de Auditoría Ltda.



02. CONSTITUTION DOCUMENTS

Empresa Nacional de Electricidad S.A. was constituted by public deed dated December 1, 1943 signed before the Santiago notary Luciano Hiriart Corvalán.

By Ministry of Finance Supreme Decree 97 of January 3, 1944, its existence was authorized and its bylaws approved which stated that the objects of the company were to exploit the production, transport and distribution of electricity and, in particular, to carry out the Country Electrification Plan approved by the council of Corfo at its meeting No.215 of March 24, 1943.

The extract of the mentioned corporate deed and the decree were published together in the Official Gazette of January 13, 1944 and inscribed in the Santiago Trade Register (folio 61 N° 62 and 65 N° 63 respectively) on January 17, 1944.

It was declared legally established by Ministry of Finance Supreme Decree 1,226 of February 23, 1945, published in the Official Gazette on March 6, 1945 and inscribed in the Santiago Trade Register (folio 727 N° 532) on March 16 that year.

The bylaws of the Company have suffered numerous modifications among which was that of 1980 which eliminated its objectives of carrying out the country's electrification plan, which responsibility the law assigned to the National Energy Commission; that of 1982, which adapted the bylaws to Law 18,046, the new Corporations Law; that of 1987, which adapted the bylaws to the terms of Decree Law 3,500 of 1980, thereby permitting the resources of the pension funds to be invested in the company's shares; and that of 1988 which expanded the company's objects to include the provision of consultancy services.

The modification of 1992 should also be mentioned which again expanded the objects, expressly permitting the company to make investments in financial assets, develop projects and carry out activities in the energy field and others in which electricity is essential and to participate in public works infrastructure concessions in the civil or hydraulic areas, either directly or through subsidiary or related companies, in both Chile and abroad; also that of 1994 which added to its bylaws the trading name of Endesa, increased its capital so that part of this could be placed in the international markets through the ADR mechanism in any of its forms, and adapted the bylaws to the new provisions introduced by Law 19,301 to Decree Law 3,500 of 1980 which permitted, among other things, an increase in the maximum percentage of share concentration to 26%; that of 1995 which modified the arbitration system, allowing difficulties between shareholders or among these and the company or its managers to be settled alternatively by arbitration or the ordinary courts of justice; that of 1999 which permitted an increase in the maximum percentage of share concentration to 65% of the capital with voting rights of the company; that of 2005 which modified the bylaws by incorporating the trading name of Endesa Chile in addition to that of Endesa; that of 2006 which added to the bylaws a new title called "Directors Committee and Audit Committee" in order to include in the bylaws a series of regulations with respect to the Directors' Committee, as referred to in Law 18,046, and to the Audit Committee which the board of the Company created to meet the provisions of the United States Sarbanes Oxley Act, to which the Company is subject as it has ADRs and bonds registered in that market, and that of 2007 which amended clause 5 and transitory clause 1 of the bylaws to reflect the Company's present capital and the way in which this has been subscribed and paid.



San Isidro I and II Control Center.



HISTORICAL SUMMARY



Empresa Nacional de Electricidad S.A. was created on December 1, 1943 as a subsidiary company of the state entity Corporación de Fomento de la Producción (Corfo) in order to carry out the country's electrification plan, including the generation, transport, production and distribution of electricity.

Endesa Chile belonged to the state of Chile for 42 years and achieved a preponderant role in the sector, becoming one of the country's largest companies and the basis of the nation's electricity development. Investments were substantial, and important engineering and electrification works were carried out.

In the mid 1980s, as a result of the privatization policy followed by the Chilean government at that time, Endesa Chile was instructed to prepare itself for privatization for which it was separated from its distribution activities, and was adapted so that the pension funds and individuals could become shareholders in the Company.

The privatization process was carried out starting in 1987 with a series of public offers. Given the size of the company for the domestic market, the process was only completed in 1989. Following its privatization, important changes were made to the organization which was restructured as a holding company with subsidiaries, to better control the Company's different businesses.

In May 1992, the company's internationalization process was begun with the acquisition through consortia of Central Costanera S.A. (today Endesa Costanera S.A.) and later, in August 1993, of Hidroeléctrica El Chocón S.A., both in Argentina. In October 1995, Edegel S.A.A. was acquired in Peru. In December 1996, Central Hidroeléctrica de Betania S.A. E.S.P. was acquired and later, in September 1997, in a

consortium with the Spanish parent company, Endesa, Emgesa S.A. E.S.P., both in Colombia. Lastly, in September 1997, Centrais Elétricas Cachoeira Dourada S.A., Brazil was acquired.

On July 27, 1994, the shares of Endesa Chile began to be traded on the New York Stock Exchange (NYSE), with the ticker symbol EOC.

In May 1999, Enersis S.A., a subsidiary of Endesa Spain, which at that time held 25.3% of Endesa Chile's share capital, acquired on the Santiago Stock Exchange and in the US markets, through a tender process, an additional 34.7% and thus give it control of the Company.

On October 23, 2000, Endesa Chile sold 100% of the shares of Compañía Nacional de Transmisión Eléctrica S.A. (Transelec), the whole block of shares being acquired by the Canadian company Hydro Québec International Inc.

On December 17, 2001, Endesa Chile's shares began to be traded on the Madrid Stock Exchange through the Latin American Securities Market (Latibex), under the ticker symbol XEOC.

On September 13, 2004, Endesa Chile signed a letter of adhesion to the United Nations Global Compact, an international initiative by which the Company committed itself to adopt ten universal basic principles related to respect for human rights, labor regulations, the environment and the fight against corruption.

On April 18, 2005, Endesa Chile constituted the subsidiary Endesa Eco S.A. to promote and develop renewable energy projects like mini-hydroelectric plants, wind, geothermal, solar and biomass energy plants, and also to act as depositary and trader of emission reduction certificates obtained by these projects.

The holding company Endesa Brasil S.A. was formed in 2005, comprising the existing Brazilian assets contributed by Endesa Internacional, Endesa Chile, Enersis and Chilectra. As from October that year, Endesa Chile ceased to consolidate Cachoeira Dourada, and Enersis S.A. began to consolidate Endesa Brasil S.A.

On September 29, 2006, Endesa Chile, ENAP, Metrogas and GNL Chile signed an agreement defining the structure of the liquefied natural gas (LNG) project in which Endesa Chile has a 20% holding and which forms part of the strategy for confronting the lack of gas from Argentina. In February, an agreement letter was signed with British Gas for the development of a LNG re-gasification plant in Quintero Bay, with its corresponding supply of fuel by British Gas. The holdings in the terminal project are 40% British Gas and 60% in equal proportions between Endesa Chile, ENAP and Metrogas.

On March 2, 2006, the subsidiary of Endesa Chile in Colombia, Emgesa, completed the purchase of the assets of Termocartagena, located on the Atlantic coast and having an installed capacity of 142 MW.

On June 1, 2006, the merger was completed between the subsidiary of Endesa Chile in Peru, Edegel, and Etevensa, a subsidiary of Endesa Internacional. With the incorporation of the Ventanilla plant, Edegel increased its installed capacity by 457 MW.

The company Centrales Hidroeléctricas de Aysén S.A. was formed in March 2007, although not consolidated by Endesa Chile. Its objects are to develop and exploit the hydroelectric project in the 11th Region of Aysén, called the Aysén Project.

On September 1, 2007, the merger was completed of the Colombian companies Emgesa S.A. E.S.P. and Central Hidroeléctrica de Betania S.A. E.S.P, the resultant company being called Emgesa S.A. E.S.P.

Endesa Chile, directly and through its subsidiaries, currently operates 50 plants in Latin America, with an installed capacity of 12,720 MW, being one of the largest electricity generating companies in the region.



Canela Wind Farm

HOLDINGS IN SUBSIDIARY AND RELATED COMPANIES



01. SHAREHOLDINGS IN SUBSIDIARY AND RELATED COMPANIES

SUBSIDIARIES	% HOLDING	
	2006	2007
Argentina		
Endesa Costanera S.A. (1)	64.26	69.76
Hidroeléctrica El Chocón S.A. (2)	47.44	65.37
Endesa Argentina S.A. (3)	99.99	100.00
Hidroinvest S.A. (4)	69.92	96.09
Southern Cone Power Argentina S.A (5)	-	100.00
Brazil		
Endesa Brasil Participacoes Ltda.	100.00	100.00
Ingendesa Do Brasil Ltda.	99.99	100.00
Chile		
Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)	92.65	92.65
Empresa Eléctrica Pangue S.A. (Pangue S.A.)	94.98	94.99
Compañía Eléctrica Tarapacá S.A. (Celta S.A.)	100.00	100.00
Compañía Eléctrica San Isidro S.A. (San Isidro S.A.)	100.00	100.00
Empresa de Ingeniería Ingendesa S.A. (Ingendesa)	99.99	100.00
Sociedad Concesionaria Túnel El Melón S.A. (6)	99.95	100.00
Endesa Inversiones Generales S.A. (Enigesa)	99.96	99.96
Inversiones Endesa Norte S.A.	100.00	100.00
Endesa Eco S.A.	100.00	100.00
Central Eólica Canela S.A (7)	-	75.00
Colombia		
Emgesa S.A. E.S.P. (Emgesa) (8)	23.45	26.87
Peru		
Edegel S.A.A. (Edegel)	33.06	33.06
Generandes Perú S.A.	59.63	59.63
Panama		
Compañía Eléctrica Cono Sur S.A. (9)	100.00	100.00

(1) The increase in the shareholding in Endesa Costanera S.A. in 2007 is due to the purchase of 100% of Southern Cone Power Argentina S.A., a company with a 5.5% shareholding in Endesa Costanera S.A.

(2) On March 9, 2007, a 2.4803% shareholding was acquired in Central Hidroeléctrica El Chocón S.A.

(3) On May 10, 2007 Endesa Argentina S.A. increased its capital, fully subscribed by Endesa Chile which explains the reduction in the participation of the minority shareholders and thus increases its direct shareholding in the company.

(4) On March 8, 2007, 25% of share capital of Hidroinvest S.A. was acquired.

(5) On February 27, 2007, 100% of the share capital of Southern Cone Power Argentina S.A. was acquired.

(6) On March 27, 2007, Sociedad Concesionaria Túnel El Melón S.A. increased its capital, which was fully subscribed by Endesa Chile, which explains the reduction in the participation of the minority shareholders and thus increases its direct shareholding in the company.

(7) Company constituted on October 29, 2007 in which Endesa Eco S.A. acquired a 75% shareholding.

(8) On September 1, 2007, the merger was completed of the Colombian companies Emgesa S.A. E.S.P. and Central Hidroeléctrica de Betania S.A. E.S.P. the resultant company being called Emgesa S.A. E.S.P.

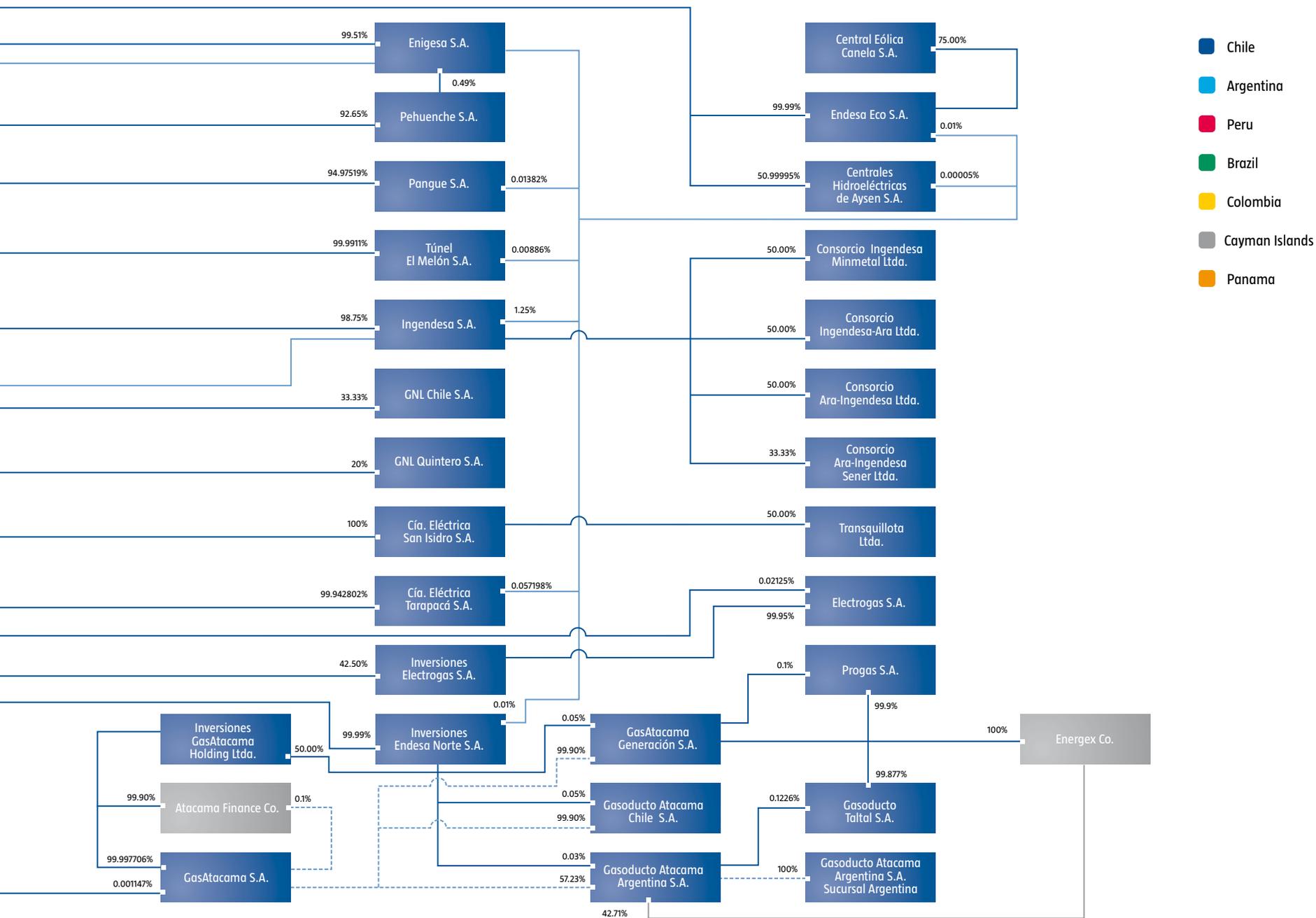
(9) On August 7, 2007, Compañía Eléctrica Cono Sur S.A. absorbed the company Endesa Chile Internacional.

RELATED COMPANIES	% HOLDING	
	2006	2007
Argentina		
Comercializadora de Energía del Mercosur S.A. (Cemsa)	45.00	45.00
Compañía de Transmisión del Mercosur S.A. (CTM)	37.65	37.65
Transportadora de Energía S.A. (Tesa)	37.65	37.65
Termoeléctrica Manuel Belgrano S.A. (1)	10.82	13.87
Termoeléctrica José de San Martín S.A. (2)	10.82	13.87
Brazil		
Endesa Brasil S.A.	37.65	37.65
Centrais Elétricas Cachoeira Dourada S.A.	37.50	37.50
Compañía de Interconexión Energética S.A. (Cien)	37.65	37.65
Ampla Energia e Serviços S.A.	17.65	17.65
Ampla Investimentos e Serviços S.A.	17.65	17.65
Companhia Energética do Ceará (Coelce)	18.04	18.04
CGTF-Central Geradora Termelétrica Fortaleza S.A.	37.65	37.65
Investluz S.A.	30.37	30.37
Chile		
Electrogas S.A.	42.50	42.50
Transmisora Eléctrica de Quillota Ltda. (Transquillota)	50.00	50.00
Inversiones Gasatagama Holding Limitada	50.00	50.00
GasatAcama S.A. (GasatAcama)	50.00	50.00
Gasoducto Atacama Chile S.A. (Gasoducto Atacama Chile)	50.00	50.00
Gasatagama Generación S.A. (Gasatagama Generación)	50.00	50.00
Gasoducto Atacama Argentina S.A. (Gasoducto Atacama Argentina)	50.00	50.00
Inversiones Electrogas S.A.	42.50	42.50
Gasoducto Taltal S.A.	50.00	50.00
Consorcio Ingendesa-Minmetal Ltda.	50.00	50.00
Sociedad Consorcio Ingendesa-Ara Ltda.	50.00	50.00
Consorcio Ara-Ingendesa Ltda.	50.00	50.00
Consorcio Ara Ingendesa Sener Ltda.	33.33	33.33
Progas S.A.	50.00	50.00
GNL Chile S.A.	33.33	33.33
Centrales Hidroeléctricas de Aysén S.A. (HidroAysén)	51.00	51.00
GNL Quintero S.A. (GNLQ) (3)	-	20.00
Cayman Islands		
Energex Co.	50.00	50.00
Atacama Finance Co.	50.00	50.00

(1) The minority interest was bought in 2007 in Hidroeléctrica El Chocón S.A., a shareholder in Termoeléctrica Manuel Belgrano S.A.

(2) The minority interest was bought in 2007 in Hidroeléctrica El Chocón S.A., a shareholder in Termoeléctrica José de San Martín S.A.

(3) Company constituted on March 9, 2007 which is not consolidated in Endesa Chile.





HUMAN RESOURCES

01. PERSONNEL

The following table shows the personnel employed by Endesa Chile and its subsidiaries as of December 31, 2007(1):

COMPANY	SENIOR EXECUTIVES	PROFESSIONALS & TECHNICIANS	OTHER EMPLOYEES	TOTAL
ARGENTINA				
Endesa Costanera S.A.	6	250	17	273
Hidroeléctrica El Chocón S.A.	1	43	6	50
Total Personnel in Argentina	7	293	23	323
CHILE				
Endesa Chile	30	450	45	525
Pehuenche S.A.	-	3	-	3
Pangue S.A.	-	-	-	-
Celta S.A.	1	-	-	1
San Isidro S.A.	-	-	-	-
Endesa Eco	-	-	-	-
Ingendesa (2)	4	252	33	289
Túnel El Melón S.A.	1	21	1	23
Total Personnel in Chile	36	726	79	841
COLOMBIA				
Engesa S.A.	7	368	24	399
Total Personnel in Colombia	7	368	24	399
PERU				
Edegel S.A.A.	7	183	16	206
Total Personnel in Peru	7	183	16	206
TOTAL PERSONNEL ENDESA CHILE AND SUBSIDIARIES	57	1,570	142	1,769

(1) Relates to the permanent personnel.

(2) The number of personnel in the subsidiary Ingendesa in Chile includes those of the subsidiary of Ingendesa in Brazil.



02. HUMAN RESOURCES ACTIVITIES

TRAINING

One of Endesa Chile's priorities is the management of knowledge, understood as the transfer of knowledge and experience of the personnel in order that they can be used as a resource available to others in the organization. For this, it has a virtual learning space known as "Campus Latam: Management of Knowledge".

Campus Latam captures the know-how of the business, shaping it into e-learning courses. It contains a map of skills by jobs, from which curricular matrices are built of technical skills for systemizing the knowledge and carrying out the formation and development of the key skills of the business, permitting people, including those who are physically remote, to communicate to each other through its different learning and communication environments, thus contributing experiences and giving rise to a dialogue that permits knowing what is going on in the Company at both the professional and human levels.

The objective of the training plan in this context is to continue reinforcing in the people a new style of work, permitting the acquisition of skills that develop an attitude of enterprise, innovation and ethical sensitivity in the three dimensions of sustainability, and the development of other skills in the technical-professional area that meet the needs of the business.

Total participations in the year were 2,521, with a 97.2% coverage of the employees. Total training hours in the year were 22,988, producing a training rate of 2.61% (hours training / hours worked). The training ratio was 64.2 hours per person (training hours / average workforce).



SAFETY AND OCCUPATIONAL HEALTH

The program is focused on carrying out the occupational health plan and promoting a vigilant attitude in safety, related to compliance with the loss control program under the OHSAS 18001 standards and safety among contractors. All the installed capacity and the whole workforce of Endesa Chile and subsidiaries in Chile are certified under OHSAS 18001. If the Latin American subsidiaries are included, the percentage is 96.1%.

Regarding the risk prevention indicators, 2007 produced a frequency rate, which measures the number of accidents

per million man-hours worked, of 1.5 among own workers and 14.6 among the workers of contractor firms. The seriousness rate, which measures the number of days lost per million man-hours worked, was 35 among own workers and 165 in the case of contractor firms. These figures place the Company below the average for companies in the sector, according to the mutual aid system in Chile.

The senior management's commitment toward safety and occupational health actions is monitored by the Safety and Occupational Health Committee (COSESA) which defines policies and lines of action in these areas as a strategic element of the business and support for the sustainable development of Endesa Chile.

The concern for the personnel and their quality of life contributes to the condition of health and aptitude for work and is implemented through cardiovascular and breast cancer risk-prevention, healthy diet, alcohol and drugs use and abuse prevention and work ergonomics programs, among other areas of action.

HUMAN RESOURCES MANAGEMENT

In 2007, the focus was on all the Company's facilities, giving talks regarding welfare, basically related to the form of managing health insurance in each of the existing systems. Each employee was given a file with information and a manual covering voluntary pension savings and the pensions system.

Espacio Endesa continued with its task of giving priority to those elements that protect the quality of life of the personnel, putting into practice measures that encourage conciliation between personal and working lives by offering extension and cultural development opportunities, plus relaxation in the areas of recreation and sport.



HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT OF KNOWLEDGE

Various initiatives were developed to manage the knowledge critical for the generation business and its strategic planning, coordinating the synergies that are offered by being a multinational group and that permit making use of the knowledge distributed throughout Latin America, particularly the programs of:

- Catalogue of specialities and specialists critical for maintaining the generation business in Latin America.
- Retention and succession plans.
- Development plans in conduct, technical and management skills.
- Detection and talent and specialists development plans.

- Certification of labor skills (operation and maintenance) and modulation of formative contents.
- Development plans management systems for supporting the management.

“Who am I” workshops were arranged in 2007 at plants, seeking to feed-back to personnel the results of their evaluations and for each one to know their strengths and weaknesses, plus discovering tools for the development of each of the corporate skills, ending with targets and concrete commitments for improvement and personal progress. The innovation-skill target obtained the greatest adhesion.

For the development of skills and abilities related to leadership, a semi-annual coaching program was launched, covering 20 people at the central hydroelectric plants and the Bocamina plant.

Regarding the innovation and creativity program, Endesa Chile’s personnel submitted a total of 255 suggestions, 82% more than in 2006. In both years, eight outstanding ideas were pre-selected for presentation to the II Novare Employees Meeting, of which two were selected in first and second places in the Generation Category.

LABOR RELATIONS

As has been a constant in the Company, labor relations have been developed harmoniously with the workers’ representatives, through direct and constant dialogue.



THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT



Endesa Chile is committed to sustainable development, complying with the seven commitments contained in its sustainability policy. Each of the subsidiaries has environmental and sustainable development committees consisting of the Company's most senior executives, responsible for defining and controlling the strategies directed to complying with those commitments.

For the fifth consecutive year, the Company in 2007 submitted itself to an evaluation of its sustainable performance made by the Swiss research institute, Sustainable Asset Management (SAM Research), which selects the companies that will form part of the Dow Jones Sustainability Indexes (DJSI). The Company obtained 77 points, 20 above the average of 57 points obtained by the 39 companies evaluated in the electricity sector and three points more than in the previous year.

The year 2007 was also notable for obtaining multiple recognitions of the generator's performance in terms of corporate sustainable development, including:

- Corporate Social Responsibility (CSR) and Technological Innovation prize awarded by the Chilean subsidiary of the International Council of Large Electricity Networks (CIGRÉ).
- Winner of the first version of Sustainability Report 2007 Prize of Acción RSE. Endesa Chile won the top award for the "Best Sustainability Report 2006", and the categories of Best Economic Management, Best Global Description and Integral Management of Corporate Social Responsibility, plus an honorable mention for the auditing of its reports.
- Distinguished for best corporate government practices by IR Global Ranking, obtaining first place among Chilean companies and fourth in Latin America.

- Sixth place in the Corporate Social Responsibility ranking of Fundación PROhumana and Capital magazine.

- Endesa Chile's last Communication of Progress (COP), which was reported through its Sustainability Report 2006, was awarded the category of "Notable" by the United Nations Global Compact.

- Fundación Pehuén, a foundation sponsored by Endesa Chile, received the Chilean-American Chamber of Commerce (AmCham) prize as the "Best Corporate Citizen 2007" for its program for promoting secondary and tertiary education among young Pehuenche people in six communities in the Upper Bío Bío.

- At the 3rd CIER (Regional Energy Integration Commission) Congress of Energy, Concier 2007, the Company was praised for the presentation of its work "Sustainable Development and the Electricity Business, the Experience of Endesa Chile".

- First Chilean company in the ranking of the largest non-banking companies committed to sustainability, corporate governance, ethics, transparency and corporate social responsibility (CSR) in Latin America, prepared for the first time by the consultants Management & Excellence S.A. (M&E) and the specialized magazine LatinFinance.

- The Peruvian subsidiary Edegel received the "Social Responsibility and Sustainable Development" prize, in a competition organized by "Perú 2021", the Pontificia Universidad Católica and the Universidad del Pacífico. It also received two awards with respect to good corporate governance.

In order to ensure compliance with high environmental standards, Endesa Chile has implemented since 2001 at every one of its facilities in South America the certification of its environmental management systems (EMS) under the ISO 14001 standard. As of December 2007, this certification covered 96.7% of total installed capacity. In 2007, the EMS was introduced and certified at the Ventanilla thermal plant in Peru. In addition, 27 installations were re-certified and 14 retained their certification.

Endesa Chile continued with the implementation of its second environmental debt resolution program during 2007, at all its generating plants and those of its subsidiaries. These environmental debts have been catalogued as a project debt with the environment and therefore should be settled during the operation of the installation. The five-year program 2006-2010 seeks to reduce 52 debts and the target for 2007 was to reduce them by 10%. Eight environmental debts were resolved in 2007 at plants in Chile and Colombia.

In Chile, environmental qualification resolutions were obtained in 2007 for the projects "Increase of Capacity of the Canela Wind Farm", "Expansion of Bocamina Thermal Plant, Second Unit", "Use of Diesel Oil in the Taltal Thermal Plant" and "Quintero-San Luis Substations Transmission Line". The environmental impact assessment for Los

Cóndores Hydroelectric Plant is currently under study, as are also the environmental impact declarations for the "Quintero Thermal Plant" and "Construction of the Diesel Oil Tank of Taltal Thermal Plant" projects.

In the area of climate change, the construction began in 2007 of projects that fall within the development of non-conventional renewable energy (NCRE) that the Company is carrying out through its subsidiary Endesa Eco and which, due to their characteristics, qualify as clean development mechanism (CDM) projects under the Kyoto Protocol. In April 2007, the Executive Council of the United Nations Climate Change Office registered the Ojos de Agua mini-hydroelectric plant as a CDM project, which will enable the Company to trade in the carbon-bonds market the equivalent of an annual reduction of 20,870 tons of CO₂.

The procedures were begun in 2007 for registering the Canela wind-farm project whose estimated reduction of emissions is 27,251 tons of CO₂ annually.

Further information concerning the environmental, social and economic performance demonstrating the implementation of Endesa Chile's seven sustainable development commitments is published in the Sustainability Report 2007.



Canela Wind Farm



TECHNOLOGY AND INNOVATION



Facing the challenges of the future requires creative solutions and an exhaustive knowledge of technologies. Endesa Chile thus promotes and retains its commitment to the development of knowledge, technology and innovation as the basis for its constant search for initiatives and ideas that improve its production processes, profitability and efficiency, maintaining its commitment with the environment and sustainable development. Such actions were consolidated in 2007 with the creation of the Technology, Innovation and Technical Support Management. Under this new structure, action areas are defined in key subjects like energy efficiency, technological investigation, innovation in business processes and the technological modernization of assets.

The principal initiatives taken in these areas are:

Energy Efficiency Policy: The energy efficiency policy was defined, which sets the bases on which future actions will be established for Endesa Chile and its subsidiaries. This policy takes into account the following areas of action:

- Internal area: refers to the increase in energy efficiency through the improvement of the Company's productive processes.
- External area: refers to the promotion of the development and implementation of energy efficiency policies and programs among the direct customers of Endesa Chile.
- Social area: refers to the promotion of a culture of energy efficiency among the personnel of the Company and its group, as well as in the communities and local governments related their installations and operations.

Energy Efficiency Actions: This area includes development programs for the improvement of internal productive processes, such as:

- Modernization of hydraulic turbines, consisting of the recovery and increase of capacity in order to obtain more energy from the same generating flow through the use of modern runner designs.
- Introduction of an on-line optimization and energy-production

accounting system for application in hydroelectric and coal-fired and combined-cycle thermal plants.

- Technical audits of energy efficiency at installations, both administrative offices and plants, in order to establish plans for the efficient use of energy.

Technological Investigation: Under a cooperation agreement with the Pontificia Universidad Católica de Chile, programs have been developed for identifying opportunities in the areas of non-conventional renewable energies (NCRE) and intelligent systems. It promotes research and innovation in the electricity sector. This development area includes:

- Research and application of wave-generated energy: The purpose is to study the present energy potential along the Chilean coast and to define the kind of most suitable technology for the characteristics and conditions found.
- Applications of intelligent systems: Focused on the development of research work in the area analytical processing and artificial intelligence applications, informative tools that have useful particularities in the electricity generating areas.

Innovation in Business Processes: Programs oriented to modify and technify processes that are important to the business, including:

- Operating and maintenance investments selection system in operating plants, development of application that will enable the follow-up and control of long-term service agreement (LTSA) contracts of the region's thermal generating facilities.
- Consolidation of the monitoring and diagnosis center that processes data at the regional level that will permit a substantial improvement in the supervision of the operative condition of the generating facilities in Latin America. Important in this development is the implementation of many analytical tools that are currently being tested for their later use.

Technological Modernization: A complete modernization plan has been developed in order to improve the reliability of the generating facilities and to meet current technical standards. This covers from changes in regulating equipment to the centralized operation of the hydroelectric facilities in Chile, through the National Exploitation Center.

In the area of technological investigation, the ideas of the Company's personnel, the scientific community and suppliers have been motivated by means of various competitions and cooperation programs, with the following scope:

Novare: The Novare program promoted by Endesa Chile was consolidated as a means of the inducement and articulation of innovation activities. Apart from the Novare program for employees, Novare Científico was officially launched in Latin America, a body created for the open participation of research centers, universities or technology companies. Notable in this context was the first place in the generation category obtained by the Pontificia Universidad Católica de Chile in cooperation with the STARLAB research center in Spain.

CIDE: The Endesa Innovation Circles (CIDE) were begun in 2007, providing the first Latin American forum of generation specialists in the region and the first working day with suppliers and technologists in the electricity generation area. CIDE forms part of corporate strategy in this field, making it a methodology that permits the systemization of innovation and adapts it to the real needs of the electricity market. It also offers a space of collaboration and a body for dialogue with suppliers, research centers and associated universities for the identification and development of joint innovation projects.

Challenges: A work plan was developed during 2007 for systemizing activities in technology, innovation and energy efficiency at the regional level. Its objects will be to establish a culture of energy efficiency among the personnel, operate our installations efficiently and incorporate new technologies in the business processes.



Endesa Chile's Monitoring and Diagnosis Center

OWNERSHIP OF THE COMPANY AND SHARE TRADING



As of December 31, 2007, the share capital of the company amounted to 8,201,754,580 subscribed and paid shares distributed among 20,693 shareholders.

01. TWELVE LARGEST SHAREHOLDERS

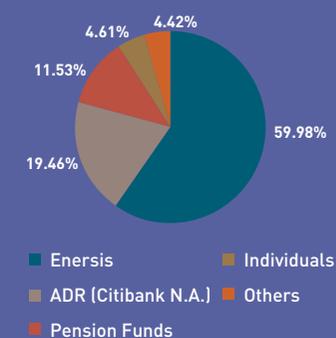
NAME	AS OF DECEMBER 31, 2007		
	TAX NO.	NUMBER OF SHARES	% SHAREHOLDING
Energis S.A. (1)	94.271.000-3	4,919,488,794	59.98%
AFP Provida S.A.	98.000.400-7	477,956,473	5.83%
AFP Habitat S.A.	98.000.100-8	429,178,131	5.23%
Citibank N.A. (Depositary Bank Circular 1375)	97.008.000-7	362,316,420	4.42%
AFP Cuprum S.A.	98.001.000-7	271,411,008	3.31%
AFP Santa María S.A.	98.000.000-1	185,584,252	2.26%
AFP Bansander S.A.	98.000.600-k	173,795,141	2.12%
Citibank Chile on behalf of 3rd parties Chap XIV	97.008.000-7	101,503,883	1.24%
Banchile Corredores de Bolsa S.A.	96.571.220-8	66,252,865	0.81%
AFP Planvital S.A	98.001.200-k	58,244,292	0.71%
Larraín Vial S.A.	80.537.000-9	52,991,091	0.65%
Coindustria Ltda.	80.231.700-k	43,834,298	0.53%
Total		7,142,556,648	87.09%

(1) Energis S.A. is a subsidiary of the Spanish parent, ENDESA, S.A.

Energis S.A. is the controller of Endesa Chile, with a direct 59.98% shareholding. Energis S.A. has no agreement to act together.

There were no share transactions in 2007 between the Company's majority shareholders.

OWNERSHIP STRUCTURE



02. CHANGES IN OWNERSHIP

The most important changes in shareholdings in Endesa Chile were produced as follows during 2007:

- Citibank Chile Cta. de Terceros Capítulo XIV increased its holding from 0.48% in 2006 to 1.24% in 2007.
- Larraín Vial Corredores de Bolsa increased its holding from 0.39% in 2006 to 0.65% in 2007.
- Bolsa Electrónica de Chile, Bolsa de Valores, increased its holding from 0.03% in 2006 to 0.26% in 2007.
- Coindustria Ltda. increased its holding from 0.41% in 2006 to 0.53% in 2007.
- AFP Provida reduced its holding from 6.40% in 2006 to 5.83% in 2007.
- AFP Bansander reduced its holding from 3.00% in 2006 to 2.12% in 2007.

03. SHARE TRANSACTIONS OF ENDESA CHILE MADE BY DIRECTORS AND SENIOR EXECUTIVES OF THE COMPANY

On May 30, 2007, Consultorías e Inversiones Unamuno Ltda., a company related to the director Jaime Estévez Valencia bought 2,300 shares at a price of Ch\$802 per share, totaling Ch\$1,844,600.

On November 8, 2007, Consultorías e Inversiones Unamuno Ltda., a company related to the director Jaime Estévez Valencia bought 10,000 shares at a price of Ch\$720 per share, totaling Ch\$7,200,000.

On November 21, 2007, Consultorías e Inversiones Unamuno Ltda., a company related to the director Jaime Estévez Valencia bought 4,000 shares at a price of Ch\$664 per share, totaling Ch\$2,656,000.

04. SYNTHESIS OF COMMENTS AND PROPOSALS OF SHAREHOLDERS

No comments were received in the Company with respect to the progress of the corporate business between January 1 and December 31, 2007 by the majority shareholders or groups of shareholders holding 10% or more of the issued shares with voting rights, in accordance with the provisions of clause 74 of Law 18,046 and clauses 82 and 83 of the regulations to the Corporations Law.

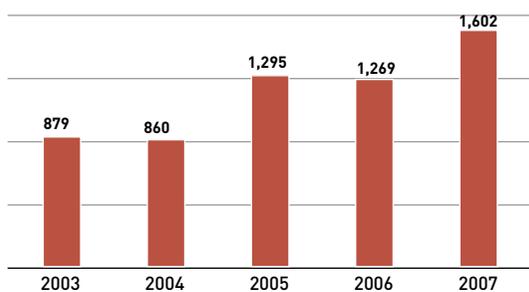
05. TRANSACTIONS ON THE CHILEAN STOCK EXCHANGES

During 2007, 1,602 million Endesa Chile shares were traded on the Santiago Stock Exchange, the equivalent of Ch\$ 1,176,715 million. A further 314 million Endesa Chile shares were traded on the Chilean Electronic Exchange, the equivalent of Ch\$ 231,071 million, and 3 million shares on the Valparaíso Stock Exchange, equivalent to Ch\$ 2,413 million.

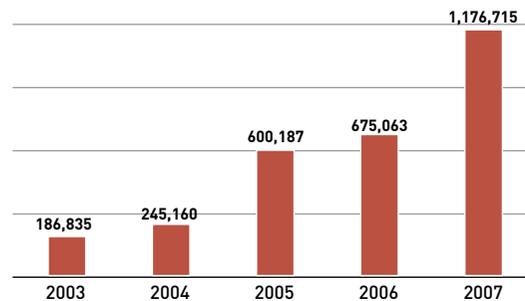
The Endesa Chile share price ended the year at Ch\$ 630.99 on the Santiago Stock Exchange, Ch\$ 630.0 on the Electronic Exchange and Ch\$ 634.00 on the Valparaíso Stock Exchange.

TRANSACTIONS ON THE SANTIAGO STOCK EXCHANGE

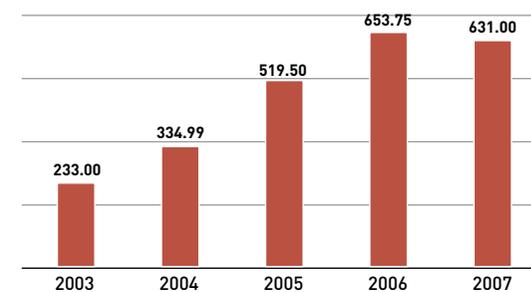
SHARES TRADED
(Millions of shares)



VOLUME TRADED
(Millions of pesos as of December of each year)

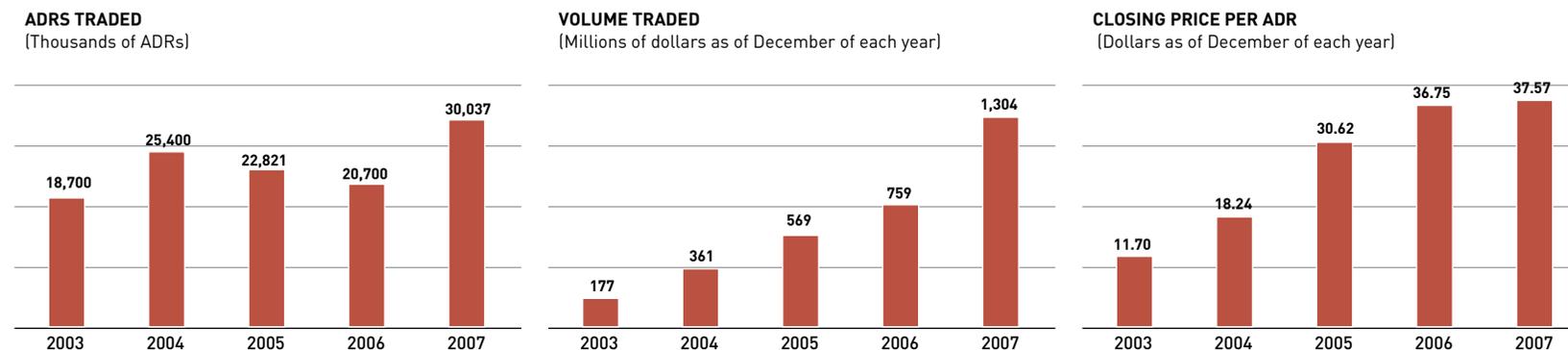


CLOSING PRICE PER SHARE
(Pesos as of December of each year)



06. SHARE TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE (NYSE)

30.04 million Endesa Chile ADRs were traded in the United States in 2007, the equivalent of US\$ 1,303.91 million. An ADR represents 30 Endesa Chile shares. The price of the Endesa Chile ADR at the end of the year was US\$ 37.57.



07. TRANSACTIONS ON THE MADRID STOCK EXCHANGE (LATIBEX)

816,753 trading units of Endesa Chile were traded in 2007 on the Latin American Securities Market of the Madrid Stock Exchange (Latibex). The trading unit represents 30 shares. The unit price at the year-end was € 25.98.



08. QUARTERLY STOCK MARKET INFORMATION FOR THE LAST THREE YEARS

SANTIAGO STOCK EXCHANGE

QUARTER	UNITS TRADED	VOLUME TRADED (CH\$)	AVERAGE PRICE (CH\$)
1st 2005	224,696,444	77,649,876,699	345.58
2nd 2005	418,158,246	189,184,941,997	452.42
3rd 2005	283,374,226	137,361,848,362	484.74
4th 2005	369,089,971	195,990,722,262	531.01
1st 2006	269,636,508	144,323,526,580	535.25
2nd 2006	307,491,875	151,969,432,902	497.40
3rd 2006	383,552,268	192,446,836,811	501.71
4th 2006	308,195,490	186,323,309,117	599.56
1st 2007	306,879,541	216,501,794,348	705.49
2nd 2007	344,697,663	284,839,875,135	826.35
3rd 2007	377,158,846	282,912,945,068	750.12
4th 2007	572,973,909	392,460,529,251	684.95

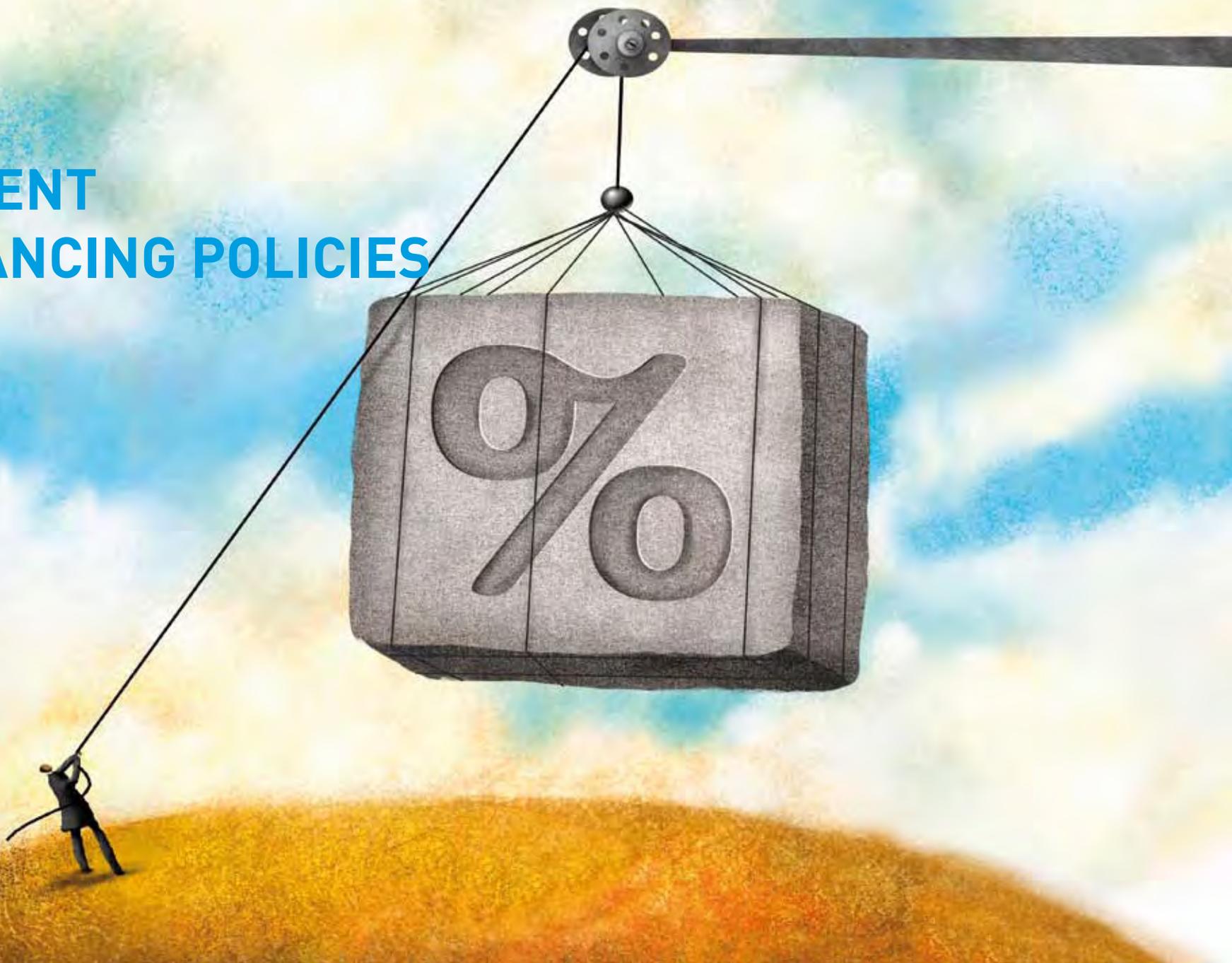
CHILEAN ELECTRONIC EXCHANGE

QUARTER	UNITS TRADED	VOLUME TRADED (CH\$)	AVERAGE PRICE (CH\$)
1st 2005	65,311,043	22,101,868,959	344.97
2nd 2005	57,075,631	25,360,622,206	450.29
3rd 2005	46,521,123	22,427,290,936	482.61
4th 2005	67,260,309	35,662,243,142	531.50
1st 2006	61,556,506	32,883,082,904	534.91
2nd 2006	83,848,080	40,509,215,483	490.05
3rd 2006	69,333,707	34,783,956,839	501.72
4th 2006	26,295,753	15,138,611,038	579.78
1st 2007	62,775,765	44,612,124,365	710.66
2nd 2007	50,911,379	42,321,730,211	831.28
3rd 2007	88,645,262	66,387,145,344	748.91
4th 2007	112,003,418	77,750,108,734	694.18

VALPARAISO STOCK EXCHANGE

QUARTER	UNITS TRADED	VOLUME TRADED (CH\$)	AVERAGE PRICE (CH\$)
1st 2005	2,413,903	846,241,334	350.57
2nd 2005	4,675,606	2,067,484,777	442.18
3rd 2005	1,471,823	718,153,701	487.93
4th 2005	2,693,487	1,449,851,381	538.28
1st 2006	3,058,364	1,618,062,981	529.06
2nd 2006	6,924,872	3,400,776,565	491.09
3rd 2006	1,188,650	602,650,232	507.00
4th 2006	1,727,811	1,024,504,990	592.95
1st 2007	1,279,873	913,050,311	713.39
2nd 2007	599,905	485,289,569	808.94
3rd 2007	776,176	570,912,973	735.55
4th 2007	655,236	443,844,161	677.38

INVESTMENT AND FINANCING POLICIES



The board of the Company will propose the following investment and financing policy to the shareholders meeting to be held on April 1, 2008.

01. INVESTMENT POLICY 2008

During 2008, the Company will make investments as set out in its bylaws in the following investment areas, indicating the limit in each case.

1. ELECTRICITY GENERATION

The maximum limit shall be considered as the investment necessary for the Company to meet its main objects (the production, transport, distribution and supply of electricity) with a limit equivalent to 10% of the shareholders' equity plus minority interest of Endesa Chile consolidated.

2. CAPITAL CONTRIBUTIONS TO SUBSIDIARY AND RELATED COMPANIES

2.1 Contributions will be made to the Chilean and foreign subsidiary and related companies for them to carry out their projects and make those investments necessary for meeting their respective corporate objects.

2.2 The global maximum investment limit in all the Chilean and foreign subsidiaries and related companies for 2008 shall be the equivalent of 15% of shareholders' equity plus minority interest of Endesa Chile consolidated.

2.3. Financial assets, titles, rights, securities, real estate, investments in companies and the formation of subsidiary and related companies, as set out in the bylaws, for making investments in the electricity sector. The maximum investment limit shall be that necessary for taking advantage of business opportunities, with a maximum of 15% of shareholders' equity plus minority interest of Endesa Chile consolidated.

2.4. Financial assets, titles, rights, securities, real estate, investments in companies and the formation of subsidiary and related companies, as set out in the bylaws, for developing projects and operations or activities in industrial processes related to obtaining energy sources and in those where electricity is an essential and determinant element and is intensively used in the process. The maximum investment limit shall not exceed 5% of the shareholders' equity plus minority interest of Endesa Chile consolidated.

2.5. Endesa Chile will invest in financial instruments in accordance with the portfolio selection and diversification criteria defined by the company's management, in order to optimize the return on its cash surpluses.

2.6. Within the framework approved by the shareholders' meeting, the board should agree the specific investments in works and studies to be carried out by the Company, both as to the amount and their methods of financing, and will adopt the measures for controlling such investments.



02. FINANCING POLICY 2008

The Company's financing policy considers that the level of debt, defined as the ratio of total liabilities to shareholders' equity plus minority interest in the consolidated balance sheet, should not exceed 1.50:1. Funding will come from the following sources:

- Own resources.
- Supplier credits.
- Loans from banks and financial institutions.
- Placement of securities in the domestic and international markets.
- Proceeds of assets sales and/or services provided by Endesa Chile.

OTHER MATTERS

In order to carry out the investment and financing policies, the Company's management shall have sufficient powers to sign and amend contracts for the purchase, sale or rental of goods and services necessary for the development of the Company's own businesses, within the applicable legal framework, observing the market conditions relating in each case to goods and services of a similar kind, quality

and characteristics. The management shall also be authorized to cancel obligations deriving from these contracts, according to the law, when convenient for the corporate interest.

Under the provisions of clause 120 of Decree Law 3,500, the disposal of assets or rights that are declared in these policies as essential for the Company's functioning, and the granting of guarantees over them, should be resolved by an extraordinary shareholders' meeting. In compliance with clause 119 of that law, the following assets are therefore declared as essential for the functioning of the Company:

- the generating plants and emergency and reserve units with a capacity of over 50,000 kW, in operation or under construction, owned by the parent and subsidiaries;
- the shares held by Endesa Chile in Empresa Eléctrica Pehuenche S.A., Empresa Eléctrica Pangué S.A., Endesa Argentina S.A., San Isidro S.A., Celta S.A. and Compañía Eléctrica Conosur S.A., meaning maintaining a holding of at least 50.1% of the subscribed and paid shares of those companies.

An extraordinary shareholders' meeting should also approve the granting of security or guarantees to cover third-party obligations, except when such obligations are assumed by subsidiaries, in which case the approval of the board shall be sufficient.



Maule Sluice

OPERATING SUMMARY OF ENDESA CHILE AND SUBSIDIARIES



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The principal activities of Endesa Chile and subsidiaries are related to the generation and sale of electricity and also the sale of consultancy and engineering services of all kinds. Endesa Chile and subsidiaries operate 50 plants in four Latin American countries, with a total installed capacity of 12,720 MW.

In Argentina, through Endesa Costanera and Hidroeléctrica El Chocón, it operates a total of 3,644 MW capacity which represents 15% of the total on the Argentine electricity grid.

Endesa Chile is the principal electricity generator in Chile and one of the country's largest companies. It operates a total of 4,779 MW of capacity, representing 37% of the country's installed capacity. 72.2% of the installed capacity of Endesa Chile and its subsidiaries is hydroelectric, 27.4% is thermal and 0.4% wind generated. Endesa Chile participates in the Central Electricity Grid (SIC), Chile's main interconnected system covering some 93% of the population. The Company and its Chilean subsidiaries have an installed capacity of 4,597 MW on this grid, representing approximately 49% of the SIC. The Company also participates in the Northern Electricity Grid

(SING) through its subsidiary Celta and indirectly through Gasoducto Atacama Chile and GasAtacama Generación, supplying various mining companies. The installed capacity of Celta on the SING is 182 MW, representing 5% of the grid. With the inclusion of GasAtacama Generación, in which Endesa Chile has a 50% holding, the installed capacity on the SING is 27%.

In Colombia, through Emgesa, it operates a total of 2,829 MW of capacity, representing 21% of Colombia's installed capacity.

In Peru, through Edegel, it operates a total of 1,468 MW of capacity, representing 28% of the Peruvian grid.

Endesa Chile participates in the Brazilian market through its related company Endesa Brasil, jointly with Enersis and the Spanish parent Endesa, S.A. Endesa Chile has a 37.65% shareholding in Endesa Brasil. Endesa Brasil has 987 MW of installed capacity through Cachoeira Dourada and Endesa Fortaleza, plus two transmission lines with a total installed capacity of 2,100 MW, through CIEN. Endesa Chile operates the generating assets of Endesa Brasil.

01. INSTALLED CAPACITY, GENERATION AND ENERGY SALES OF ENDESA CHILE AND SUBSIDIARIES

INSTALLED CAPACITY (MW) (1)	2006	2007
Argentina	3,638.69	3,644.09
Chile	4,476.73	4,779.17
Colombia	2,778.70	2,828.70
Peru	1,425.50	1,468.00
TOTAL	12,319.62	12,719.96

ELECTRICITY GENERATION (GWh) (2)	2006	2007
Argentina	13,750	12,117
Chile	19,973	18,773
Colombia	12,564	11,942
Peru	6,662	7,654
TOTAL	52,949	50,486

ELECTRICITY SALES (GWh)	2006	2007
Argentina	13,926	12,406
Chile	20,923	19,212
Colombia	15,327	15,613
Peru	6,766	7,994
TOTAL	56,942	55,225

(1) Capacities certified by Bureau Veritas. These figures represent the maximum capacities determined by the operating regulation of Endesa Chile, No.38 "Regulation for Defining the Maximum Capacity of Hydroelectric and Thermal Plants of Endesa Chile". They relate to the maximum design capacity of the generating units, mostly corroborated by contractual guarantee satisfaction tests made by the supplier of the equipment. In some cases, the maximum capacity certified may differ from the capacity declared to the regulatory authorities and customers in each country, as a result of the criteria defined by those authorities and to meet the corresponding contractual standards.

(2) Relates to total generation after deducting own consumption.

02. DESCRIPTION OF THE INDUSTRY SECTOR

Endesa Chile and its subsidiaries take part in the generation and sale of electricity in four countries, each of which has a regulatory framework, energy matrices, a number of participants in the sector, growth patterns and different consumption levels. The following is a summary of the principal laws that regulate the business, the size of the market and the principal players, for each country in which the Company operates.

ARGENTINA

Law 24,065 of January 1992, the Argentine Electricity Law, divides the electricity industry into three sectors: generation, transmission and distribution. The generation sector is organized on the basis of independent producers which compete in selling their production on the Wholesale Electricity Market (MEM) or under private contracts with other parties. The transmission sector is made up of companies that transmit the electricity from the points of generation to those of the consumers on the basis of a free-access system. The distribution companies can buy electricity under contracts or on the MEM.

The Argentine dispatch system includes Compañía Administradora del Mercado Mayorista Eléctrico, Cammesa, an entity responsible for the dispatch which coordinates the most economic operation of the system. The National Electricity Regulating Entity (ENRE) is responsible for controlling and checking compliance with the regulations by the sector. The Secretary of Energy (SE) is the entity responsible for setting policies, rules and procedures governing the energy sector, especially electricity.

Generating companies sell their energy to distribution companies and other large customers through the wholesale market under contracts. There are three kinds of price: contractual, seasonal and spot. Contractual prices are freely agreed between the parties. Seasonal prices are calculated by Cammesa every six months and sanctioned by the Secretary of Energy, and are those that distribution companies should pay when buying in the wholesale market. Finally, the spot price is used to price transactions between generators for supplying their generation surpluses or deficits to cover their contractual commitments.



El Chocón

Apart from the remuneration for sales of energy, generating companies receive a payment for power based on the capacity made available to the system at certain hours of the day and the base capacity calculated by Cammesa for each annual period (May-April).

As of December 2007, installed capacity of the MEM amounted to 24,406 MW, of which 41.6% was hydroelectric capacity. The peak demand in 2007 was 18,345 MW and annual consumption reached 102,950 GWh. Demand growth on the MEM was 5.2%.

Endesa Chile, through its subsidiaries Endesa Costanera S.A. and Hidroeléctrica El Chocón S.A., is one of the principal operators in generation in Argentina, with 14.9% of total installed capacity on the MEM and 2.3% in terms of energy sales in 2007. In addition, Endesa Chile, through its subsidiaries Endesa Costanera S.A. and Hidroeléctrica El Chocón S.A., have holdings of 5.3% and 18.2% respectively in companies responsible for the construction of two new combined-cycle plants, coordinated by FONINVEMEM.

Other important operators in this market are AES, Pluspetrol, Pérez Companc and TotalFinaElf.

Electricity Market

In accordance with Resolution S.E. 564/2007, the private-sector creditors of the MEM were called to a meeting in June 2007 to formally indicate their decision to participate in the investment fund necessary for increasing electricity supplies on the wholesale market (FONINVEMEM) through the contribution of 50% during 2007 of the total sales settlements with maturities to be defined, representing the balances of clause 4 c) of Resolution S.E. 406/2003.

CAMMESA continued to provide liquid fuels to the MEM thermal plants in order to compensate the gas-supply restrictions that significantly affected users last winter.

It is believed that there will have to be periods of temporary restrictions to demand, mainly during the coldest months (May to August) and the hottest months (December and January) until the new FONINVEMEM projects start up (in open cycle in early 2008 and in combined cycle in mid 2009).

In this scenario, a large number of industries have contracted their supplies under the firm-support scheme, in accordance with Resolution S.E. 1281/2006, in order to maintain supplies during such periods. This has also created a new market, in which industrial-plant expansions, as established in this resolution, need to contract supplies. These projects are known as Energy Plus.

In order to promote and facilitate the installation of new generation projects in the short term, the secretary of energy has published a series of regulations on the matter. Clause 8 of Resolution MEYP 728/2004 states that those infrastructure projects defined as critical for the country's economy shall have special treatment, including those for electricity generation, transmission and distribution. Resolutions S.E. 1215/2007, 1359/07, 2017/07 and 2018/07 define the new works presented as Critical Infrastructure Works.

The gas market

Regarding gas supplies to the Group's plants in Argentina, it is important to point out that following the coming into force of Resolution S.E. 599/2007 in June, which ratified the proposed agreement between the natural-gas producers and the government for meeting Argentine domestic demand during the period 2007-2011, negotiations began with different suppliers to contract supplies for Central Costanera, resulting in monthly supply agreements.

On the other hand, to meet the projected growth in internal demand for the next few years, the Argentine government is persisting with a series of measures for

increasing the domestic availability of natural gas, including promoting an increase in domestic production, motivating new investment in exploration and production, promoting expansion in transportation and distribution, and signing agreements for imports of natural gas.

With respect to this last measure, the governments of Bolivia and Argentina in October 2006 signed a natural gas supply contract between YPF and ENARSA, to expire in 2026. This contemplates small volumes in the first years, of around 7.7 MMm³/d which is compatible with the present transport infrastructure. During 2007, Bolivia experienced difficulties in supplying Argentina while Brazil increased its contracted demand. For the subsequent years, the contract between Bolivia and Argentina contemplates larger volumes that reach 27.7 MMm³/d in 2010.

CHILE

The electricity sector in Chile is regulated by the General Electricity Services Law contained in Ministry of Mining Decree Law No.1 of 1982 and its corresponding regulations contained in Decree 327 of 1998. Three government entities are responsible for the application and compliance with the law: the National Energy Commission (CNE) has the authority to propose the regulated tariffs (node prices) and to prepare indicative plans for the construction of new generating units; the Superintendency of Electricity and Fuels (SEC) regulates and checks compliance with the laws, regulations and technical standards for electricity generation, transmission and distribution, liquid fuels and gas; and lastly, the Ministry of the Economy revises and approves the tariffs proposed by the CNE and regulates the granting of concessions to generating, transmission and distribution companies based on a report from the SEC. The law also establishes the creation of a panel of

experts whose prime function is to resolve disputes between electricity companies.

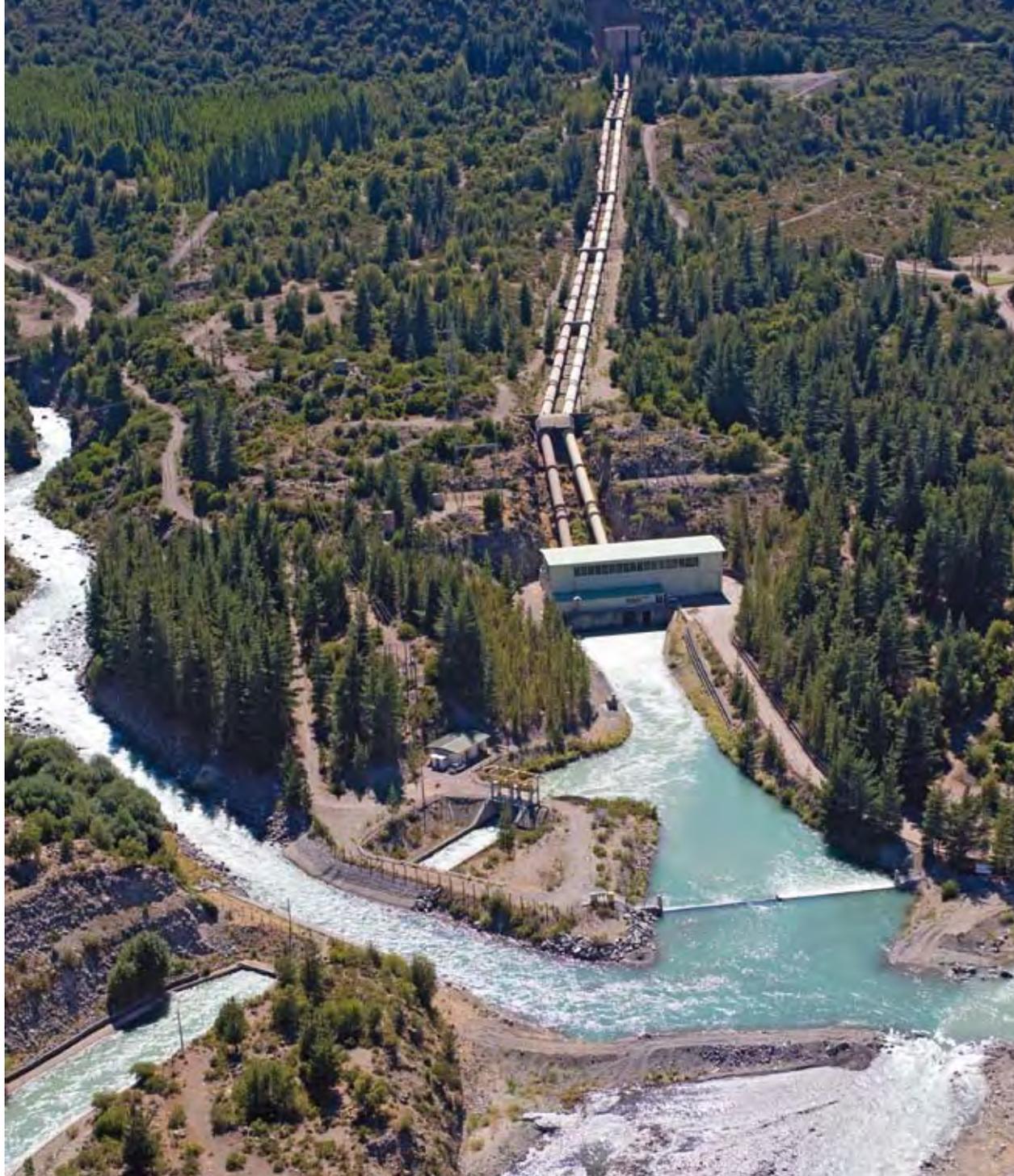
According to the electricity law, companies involved in generation on a grid should coordinate their operations through the Economic Load Dispatch Center (CDEC) in order to operate the system at minimum cost while preserving service safety. The CDEC therefore plans and operates the system, including the calculation of marginal cost, the price at which transfers of energy between generators are valued.

The generating decision of each company is therefore dependent on CDEC's operating plan. Each company in turn can freely take the decision to sell its energy to regulated or non-regulated customers. Any surplus or deficit between their sales to customers and their generation is sold or bought to/from other generators at the marginal cost.

A generating company may have the following kinds of customers:

(i) Regulated customers: relate to residential consumers, offices, small and medium-sized industries with a connected capacity of no more than 2,000 kW and which are located within the concession area of the distribution company. The transfer price between the generating and distribution companies has a maximum value called the node price, this being regulated by the Ministry of the Economy. Node prices are set every six months (April and October) based on a report by the CNE, itself based on projections of expected marginal costs of the system over the following 48 months in the case of the SIC, or 24 months in the case of the SING.

(ii) Non-regulated customers: relate to customers having a connected capacity in excess of 2,000 kW, mainly industrial and mining companies. These can negotiate electricity supply prices freely with generating and/or distribution companies. Customers with capacity



Isla Power Plant

of between 500 and 2.000 KW have the option to contract energy at prices to be agreed with their suppliers or continue being subject to regulated prices.

(iii) Spot market: relates to energy and capacity transactions between generating companies that result from the coordination made by the CDEC for achieving the economic operation of the system and the surpluses/deficits of their production with respect to their commercial commitments. They are transferred via sales/purchases to the other generating members of the CDEC; in the case of energy, at marginal cost, and for capacity, transfers are valued at the corresponding node price fixed semi-annually by the authority.

Payment for the capacity of each generator in Chile is based on a calculation made centrally and annually by the CDEC, from which the firm capacity of each plant is obtained. This value is independent of its dispatch.

During 2005, the so-called Short Law II (No. 20,018) was published which, among other things, defines the obligation of distributor companies to have permanent supplies available to meet all their demand, having to arrange tenders for long-term contracts for this purpose. It also establishes that distributors' drawings of energy subject to regulated prices without a current supply contract shall be at marginal cost and that the difference between this and the node price shall be paid by all of the regulated customers in the system; widens the market price band for calculating the node price to up to 30% and permits generating companies to agree temporary reductions or increases with customers whose consumption is below 500 KW.

The principal regulatory changes made or in process in 2007 were:

a) Supreme Decree 44 was published in January which amends Decree 62/2006 that approves the capacity transfer regulations between generating companies established in the general electricity services law.

b) Resolution No.6 was published in February amending the technical standards, with safety and service quality requirements for the SING and the SIC.

c) In June, Resolution 386 set rules for the proper application of the mechanisms for increasing/reducing consumption between generators and consumers.

d) In September, The "Tokman Law" No.20,220 was published. This seeks to ensure supply safety to regulated customers and the sufficiency of the electricity grids. This new law sets the rules applicable in the event of the bankruptcy of an electricity generating, transmission or distribution company when the sufficiency is compromised or the objectives set out in the electricity law for the operation of interconnected electrical installations. The new law orders the judge to declare the effective continuation of the business of the electricity company when this is considered by the electricity regulatory bodies to be essential for the continuity of the electricity system, and to appoint a provisional administrator of the assets, which should be disposed of as an economic unit within a term of eighteen months from the effective date of the bankruptcy sentence unless the creditors comprising more than one half of the liabilities in the bankruptcy with voting rights request the judge to the contrary. The Tokman Law also states, among other things, that in the event of the termination of an electricity supply contract between a distributor for supplying regulated customers and a generating company be declared by a sentence, the

latter is obliged to continue with the contracted supply for eighteen months from the effective date of the sentence, on the same terms stipulated in it, unless the distributor signs another supply contract before the expiry of that period. If, following these eighteen months, the distributor has not signed a new contract, every one of the generators connected to the respective grid should supply and invoice energy to this distributor at the node price, pro rata to their firm energy, until the effective date of the new supply contract resulting from the respective tender that should be called. Finally, the cost of meeting the supply of the distribution in question for the portion destined to regulated customers, shall be financed by the generators that withdraw energy and included as a new cost of the supply contracts for meeting the whole consumption of the respective grid, without such cost being applicable to regulated customers.

e) Bills are being considered by Congress for promoting the use of non-conventional renewable energies (NCRE) and covering the operation of reservoirs in the event of overflow alerts and emergencies. The first of these, apart from improving the definitions of the different kinds of technologies used by NCRE, seeks to establish that generating companies be obliged to supply 5% of energy between 2010 and 2014 from non-conventional renewable facilities, and then gradually increase this percentage by 0.5% annually until reaching 10% by 2024. The second bill seeks that, in the event of adverse weather conditions, especially torrential rainfalls that might extraordinarily increase river flows, the infrastructure of reservoir operators, whether for hydroelectricity generation or irrigation use, be used as an overflow alleviating device. The bill also sets

out indemnity procedures, which include the reservoir operators, resulting from the application of such mitigation measures.

In order to mitigate the effects of future gas restrictions, the companies British Gas (BG), Endesa Chile, ENAP and Metrogas have formed the company GNL Quintero S.A, whose shareholdings are 40% for BG and 20% for each of the other partners. The purpose of this company is to develop, construct, finance and operate the re-gasification terminal in the town of Quintero in Chile's 5th Region. In May 2007, the necessary commercial contracts were signed (final investment decision – FID) both as partners in this company and as the supplier of liquefied natural gas (LNG) in the case of BG and the buyers of the gas in the cases of Endesa Chile, Enap and Metrogas. The project is currently in its construction stage and its operational start-up dates are June 15, 2009 in its fast-track mode, and June 7, 2010 in its final mode.

From a physical point of view, the Chilean electricity sector is divided into four electricity grids: SIC (Central Grid); SING (Northern Grid); and two minor isolated systems, Aysén and Magallanes.

The SIC, the principal system, is 2,400 km. long, linking Taltal in the north with Quellón, on Chiloé Island, in the south. With a firm installed capacity in 2007 of 9,392 MW, it is mainly hydroelectric based. 55.1% is hydroelectric capacity and the remaining 44.9% thermal and wind generated. Peak demand on the SIC in 2007 was 6,320 MW and sales amounted to 39,982 GWh, representing an increase of 4.5% over 2006.

Endesa Chile, acting directly and through its subsidiaries Pehuenche, Pangué and San Isidro, and since November 2007 through Endesa Eco, is the principal operator on this



La Tinta Power Plant

system, with 48.9% of total installed capacity and 45% of energy sales in 2007. Other important operators in this market are AES Gener and Colbún.

In December, the subsidiary Endesa Eco became the first company to connect a wind-generated energy to the SIC. The wind farm is located in the town of Canela, in Chile's 4th Region, and consists of 11 wind generators which together have an installed capacity of 18 MW.

The SING covers the north of the country, from Arica to Coloso in the south, some 700 km. in all. This grid, with an installed capacity at December 2007 of 3,602 MW, is 99.6% thermal generated. Peak demand on the SING in 2007 was 1,931 MW and energy sales reached 12,674 GWh, representing an increase of 5.4% over the previous year.

Endesa Chile, acting through its subsidiary Celta S.A. and its related company GasAtacama Generación, is an important operator on the SING, with 26.7% of the total installed capacity and 34.3% in terms of energy sales in 2007. Other important operators in this market are Electroandina S.A., Norgener S.A. and Edelnor S.A.

COLOMBIA

Two pieces of legislation regulate the electricity business in Colombia: Law 142 of 1994 sets the regulatory framework for the supply of public residential services including electricity, and Law 143 of 1994 (the Colombian

Electricity Law) establishes a regulatory framework for the generation, commercialization, transmission and distribution of electricity.

The generating sector is organized on a competitive model where generators sell their production on an energy exchange at spot prices or under contracts freely negotiated with other exchange participants and non-regulated customers, which are those with installed capacity of over 100 KW or whose average monthly consumption is more than 55 MWh.

Purchases and sales of electricity may be made between generators, distributors, traders and non-regulated customers. However, the CREG has been working since 2004 on a proposal for modifying the contracting procedures in the Colombian market to an electronic contracts system called Regulated Organized Market (MOR).

Generators receive a charge for capacity where the amount to be remunerated to each plant depends on an individual optimization model related to the real capacity available at each plant since December 1, 2006. The price was initially defined by the authority at U\$ 13.045 per MWh with annual indexation until November 2012. With effect from December 2012, an auction process will start to define both the volume and capacity-load price. The first auction is planned for May 1, 2008.

The National Dispatch Center (CND) receives availability and price offers daily from the generators participating on the exchange. Based on these offers, the CND determines the real dispatch, incorporating the un-warranted generation required for safety reasons and/or limitations on the transmission networks. The surcharges for un-warranted generation are paid by consumers through the trading companies at a price that is independent of the offers made by the plants involved. On the other hand, the Administrator

of the Trading Exchange System (ASIC) makes an ideal economic dispatch of the units and determines the exchange price that is equal to the price offered by the most expensive unit required to supply demand on an hourly basis.

The trading activity established in the regulations allows participants that buy energy on the exchange to resell it to end users. Prices with non-regulated customers are agreed freely between the parties. Trading with regulated customers is subject to maximum charge regulations established by the CREG for each trader. The unit cost of providing the service to the regulated end-user is calculated taking into account the high-tension transmission, distribution, trading and generation charges.

Since 2003, an interconnection has been operating with Ecuador, permitting spot transactions between the two countries through the Jamondino and Panamericana links. In November 2007, the export capacity was increased with the incorporation of the Betania - Altamira 230 kV, Betania - Jamondino 230 kV, Altamira-Mocoa 230 kV and Jamondino - Pomasqui III and IV 230 kV circuits. During 2007, energy exchanges with Ecuador comprised 877 GWh of exported energy and 38 GWh of imported energy.

Installed capacity at December 2007 was 13,406 MW of which 67% corresponds to hydroelectric generation and the rest to thermal and co-generating capacity. Peak demand in 2007 was 9,093 MW and total demand reached 52,851 GWh, 4.0% more than the year before.

Endesa Chile, through its subsidiary Emgesa, had a market share of 21% in terms of installed capacity and 21% in terms of energy sales in 2007. On September 1, 2007, Central Hidroeléctrica Betania S.A. E.S.P. took over all the assets of EMGESA S.A. E.S.P and changed its name to EMGESA S.A. E.S.P.

Other important operators in this market are AES, Unión Fenosa, Empresas Publicas de Medellín and ISAGEN.

PERU

The regulatory framework for the Peruvian electricity industry is fairly similar to the Chilean system. The Ministry of Energy and Mines defines the policies for this sector, preparing projections for the installation of new generating capacity.

The Tariff Regulation Management is the executive arm of Osinerg (Energy and Mining Investment Supervisory Organism), responsible for proposing to its directive council the tariffs for electricity and other energy sources in accordance with the criteria set out in the law.

The System Economic Operation Committee (COES) coordinates and operates the electricity system. Non-regulated customers are those with capacity of over 1,000 kW.

Payment for capacity provides for a variable remuneration dependent on dispatch of 30% of payments, with the remaining 70% being guaranteed.

The term used for calculating the bar price is three years (the last historic year plus two future years) and this calculation is made annually. In 2006, a decree was published for resolving the problem of distributors that are left without supply contracts, obliging generating companies to sell to them at the regulated price.

During 2006, the amendment of the Electricity Concessions Law was approved, including among other aspects, the possibility for distributors to call for tenders for ensuring their supplies, thus resolving the problem of distributors without contracts due to contract expiries occurring during the year.

Five tender processes were carried out in 2007, involving the country's principal distribution companies, in order to secure supplies for the period 2007-2012.

The Peruvian electricity sector comprises the National Electricity Grid (SINAC) and a series of small systems that supply remote rural sectors.

The installed capacity of the SINAC at December 2007 was 5,152 MW of which 54% is hydroelectric. Peak demand in 2007 was 3,966 MW, and gross generation reached 27,254 GWh, representing growth of 10.1% over 2006.

Endesa Chile, through its subsidiary Edegel, had a market share of 28% in 2007 in terms of installed capacity and 32% in terms of energy sales.

Other important operators in this market are Electroperú, Egenor, Enersur and Eepsa.



Huinco Power Plant



RISK FACTORS



Endesa Chile is an electricity generator that provides an essential public-utility service and is subject to regulations and controls in the different aspects of its business.

01. REGULATORY RISKS

The Chilean Electricity Law dates from 1982 and sets the procedures for fixing tariffs and establishes the mechanisms for regulating the sector. A recent amendment of the regulatory framework, allowing the signing of long-term contracts at a fixed price with the regulated market, came into effect in 2006. In 2007, through Supreme Decree 44, regulations were approved for transfers of capacity between generating companies, as established in the general electricity services law, and, in September, law 20,220 was promulgated establishing the rules applicable in the event of the bankruptcy of an electricity generating, transmission or distribution company, applicable should the sufficiency of an electricity grid, or the objectives set out in the electricity law for the operation of interconnected electrical installations, be compromised.

Regarding the other countries where the company operates, there are electricity laws in Argentina that date from 1992, in Peru from 1993, in Colombia from 1994 and in Brazil from 1995. All this legislation regulates the electricity sector of each country and imposes obligatory rules. However, there are interpretations and instructions of the regulatory authority that are adapted to the complexity of the system and that can affect general business conditions.

02. ENVIRONMENTAL FACTORS

In Chile, the sector is subject to environmental regulations requiring environmental impact assessments (EIA) or declarations (EID) to be approved for electricity generation projects for obtaining the environmental permit (environmental qualification resolution) necessary in order to start construction work.

Endesa Chile and its subsidiaries have adapted their projects and operations to the environmental regulations of the different countries where it operates and complies with these, including carrying out environmental investments over and above those required by the applicable environmental standards. As of December 31, 2007, 96.7% of the installed capacity of Endesa Chile and subsidiaries in Latin America was certified under the ISO 14001 international standard for environmental management systems. This translates into a better control and monitoring of aspects susceptible to generating an environmental impact, based on the principle of continuous improvement.

03. HYDROLOGY

A substantial part of the Company's operations are hydroelectric which means that it has a certain dependence on rainfall conditions in the zones and countries where it operates. The Company has designed its commercial policy to reduce the risk related to extremely-dry conditions, with sale commitments in line with the firm energy capacity of its generating plants in a dry year, giving preference to its better contracts and customers, and including contract clauses mitigating the risk in some contracts with non-regulated customers.

04. EXCHANGE RISKS CAN HAVE AN ADVERSE EFFECT ON THE COMPANY'S OPERATING RESULTS AND FINANCIAL POSITION

The Chilean peso and other currencies in which Endesa Chile and its subsidiaries operate have been subject to volatility against the US dollar and may be subject to fluctuations in the future. Historically, a large part of our consolidated debt has been denominated in US dollars and despite a large portion of our revenues being indexed to the dollar, the match may not always be perfect and we could be exposed to fluctuations in our local currencies against the dollar.

05. THE VALUES OF OUR LONG-TERM ENERGY SALES CONTRACTS ARE SUBJECT TO FLUCTUATIONS IN THE MARKET PRICES OF CERTAIN BASIC PRODUCTS

We face an economic exposure with respect to market price fluctuations for certain basic products because of the long-term energy sales contracts we have signed. Our generating subsidiaries have substantial obligations under long-term electricity sales contracts, whose values fluctuate according to the market price for electricity, the level of water in our reservoirs, the market prices of our principal inputs, like natural gas, oil, coal and other energy-related products, plus the dollar exchange rate. It is impossible to introduce indexation formulas that correlate perfectly the changes in the market prices of these commodities and exchange rate with the market price of electricity or our electricity production costs. There may therefore be times when the price we receive under these contracts is below our electricity production or acquisition cost. We do not use commodity derivatives for hedging our exposure to commodity price fluctuations.

06. NATURAL GAS DEFICIT IN ARGENTINA

The natural gas deficit in Argentina could continue to have a negative impact on some of our generating plants in Chile and Argentina, especially those that use Argentine natural gas as an input.

In Argentina, this deficit has produced gas-supply cuts for the combined-cycle plants, forcing them to operate with oil. This causes an increase in operating costs, which although financed by the whole system, end up reducing the margin on our contracts and spot market sales.

In Chile, the Tal Tal plant of Endesa Chile and its subsidiary San Isidro depend on natural gas, for which they have obligatory minimum purchase contracts with their Argentine suppliers. The cuts in gas supplies from Argentina have to be replaced with oil, affecting both the production volume and the operating costs of these plants.

During 2007, the cost of fuels rose by 97% from Ch\$251,476 million to Ch\$494,944 million at the consolidated level, which was partially offset by the appropriate commercial policy which maintains a positive level of customer contracts that give it a reasonable coverage of its commercial margin in critical situations. These contractual commitments have enabled Endesa Chile to sell large energy surpluses on the spot market at attractive prices during 2007 and to increase its sales as a result of the higher node prices.

07. REFINANCING RISK

Endesa Chile has debt which is subject to financial covenants and other standard contractual restrictions, principally related to the ratios of debt to adjusted cash flow, debt to equity and adjusted cash flow to financial expenses. A high percentage of Endesa Chile's current debt also contains cross-default clauses that could be triggered by a default on other loans to the parent or some subsidiaries whose outstanding principal exceeds US\$ 30 million, measured on the unconsolidated balance sheet.

Endesa Chile often needs funds from the international financial markets so a crisis in these, like that which began in mid 2007, could adversely affect it. In this scenario, the demands of creditors could be greater, both in terms of higher prices and in more restrictive loan agreements.

08. STATE INTERVENTION IN LATIN AMERICAN ECONOMIES

On occasions, the state authorities of Latin American countries change their monetary, credit and tariff policies, among others, in order to influence the direction of their economies. Changes made to these policies in the past or that might occur in the future with respect to tariffs, exchange controls, regulations and impositions could have an adverse effect on the commercial activity and operating results of Endesa Chile at the consolidated level.

09. LATIN AMERICAN ECONOMIC ENVIRONMENT

All Endesa Chile's operations are located in Latin America. Today, approximately 56% of its consolidated operating income comes from Chile and the remaining 44% from outside the country. Its results are therefore sensitive to the performance of the Latin American economy as a whole.

OPERATIONS IN ARGENTINA



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01. INSTALLED CAPACITY, ENERGY GENERATION AND SALES

INSTALLED CAPACITY (MW) (1)	2006	2007
ENDESA COSTANERA		
COSTANERA (STEAM TURBINE)	1,138.14	1,138.14
COSTANERA (COMBINED CYCLE)	858.95	858.95
CBA (COMBINED CYCLE)	321.60	327.00
TOTAL	2,318.69	2,324.09
EL CHOCÓN		
EL CHOCÓN (HYDROELECTRIC)	1,200.00	1,200.00
ARROYITO (HYDROELECTRIC)	120.00	120.00
TOTAL	1,320.00	1,320.00
TOTAL ARGENTINA	3,638.69	3,644.09
ELECTRICITY GENERATION (GWh)	2006	2007
ENDESA COSTANERA	8,709	8,421
EL CHOCÓN	5,041	3,696
TOTAL GENERATION IN ARGENTINA	13,750	12,117
ELECTRICITY SALES (GWh)	2006	2007
ENDESA COSTANERA	8,735	8,450
EL CHOCÓN	5,191	3,956
TOTAL SALES IN ARGENTINA	13,926	12,406

(1) Certified by Bureau Veritas according to the operating regulation of Endesa Chile, No.38 "Regulation for Defining the Maximum Capacity of Hydroelectric and Thermal Plants of Endesa Chile".



01. ACTIVITIES AND PROJECTS

ENDESA COSTANERA S.A.

During 2007, demand on the Argentine electricity grid increased by 5.5% over 2006, continuing the growth trend that began in 2003.

To meet this increase in its dispatch, it was necessary to consume 1,385 million m³ of natural gas, 473,657 tons of fuel oil and 161,073 m³ of gas oil. Of the natural gas consumed, 84% related to own supplies and the balance through Cammesa for the steam turbine units. Regarding liquid fuels, the authorities decided to continue with the purchase of fuels by Cammesa on behalf of the state, both from foreign and domestic suppliers. Of the total fuel oil consumed by Endesa Costanera, 61% was supplied by Cammesa. Likewise, of the total gas oil consumed by Endesa Costanera, 63% was supplied by Cammesa.

In operating terms, 2007 was characterized by the important restrictions on natural gas from May to September, higher than those forecasted. These restrictions assumed a high consumption of liquid fuels which led to a reduction

in expected margins. The most relevant aspect was the continuous functioning of both combined-cycle plants with gas oil. Both generating units fulfilled an outstanding role during the winter, supporting the system at its most critical point, above all bearing in mind that liquid fuel was only foreseen for emergency conditions.

With the principal objective of satisfying its operating cash needs, its short-term debt was successfully restructured during 2007, complemented by new loans for maintenance, made with Cammesa.

In regulatory matters, the wholesale electricity market (MEM) continued to be intervened by the authority in the setting of the hourly energy sale price and the payment for that produced by the generators. Due to these measures, the company receives part payment of its monthly credits, the balance being placed in the needed investment fund for increasing the supply of electricity in the MEM (FONINVEMEM). Regarding the monthly credits, there has been no payment of any of the corresponding amounts since April 2007.

As of December 31, 2007, Endesa Costanera's participation in the FONINVEMEM project amounted to 117 million Argentine pesos, representing around 5% of the total contributions to it.

HIDROELÉCTRICA EL CHOCÓN S.A.

There was a shortage of rain in 2007 in the basins feeding the river Limay, partly compensated by a higher accumulated depth of snow than average historic levels, which determined the year to be classified as dry.

Despite sustained imports of electricity from Brazil and the simultaneous restrictions in supplies during the winter applied by the Dispatch Control Entity (OED) to large users, the consistent increase in electricity demand without being properly covered by new supply sources was resolved by that entity by calling on an intensive use of the energy reserves stored in the reservoirs of El Chocón and Piedra del Águila.

Because of the imbalance between the reservoir inflows and the dispatch regime ordered by the OED, the extraordinary operation band (FOE) entered into operation in accordance with the water management rules (NMA) on October 12, by descending to 371.63 m above sea level, which regime was maintained until the end of the year. During this operative state, the company receives instructions from the River Basins Inter-Jurisdictional Authority (AIC) that apportions the use of water between the multiple applications and priorities of this scarce resource.

In 2007, the company continued to focus its commercial actions on ensuring its necessary economic and financial sustainability, concentrating its attention on diversifying the customer portfolio through commercialization in alternative markets to the spot, giving priority to profitable long-term relations with customers of proven commercial strength. As a result, it managed to strengthen its participation in the term-contract market with physical back-up. 2,615 GWh

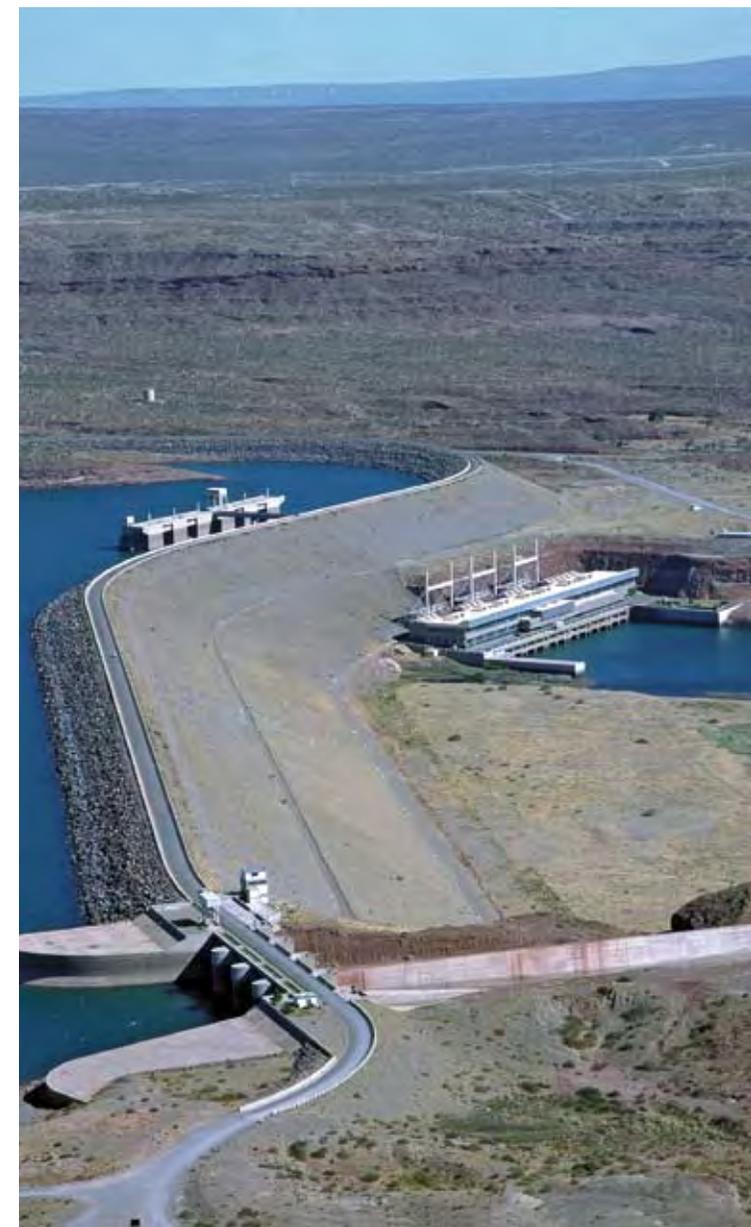
were sold on the spot market during the year, and 1,341 GWh under contracts. For this, it bought 260 GWh in the MEM, obtaining a variable margin of 266 million Argentine pesos.

Notable was the improvement in the corporate credit rating granted by Moody's Latin America Calificadora de Riesgo S.A. in May 2007, of B2 on the global scale (in local currency) and A2.ar on the national scale.

Regarding the company's investment projects, on December 11, the order to proceed was given to the contractor Contreras Hnos. S.A. to start work on raising the water level of the Arroyito reservoir. This should be completed in 10 months and involves an investment of about US\$ 6.2 million. This project is to finally resolve the incapacity of Arroyito to control extraordinary water inflows, as required in the high-water attenuation rules of the concession contract, thus avoiding the risk of a fault with serious damage to people and properties downstream from the dam. It also permits increasing the generation of the hydroelectric plant by an average of around 37 GWh/year.

The company, through the Comahue Area Electricity Generators Group (GEEAC), takes an active part in works needed for increasing the transmission capacity of electricity from Comahue. In August 2006, the Comahue-Buenos Aires transmission line was increased from 4,600 MW to 4,900 MW, providing a greater access of the company to the market. In 2007, complementary work was carried out in the Choele Choele, Bahía Blanca and Olavarría transformer stations. A follow-up was also maintained of the Comahue Cayo 500 kV high-tension lines.

The company's participation in the FONINVEMEM project as of December 31, 2007 amounted to 370 million Argentine pesos, representing around 19.2% of total contributions to it.



OPERATIONS IN BRAZIL



bruno

01. ENDESA BRASIL

Endesa Brasil S.A. was constituted in 2005, receiving the contribution of existing assets in that country owned by Endesa Internacional, Endesa Chile, Enersis and Chilectra. Endesa Chile therefore ceased to consolidate with Cachoeira Dourada, and Enersis began to consolidate Endesa Brasil S.A. by holding a direct and indirect participation of 53.6% in the holding company. In 2006, the International Finance Corporation entered Endesa Brasil S.A. as a new shareholder. Endesa Chile has a 37.65% shareholding in Endesa Brasil S.A.

Endesa Brasil S.A. controls the following companies:

CACHOEIRA DOURADA

This is a pass-through hydroelectric plant that uses the waters of the river Paranaíba to generate electricity. It is located in the State of Goiás, 240 km. south of Goiânia and its declared capacity is 665 MW.

Its energy generation in 2007 was 3,888 GWh and energy sales were 4,643 GWh

FORTALEZA

This is a combined-cycle thermal plant using natural gas and diesel oil. It is located in Caucana, 50 kilometers from the capital of the state of Ceará. Its generating capacity is 322 MW, sufficient to serve a city of around 1.2 million residential and industrial consumers, equivalent to a third of the needs of Ceará.

Energy generation in 2007 was 66 GWh and energy sales were 2,721 GWh.

CIEN

Cien provides for Mercosur exports and enables the export and import of electricity between Argentina and Brazil. It has two transmission lines with a total installed capacity of 2,100 MW. They cover a distance of approximately 500 km, from Rincón Santa María in Argentina to Itá in the state of Santa Catarina in Brazil.

Energy sales during 2007 were 6,232 GWh.

AMPLA

Ampla is an electricity distribution company that covers 73.3% of the state of Rio de Janeiro, an area of 32,054 km². The population of the area is approximately eight million spread over 66 municipalities, the main ones being Niterói, São Gonçalo, Petrópolis, Campos and the coastal area of Los Lagos.

Ampla supplied 8,985 GWh during 2007, representing a 3.7% increase over 2006. Of the total energy sold, 44.7% was to residential customers, 12.1% to industrial customers, 21.7% to commercial customers and 21.5% to others.

Ampla's customers total 2,378,590 of which 89.7% are residential, 7% commercial, 0.2% industrial and 3.1% other sectors.

Energy losses have been reduced from 21.9% in 2006 to 21.4% in 2007.

COELCE

Coelce is the electricity distribution company for the state of Ceará in north-east Brazil and covers a concession zone of 148,825 km². The company serves a population of more than seven million people.

Energy sales amounted to 7,227 GWh in 2007, 6.8% more than in 2006. Of the total sold, 32.1% was to residential customers, 18.4% to commercial, 27.0% to industrial and 22.5% to other customers.

Coelce's customers total 2,688,746 of which 75.8% are residential, 5.5% commercial, 0.2% industrial and 18.6% from other sectors.

Energy losses fell from 13% in 2006 to 12.5% in 2007.



OPERATIONS IN CHILE



BRUNO

Endesa Chile and its Chilean subsidiaries have a generating park comprising twenty-three plants throughout the Central Electricity Grid (SIC) and two plants on the Northern Electricity Grid (SING).

01. GENERATING PLANTS OF ENDESA CHILE AND SUBSIDIARIES

PLANT	COMPANY	TECHNOLOGY	INSTALLED CAPACITY [MW] (1)	
			2006	2007
Los Molles	Endesa Chile	Hydraulic	18.00	18.00
Rapel	Endesa Chile	Hydraulic	377.00	377.00
Sauzal	Endesa Chile	Hydraulic	76.80	76.80
Sauzalito	Endesa Chile	Hydraulic	12.00	12.00
Cipreses	Endesa Chile	Hydraulic	106.00	106.00
Isla	Endesa Chile	Hydraulic	68.00	68.00
Abanico	Endesa Chile	Hydraulic	136.00	136.00
El Toro	Endesa Chile	Hydraulic	450.00	450.00
Antuco	Endesa Chile	Hydraulic	320.00	320.00
Ralco	Endesa Chile	Hydraulic	690.00	690.00
Tal Tal	Endesa Chile	Fuel/Gas	244.90	244.90
Diego de Almagro	Endesa Chile	Fuel/Gas	46.80	46.80
Huasco gas turbine	Endesa Chile	Fuel/Gas	64.23	64.23
Huasco steam	Endesa Chile	Coal	16.00	16.00
Bocamina	Endesa Chile	Coal	128.00	128.00
Palmucho (2)	Endesa Chile	Hydraulic	-	32.00
San Isidro II (3)	Endesa Chile	Fuel/Gas	-	248.29
Pehuenche (1)	Pehuenche	Hydraulic	566.00	570.00
Curillinque	Pehuenche	Hydraulic	89.00	89.00
Loma Alta	Pehuenche	Hydraulic	40.00	40.00
Pangue	Pangue	Hydraulic	467.00	467.00
Tarapacá gas turbine	Celta	Fuel/Gas	24.00	24.00
Tarapacá coal	Celta	Coal	158.00	158.00
San Isidro I	San Isidro	Fuel/Gas	379.00	379.00
Canela (4)	Central Eólica Canela	Wind	-	18.15
TOTAL			4,476.73	4,779.17

(1) Capacities certified by Bureau Veritas. These figures represent the maximum capacities determined by the operating regulation of Endesa Chile, No.38 "Regulation for Defining the Maximum Capacity of Hydroelectric and Thermal Plants of Endesa Chile". They relate to the maximum design capacity of the generating units, mostly corroborated by contractual guarantee satisfaction tests made by the supplier of the equipment. In some cases, the maximum capacity certified may differ from the capacity declared to the regulatory authorities and customers in each country as a function of the criteria defined by these authorities and meeting the corresponding contractual frameworks.

(2) Palmucho began commercial operations on November 28, 2007.

(3) San Isidro II began commercial operations on April 23, 2007.

(4) The Canela wind farm began commercial operations on December 27, 2007.

The generating capacity of Endesa Chile and its Chilean subsidiaries represents 49% of the total installed capacity on the SIC and 5% on the SING (27% if including the installed capacity of the related company GasAtacama).

Energy sales of Endesa Chile and its subsidiaries on the SIC were 18,429 GWh in 2007. This represents a 46% share of total sales on the SIC, including sales to customers and net sales on the spot market. Sales to regulated customers represented 62%, those to non-regulated customers 23% and the remaining 14% were net sales on the spot market.

The energy sales of the subsidiary Celta to its customers on the SING totaled 1,022 GWh in 2007, representing an 8% share of total sales on the SING.

02. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES OF ENDESA CHILE AND CHILEAN SUBSIDIARIES

INSTALLED CAPACITY (MW) (1)	2006	2007
ENDESA CHILE (2)	2,753.73	3,034.02
PEHUENCHE S.A.	695.00	699.00
PANGUE S.A.	467.00	467.00
SAN ISIDRO S.A.	379.00	379.00
CELTA S.A.	182.00	182.00
CENTRAL EÓLICA CANELA S.A. (3)	-	18.15
TOTAL	4,476.73	4,779.17

ELECTRICITY GENERATION (GWh)	2006	2007
ENDESA CHILE	11,642	11,093
PEHUENCHE S.A.	4,346	3,437
PANGUE S.A.	2,432	1,351
SAN ISIDRO S.A.	802	1,956
CELTA S.A.	751	933
CENTRAL EÓLICA CANELA S.A. (3)	-	3
TOTAL	19,973	18,773

ELECTRICITY SALES (GWh)	2006	2007
SALES TO END CUSTOMERS:		
ENDESA CHILE	13,831	14,508
PEHUENCHE S.A.	293	383
PANGUE S.A.	4	-
SAN ISIDRO S.A.	738	871
CELTA S.A.	1,066	1,021
SALES OF ENDESA CHILE & SUBSIDIARIES TO THE CDEC	4,991	2,429
CENTRAL EÓLICA CANELA S.A. (3)	-	-
TOTAL CONSOLIDATED SALES OF ENDESA CHILE	20,923	19,212

(1) Certified by Bureau Veritas in accordance with Endesa Chile Rule 38.

(2) Palmucho and San Isidro II power plants began to operate commercially in 2007.

(3) The Canela wind farm began to operate commercially on December 27, 2007.

03. OPERATIONAL SCENARIO

The year 2007 was tight in terms of electricity supplies because of dry hydrology, which translated into weak flows for the hydroelectric plants on the SIC, and the severe restrictions on natural-gas supplies from Argentina, thus resulting in electricity supplies with high generating costs. The constant increase in demand also contributed to these extra costs.

HYDROLOGY

Hydrology in 2007 was dryer than in previous years, with a probability of surplus of around 74%, when the average probability in 2005 and 2006 was 30%. The hydroelectric supply during the year was not spread evenly. The first quarter benefited from the effects of the favorable hydrology in previous years which provided an adequate level of stored energy and an abundant thaw in that period, with inflows above normal (probability of surplus of 30%). The second and third quarters were the most unfavorable, beginning with the late arrival of rains, followed by moderate rainfalls that led inflows to fall below those of an average year. The last quarter contrasted with the previous ones due to a more favorable thaw following the accumulated snowfalls at intermediate levels, which permitted an increase in snows in this period, closing the year with probability of surplus of 74%, as mentioned above.

ELECTRICITY DEMAND

Electricity demand followed the same trend as the country's economy, thus making it a constantly-growing variable. In the case of the SIC, there was a 4.5% increase in the growth of sales compared to 2006, a factor that gave no pause to the tightness in electricity supplies.

NATURAL GAS RESTRICTIONS

In 2004, the Argentine government began to restrict unilaterally exports of natural gas to Chile. This complicated the country's electricity supply situation which had a high proportion of its installed capacity in combined-cycle plants that operated with this fuel. These restrictions have been increasing year by year, the most serious reduction being during 2007 when supplies were 50% below the average levels of 2005 and 2006. In addition to this severe restriction, whose real availability represented just 21% of the total needed for electricity generation in 2007, there have been other adverse aspects to supplies of this fuel, like the price increase and the imposition of taxes by the Argentine government both on gas exports and its transportation.

CONSEQUENCES ON THE SIC

The increased demand from SIC consumers in 2007, added to the dryer hydrology and the severe restrictions on Argentine natural gas availability, have affected the SIC in the following ways:

1) High Consumption of Liquid Fuels: The lack of natural gas and water implied an operation on the SIC characterized by a high rate of dispatch by the thermal plants operating with liquid fuels, including all the natural-gas combined-cycle plants that use diesel oil as an alternative fuel (dual operation). All this in the context of high and volatile crude prices that prevailed in 2007 which on average exceeded US\$68 per barrel, leading the system's operating costs of generation to rise considerably. In the case of Endesa Chile, oil consumption by its plants in 2007 reached 676 thousand tons, at a total cost of US\$487 million, compared to consumption and costs in 2006 of 47 thousand tons and US\$25 million respectively.

2) Use on the SIC of Energy Stored that had been Accumulated in Previous Years: The abundant energy available in the reservoirs in the first quarter of 2007, following the favorable hydrology in 2005 and 2006, was largely used to meet supply in the following quarters when the hydrology was less favorable. While that water permitted a reliable supply for the SIC in 2007, by the end of the year, the grid had less water reserves for facing the first half of 2008.

3) High Marginal Costs on the Spot Market: The increased level of generation with oil on the SIC clearly meant a considerable increase in energy transfer prices on the spot market. The average hourly marginal cost in 2007 was US\$172.5 per MWh, four times the average in 2006 of US\$44.6 per MWh.

4) Increases in Node Prices: As a consequence of the tight supply situation on the SIC and the resultant high cost of electricity generation, the node price showed

large and growing increases during the year. The average monomic node price in 2007 was US\$81.7 per MWh, 30% higher than that in 2006, which was US\$62.9 per MWh. Despite the significant rises in the node price in 2007, these remained below, on average by 50%, the marginal costs of the spot market.

Believing that natural-gas restrictions will continue in the future, the SIC is expected to face a very tight scenario during the period 2008-2010 in terms of reliability of supply, and it will be very sensitive to the availability of generation inputs and the volatility of the prices of liquid fuels. This situation should be corrected toward the second half of 2010, the estimated time needed for the electricity generation matrix to adjust to the start-up of more-competitive generation technologies in terms of generating costs and environmental sustainability. With the entry in the SIC of the re-gasification plant and the use of LNG in Endesa Chile's plants in the second quarter of 2009, plus the more efficient generation coming on stream from mid 2010, it is foreseen that supply prices will normalize and stabilize.

In this system supply scenario, it is important to point out that Endesa Chile faces the situation with a strong position as it has a balanced production matrix, with a large hydroelectric component, which enables it to have available a low-cost generation mix, together with a commercial policy that maintains a suitable level of customer contracts that provide it with reasonable cover for its commercial margin in critical supply situations, including dry hydrology conditions. The contractual commitments under its commercial policy have enabled Endesa Chile in 2007 to sell large electricity surpluses on the spot market at attractive prices, while obtaining benefits from the positive trend in the node prices, all of which have led to the good operating results obtained.

04. ACTIONS OF ENDESA CHILE IN 2007 IN THE COMMERCIAL AND ELECTRICITY EXPLOITATION AREAS

In order to maintain its leadership in the SIC electricity market and limit the risk related to the tight supply situation in the next few years (2008-2010), the following are the main actions taken by Endesa Chile in 2007:

SHORT-TERM ACTIONS

These actions have had a direct impact on the operating results and the value of the Company in 2007:

1. Start-up of new generation projects in the SIC for a total of 298 MW:
 - The commercial start-up of the 248 MW San Isidro II thermal plant in April, which is operating in its first stage in open cycle with diesel oil.
 - The commercial operation of the 32 MW Palmucho hydroelectric plant was announced in November.
 - The 18 MW Canela plant began its commercial operations in December, the first wind-power plant to be connected to the SIC.
2. An efficient operational management that permitted having the complete availability of its whole generating park, notable being the record generation of the Bocamina I thermal plant and an excellent response to the continuous operation of its oil-fired thermal plants.
3. A wise fuels management for reducing the costs of inputs and ensuring their supply continuously and on time. Within the fuels logistics, important was the start-up in May of the oil pipeline linking Concón and Quillota, so permitting direct supplies from the COPEC

tanks more safely and continuously for its San Isidro I and San Isidro II thermal plants.

MEDIUM-TERM ACTIONS IN THE PROJECTS AREA

In response to the delicate supply situation on the SIC and in order to maintain its production leadership, ensure the availability of energy from own production to back up its sales to market and adapt its generation matrix to the most competitive long-term conditions, Endesa Chile has decided to carry out various generation projects during the period 2008-2010, the main ones being:

- 1) Transformation of Unit 1 of the 120 MW Taltal plant to operate with diesel oil, being in a condition to operate in a dual way (natural gas and diesel) in March 2008.
- 2) Approval of the Bocamina II 350 MW project for 2010.
- 3) Approval of the GNL Quintero re-gasification project for 2009.
- 4) Approval of the Quintero 240 MW thermal plant for 2009.

COMMERCIAL ACTIONS

Endesa Chile signed new supply contracts in 2007 in order to maintain its leadership position in the regulated and non-regulated markets in the medium and long term. These include Compañía Minera del Pacífico S.A., Compañía Siderúrgica Huachipato S.A., Occidental Chemical Chile Ltda., Compañía Explotadoras de Minas S.A., Molycop, Compañía Minera Los Pelambres and Compañía Minera Carmen de Andacollo, which total a capacity of

approximately 450 MW and whose contracts have terms running from 2010 to 2017.

With respect to the tenders for long-term supplies that took place in October 2006, Endesa Chile successfully signed electricity supply contracts with each of the distributors bid for and associated cooperatives: Chilectra, Emel, CGE Distribución, Chilquinta and Saesa, for a total of 6,400 GWh per year and contract terms varying from eleven to fifteen years.

A second tender process with distribution companies took place in the second half of 2007 in which Endesa Chile awarded 100% of its energy offered in this process, of 3,200 GWh per annum, to supply Chilectra from 2011 under two contracts, one for eleven years and the other for fifteen years. The average monomic price of the energy awarded was US\$ 74.3 per MWh at the Alto Jahuel 220 kV node. The companies Chilquinta and CGE Distribución also made bids in this tender.

With both processes tendered, Endesa Chile completes a total of 9,600 GWh per annum contracted with distribution companies over the long term; this represents around 52% of the total awarded.

Regarding contracts with subsidiaries, Endesa Chile continued to buy all the energy from its subsidiaries Compañía Eléctrica San Isidro and Empresa Eléctrica Pangué (which incorporates a block of 1,140 GWh p.a.) and Empresa Eléctrica Pehuenche S.A. (1,950 GWh p.a.) under supply contracts whose amounts are adjusted to their respective commercial policies. In this last case, Endesa Chile and Empresa Eléctrica Pehuenche S.A. signed a new supply contract for the period 2008-2021, adjusted to market conditions.

Endesa Chile also continued in 2007 with its policy of continuous improvement of commercial relations with its customers, carrying out a series of activities to reinforce this relationship. Within the integral customer service framework, the 3rd Seminar with Customers of Endesa and subsidiaries was held and in May a visit was made with customers to the San Isidro plant. In addition, all the customers were visited at their commercial offices or production facilities.

ACTIONS FOR MODERNIZATION OF THE INSTALLATIONS

1. Modernization of generating units in order to comply with the safety and quality of service technical rule.
2. A data-acquisition system was introduced to enable the operation of the Ralco, Pangué and Palmucho plants to be centralized.
3. On-line data delivery system to the CDEC-SIC and CDEC-SING.
4. Start of the National Exploitation Center (CEN) project by which the Company can operate all its hydroelectric facilities in Chile in a centralized way.
5. The sleeves-filter unit came into service in March 2007 at the Bocamina I plant, reducing particle-matter emissions by 99.9%.

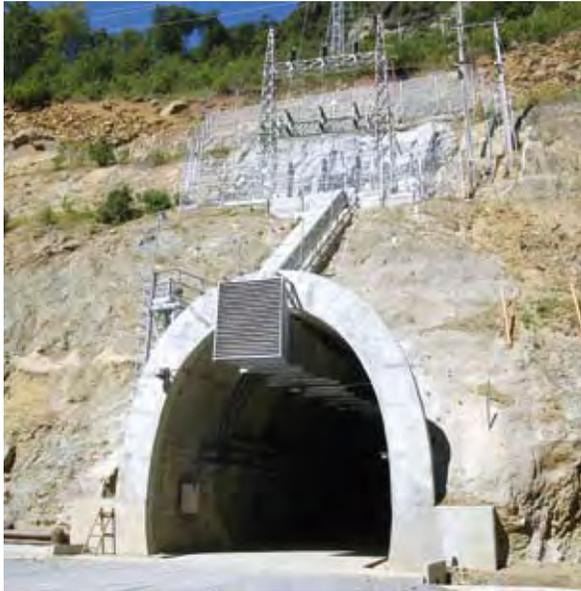


05. PROJECTS CARRIED OUT

EXPANSION OF SAN ISIDRO PLANT

The project consists of the construction and commercial start-up of a combined-cycle unit of 377 MW, located alongside the present unit in the Lo Venecia sector of Quillota in Chile's 5th Region of Valparaíso.

Its commercial operation began on April 23 in open cycle and using diesel oil, achieving a maximum capacity of 248 MW. Its commercial operation in combined cycle was declared on January 21, 2008, with a net capacity of 353 MW.



PALMUCHO HYDROELECTRIC PLANT

The Palmucho hydroelectric plant is a pass-through facility located in a cavern at the bottom of the Ralco plant dam in Chile's 8th Region of Bío Bío. The generation unit uses Ralco's ecological flow of 27.1 m³/s, with a capacity of 32 MW. This plant was declared as commercially operational on November 28, 2007.



06. PROJECTS UNDER CONSTRUCTION

EXPANSION OF BOCAMINA PLANT SECOND UNIT

This project contemplates the construction of a coal-fired thermal plant of 350 MW alongside the present Bocamina plant, using pulverized bituminous coal as fuel. Start-up is planned for 2010.

On June 14, Endesa Chile issued the order to proceed under the turnkey supply contract with the Maire-SES-Tecnimont consortium. On September 14, excavations were begun for the construction of the platform and in December work began on drilling the piles for the platform and also the manufacture of structures for the boiler.

07. PROJECTS BEING TENDERED

QUINTERO THERMAL PLANT

This project contemplates the construction of a thermal plant at Quintero in Chile's 5th Region, with a capacity of 240 MW, functioning in open cycle with diesel oil until the availability of LNG. Start-up is planned for the first half of 2009.

On September 28, the contract was signed for the supply, assembly, testing and start-up of the electro-mechanical equipment of the plant, between Endesa and GE Power. Subsequently, on January 22, 2008, the order to proceed was issued to the company Sigdo-Koppers for the EPC contract covering the civil works and supply and assembly of the auxiliary systems.

08. PROJECTS UNDER STUDY

LOS CÓNDORES HYDROELECTRIC PLANT

The Los Cóndores project makes use of the 800 m. altitude difference between the Maule lake and the confluence of the river Maule with the Las Luces stream to generate close to 150 MW, through a 15 km. mixed conduction (tunnel and pressure canal). The commissioning is planned for 2012.

In June 2007 the environmental impact assessment was submitted and the addendum No.1 was presented in October.

NELTUME-CHOSHUENCO HYDROELECTRIC PLANTS

Neltume is a 470 MW pass-through plant taking advantage of the 400 m. difference in altitude between the lakes Pirehueico and Neltume, with intake on the river Fuy. Choshuenco consists of a 130 MW pass-through plant with mixed supply line (canal and tunnel), which would use the waters of lake Llanquihue between the lakes Neltume and Panguipulli, completing a hydraulic series with the Neltume hydroelectric plant.

The laser topography and exploration soundings contract was awarded in March to complement the project's feasibility studies. The request for the provisional electricity concession was submitted in September.

09. OTHER STUDIES

In December 2006, Endesa Chile ordered the evaluation of a list of 392 potential hydraulic projects of which 56 were believed to be attractive. As a first stage, the Company decided to study 31 projects, among which it is foreseen to build an additional three to five mini-hydroelectric plants for commissioning between 2011 and 2013.

Endesa Chile ordered an engineering study for recommending locations for future wind farms. Following this, wind speeds will be measured and suitable sites chosen for building wind farms to start operating between 2012 and 2015.

10. PROJECTS CARRIED OUT BY ENDESA ECO

CANELA I WIND FARM

The project consists of the installation of 11 wind generators of 1.65 MW each, with a total installed capacity of 18.15 MW, on a 125 hectare site at El Totoral farm in the 4th Region of Coquimbo. The energy is supplied through the Canela substation built facing the wind farm, on the Los Vilos-Pan de Azúcar 2x200 KV line.

The first wind generator was connected to the SIC on November 23 and the farm began its commercial operation on December 27, 2007.





Ojos de Agua and Cipreses Power Plant

11. PROJECTS UNDER CONSTRUCTION OF ENDESA ECO

OJOS DE AGUA MINI-HYDROELECTRIC PLANT

This project, located in the village of San Clemente, Talca province in Chile's 7th Region, consists of three intakes of the waters of the river Cipreses and the Ojos de Agua and Laguna Verde streams, with conduction of the water by canal to the load chamber, river crossing by syphon and entrance into a tunnel to the machine house, for the generation of 9 MW. It will deliver its energy to the SIC through the present Cipreses plant. Start-up is planned for the first half of 2008.

On April 19, the Ojos de Agua mini-hydroelectric plant was presented to the Executive Secretariat of the United Nations Framework Convention on Climate Change, making it the first of Endesa Eco's projects to complete the circuit established in the clean development mechanism (CDM) of the Kyoto Protocol. In December, the assembly was begun of the generation equipment.

12. PROJECTS BEING TENDERED BY ENDESA ECO

CANELA II WIND FARM

This project contemplates the installation of a wind farm with an estimated capacity of 60 MW, located on the south side of the present Canela I wind farm. The tender process was begun in November 2007 for the turnkey supply contract for wind generators and auxiliary equipment. Start-up is foreseen for 2009.

13. PROJECTS UNDER STUDY BY ENDESA ECO

PIRUQUINA HYDROELECTRIC PLANT

The project consists of the construction of a 7.6 MW pass-through mini-hydroelectric plant on the main island of Chiloé. It will use the waters of the river Carihueico, with a flow of 32 m³/s. It is estimated that the start-up will be in 2010.

The project's pre-feasibility study was completed in February and the final feasibility study was then completed in October.

14. PROJECTS OF RELATED COMPANIES

HIDROAYSÉN

Hidro Aysén, a company in which Endesa Chile has a 51% shareholding and Colbún S.A. the remaining 49%, has pressed ahead with the preparation of the environmental impact assessment for the Aysén project, through an international consortium formed by SWECO, POCH Ambiental and EPS. In August 2007, Hidro Aysén submitted the final project to the local authority and community, reflecting the company's efforts to reduce the flooded areas and to leave untouched important and emblematic fishing, tourism, countryside and environmental zones. The total installed capacity of the project will be approximately



2,750 MW, with an investment currently being updated. Hidro Aysén has also continued negotiations with the transmission company, Transelec, for the provision of the transmission construction and service of the continuous-current line to transmit the energy and power from the plants to the SIC. The Tribunal for the Defense of Free Competition approved the form of constitution of the project's execution company, thus being a step forward in the project's preparation.

GNL CHILE S.A.

Within its strategy for ensuring reliable and diversified energy sources, the Company is actively participating in the government-inspired initiative for increasing the diversification of the country's energy matrix through the liquefied natural gas (LNG) project, with a 20% shareholding in the re-gasification terminal, together with Enap, Metrogas and British Gas, the last-named being the gas supplier. The final decision to invest in this project was approved by the board of Endesa Chile on May 29, 2007. GNL Chile S.A. has begun the engineering work through Chicago Bridge & Iron (CBI) under an engineering, procurement and construction (EPC) contract, plus the on-site works for the installation of the re-gasification plant. This project will require an estimated investment of US\$940 million and will be operating in a fast-track mode in the first half of 2009, and in its final mode in 2010.

OPERATIONS IN COLOMBIA



kruno

01. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES

INSTALLED CAPACITY (MW) (1)	2006	2007
Emgesa (2)		
Guavio (Hydroelectric) (3)	1,163.00	1,213.00
Guaca (Hydroelectric)	324.60	324.60
Paraíso (Hydroelectric)	276.60	276.60
Cartagena (Thermal)	142.00	142.00
Termozipa (Thermal)	235.50	235.50
Charquito (Hydroelectric)	19.50	19.50
Limonar (Hydroelectric)	18.10	18.10
La Tinta (Hydroelectric)	19.50	19.50
Tequendama (Hydroelectric)	19.50	19.50
La Junca (Hydroelectric)	19.50	19.50
Betania (Hydroelectric)	540.90	540.90
TOTAL	2,778.70	2,828.70
ELECTRICITY GENERATION (GWh)	2006	2007
EMGESA	12,564	11,942
TOTAL GENERATION IN COLOMBIA	12,564	11,942
ELECTRICITY SALES (GWh)	2006	2007
EMGESA	15,327	15,613
TOTAL SALES IN COLOMBIA	15,327	15,613

(1) Certified by Bureau Veritas, determined according to the operating regulation of Endesa Chile, No.38 "Regulation for Defining the Maximum Capacity of Hydroelectric and Thermal Plants of Endesa Chile".

(2) On September 1, 2007, the companies Emgesa S.A. E.S.P. and Central Hidroeléctrica de Betania S.A. E.S.P. were merged under the name of Emgesa S.A. E.S.P.

(3) On February 13, 2007, the change of capacity of five units was recognized, with each one increasing from 230 MW to 240 MW.

01. ACTIVITIES AND PROJECTS

With the authorization of the Superintendency of Companies, the merger between Emgesa and Betania was formalized, effective from September, following its approval by the shareholders meetings. The merger brings important synergies for shareholders and establishes a sole and solid platform for carrying out the company's expansion plans.

The credit-rating agency Duff & Phelps de Colombia made an extraordinary revision of Emgesa's bond issue and placement program, which has a global line of up to 700,000 million Colombian pesos, ratifying its rating of AAA.

Emgesa made a placement of 170,000 million Colombian pesos in straight bonds on the Colombian public securities market at a rate of CPI + 5.15% and with maturity in 2017. The amount offered was 2.4 times over-subscribed. The bonds have a term of ten years and the subscription price was 100.027% of the bonds' par value, i.e. this first issue was placed at a yield equivalent to CPI + 5.15%. The proceeds of the bond issue were used to replace financial debt.

The Energy and Gas Regulatory Commission (CREG) granted Emgesa and Betania a higher charge for capacity, resettling the 2006 charge. This was achieved thanks to commercial management based on regulatory and market concepts, and meant US\$2.7 million of additional revenue for the company.

Semana magazine, one of the principal economic news media sold in Colombia, published a special edition of the 100 largest companies in the country. Emgesa was placed in 38th position in sales and 7th in terms of assets and pre-tax earnings before interest, taxes and depreciation and amortization (EBITDA).

The company produced positive results in terms of the removal of vegetation from the Muña reservoir after multiple manual, mechanical and chemical actions were carried out to extract this, following the recommendations of international experts. This has produced a significant reduction in the number of mosquitoes. It is estimated that 550 hectares of the reservoir's 711 hectares contained such vegetation.

Emgesa published its third sustainability report, based on the guidelines set out in the 2006 Guide of the Global Reporting Initiative, an entity that granted the maximum accreditation of A+ to this document, Emgesa being the first Colombian electricity-sector company to earn this rating.

In 2007, Emgesa was elected by the most representative companies in the sector to preside the National Operation Council for the year; this is an entity responsible for agreeing technical aspects for ensuring that the integrated operation of the national electricity grid (SIN) is safe, reliable and economic.

Emgesa has actively entered as a buyer in the wholesale market, a trend that has been increasing over the years, to support its customer contracts. The company in April made its first invitation for offers to cover its firm energy obligations, being one of the first electricity companies to carry out a large-scale firm-energy auction in the Colombian market.

The company in 2007 completed its automation of its Guavio and Betania plants. Reliability in the operation of its production centers was improved with the introduction of this new technology. Notable is the improvement in the supervision of the operation of its generating units, the addition of technological tools in the operation, the storage of information on magnetic tape, etc.

02. EXPANSION OF ZIPA THERMAL PLANT (UNIT 6)

This project contemplates the construction and start-up of a pulverized-coal unit of between 150 and 200 MW capacity at the facilities of the present Termozipa plant located 100 km. from Bogotá. The tender process for the contract was begun in November 2007. Start-up is planned for the second half of 2012, subject to this plant winning the bid for the charge for capacity to be carried out during the second quarter of 2008.

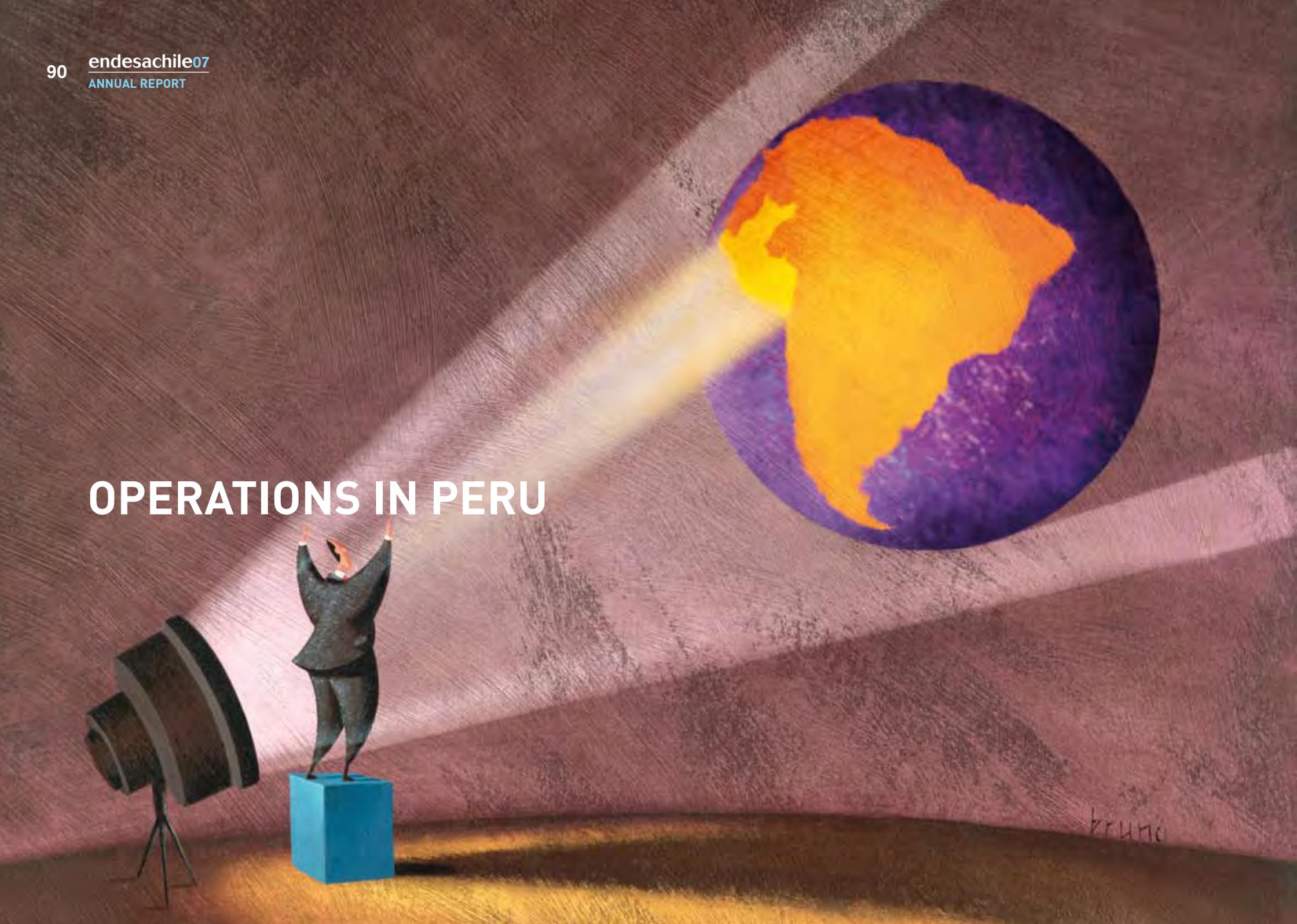
03. PROJECTS UNDER STUDY

QUIMBO HYDROELECTRIC PROJECT

The Quimbo hydroelectric plant, located in the department of Huila, with an installed capacity of 400 MW, will operate with two generating units. The feasibility study and environmental impact assessments were made in 2007 for defining its operating alternatives and socialization workshops with the communities in the area of influence and the local and regional authorities. The national view of the project is very favorable as it will represent reliability for meeting energy demand in Colombia as from 2012. The carrying out of this project will depend on its profitability associated with the auction of the charge for capacity to take place in the second quarter of 2008.



OPERATIONS IN PERU



krung

01. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES

INSTALLED CAPACITY (MW) (1)	2006	2007
EDEGEL		
Huinco (Hydroelectric)	247.34	247.34
Matucana (Hydroelectric)	128.58	128.58
Callahuanca (Hydroelectric) (2)	75.08	80.43
Moyopampa (Hydroelectric)	64.71	64.71
Huampani (Hydroelectric)	30.17	30.17
Yanango (Hydroelectric)	42.61	42.61
Chimay (Hydroelectric)	150.90	150.90
Santa Rosa (Thermal)	229.11	230.52
Ventanilla (Combined Cycle) (3)	457.00	492.74
TOTAL	1,425.50	1,468.00
ELECTRICITY GENERATION (GWh)	2006	2007
EDEGEL	6,662	7,654
TOTAL GENERATION IN PERU	6,662	7,654
ELECTRICITY SALES (GWh)	2006	2007
EDEGEL	6,766	7,994
TOTAL SALES IN PERU	6,766	7,994

(1) Certified by Bureau Veritas, determined according to the operating regulation of Endesa Chile, No.38 "Regulation for Defining the Maximum Capacity of Hydroelectric and Thermal Plants of Endesa Chile".

(2) On February 13, 2007, the Callahuanca plant was repowered.

(3) On October 31, 2007, the regulator approved the plant's maximum capacity with additional fire.

02. ACTIVITIES AND PROJECTS

EDEGEL S.A.A.

Edegel registered its third program of corporate bonds, for an amount of US\$100 million, directed exclusively to accredited investors. As for the two previous programs, this new bonds program obtained a credit rating of AAA.

Under the new program, bonds were issued in 2007 on the domestic market for a total of US\$48 million, in both local currency and dollars, with terms of between four and fifteen years. The proceeds were used to refinance programmed maturities.

With an investment of US\$1.4 million in 2007, Edegel concluded the re-powering of turbines in Groups 1 and 2 of the Moyopampa plant and the turbine of Group 3 was also re-powered. It is expected that the present effective capacity of the plant of 64.71 MW will be increased by 4.5 MW.

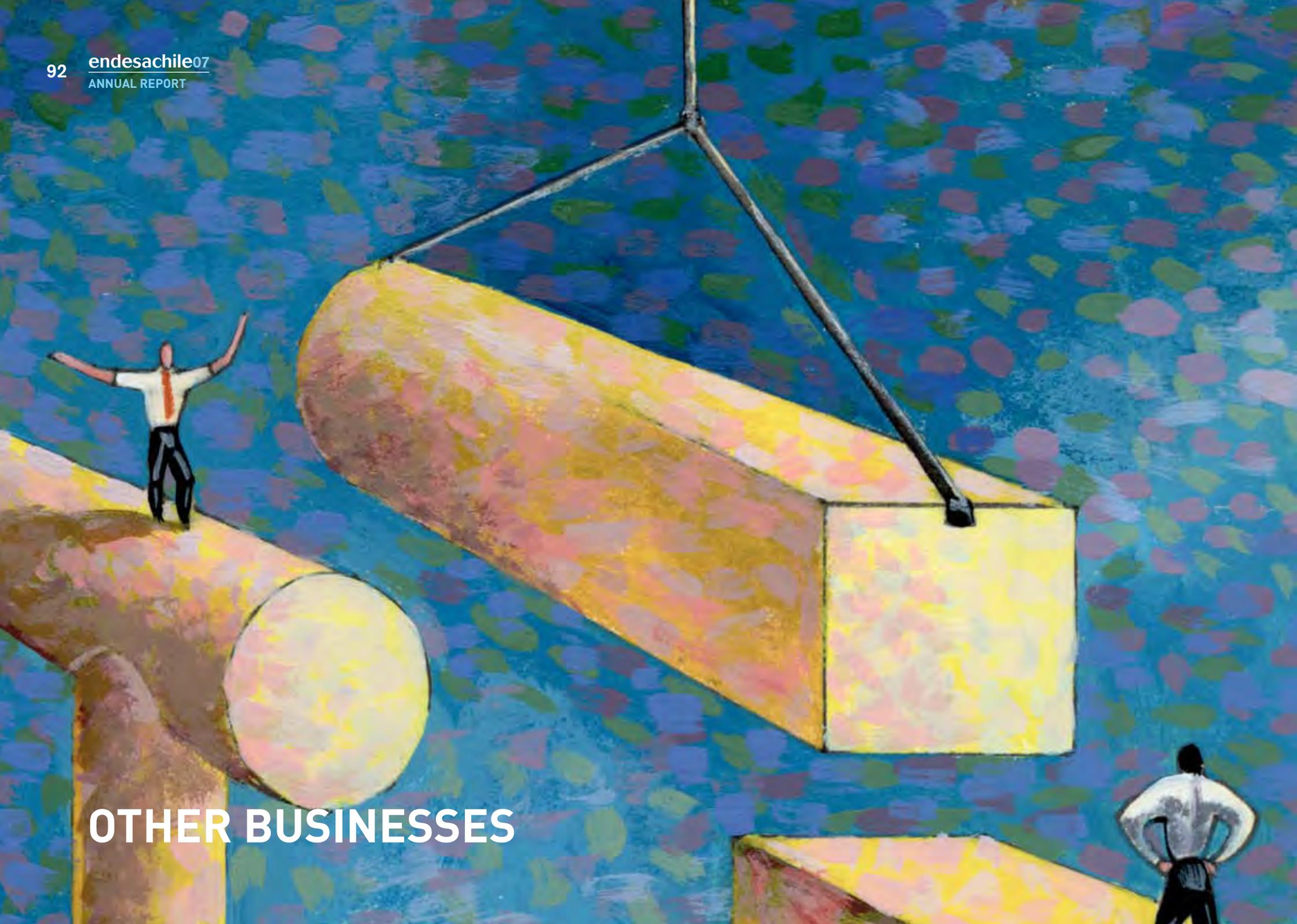
Major maintenance work was carried out in early 2007 on the TG4 unit of the Ventanilla combined-cycle plant on the completion of 25 thousand hours of operation. This required a total investment of US\$10 million.

Major maintenance was also carried out on the Westinghouse turbine of the Santa Rosa plant, at a total cost of US\$8.9 million.

EXPANSION OF SANTA ROSA THERMAL PLANT

This project consists of the expansion of the Santa Rosa thermal plant through the construction and start-up of a gas turbine in open cycle. The new unit will have an approximate capacity of 188 MW and will use Camisea natural gas as its fuel.

In October, the environmental impact assessment was submitted for approval and, in December, the order to proceed was issued under the EPC contract with Siemens. Start-up is planned for June 2009.



OTHER BUSINESSES

01. INGENDESA

Revenues of Ingendesa in 2007 were Ch\$19,762 million, of which 64% came from group companies and 36% from third parties.

Ingendesa took part in large investment projects in Latin America in 2007.

For related companies, Ingendesa provided services like integral engineering, technical management and inspection of supplies, construction, assembly and start-up of the Palmucho and Ojos de Agua hydroelectric plants, the Canela wind farm and the San Isidro II and Bocamina II thermal plants; and worked on the basic design of the Neltume-Choshuenco and Los Cóndores hydroelectric projects; the preliminary and basic design of the hydroelectric plants on the rivers Baker and Pascua; the environmental management of the Ralco plant; the plant modernization project of Endesa Chile, the feasibility study of the Piruquina mini-plant and the preparation of the technical bases and support for the tender for the Quintero thermal plant. For Chilectra, Ingendesa carried out the project for the installation of bank No.2 of the auto-transformer of the El Salto substation, and the calculation of the new cost of replacement of the distribution system and the project of protection adjustments at Chena substation.

Services to unrelated companies included engineering, procurement management and construction management (EPCM) of the El Mauro tailings dam, the management of tunnel construction contracts (Minera Los Pelambres); the design and technical inspection of expansion works at the 500 kV Polpaico substation; basic design of the Maipú line, the detailed design of the civil works of Line 1 East and of section 3 Américo Vesputio-Plaza de Maipú Station, all for the Metro de Santiago; various advisory and support services for Transelec; environmental impact assessment for the Guaiquivilo-Melado hydroelectric plants; technical inspection of reinforcement

works on the Itahue-San Fernando transmission line; advice in contract negotiations and specialized services in the development of strategic projects for Codelco.

Finally, Ingendesa carried out various projects in the international field, notably the preparation of technical bases and support for the tender for a gas turbine for the Santa Rosa thermal plant in Lima, owned by Edegel, Peru; study for the diversion of the river Asana for Minera Quellaveco, and support in the preparation of the Santa Rita project turnkey offer, for Graña y Montero, also in Peru. Likewise, it supervised the overhaul of the Termocartagena plant in Colombia.

02. SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.

During 2007, a total of 1,795,099 vehicles used the El Melón tunnel of which 66.3% were light vehicles, 9% 2-axle buses and 24.7% 3-axle buses and trucks. Over the same period, the traffic using the tunnel-hill-road system numbered 2,977,097 vehicles, implying that 60.3% of these preferred to use the installations of the concession-holding company. Compared with the year before, the vehicle flow using the system and the tunnel showed important increases of 9.4% and 10.8% respectively.

The company's economic and financial position was consolidated favorably, both in terms of its operations and its balance sheet, producing a net income of Ch\$864 million.





Investment Research
ANNUAL REPORT

INVESTMENTS AND FINANCIAL ACTIVITIES

23% - 1/4 4 1/2 23% 23% - 1/4	1.80 9.2 8	445 19% 19 1/2 19% + 1/4	35% 25% Schwab	1.60 1.8	28 2300 32% 31% 32% - 1/4	47 1/2 31% TCF Fnl	TCB	.75 1.7 18	287 45 1/2 44% 44% - 1/4	45 1/2 44% 44% - 1/4	45 1/2 44% 44% - 1/4
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35 + 1/4 35 34 3/4 35 + 1/4	50f 3.1 37	35 34 3/4 35 + 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	354 35% 34 3/4 35 + 1/4	35% 34 3/4 35 + 1/4	35% 34 3/4 35 + 1/4
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57 1/4 + 1 1/4 57 1/4 25 1/4 + 1 1/4	12	57 1/4 25 1/4 + 1 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	661 25 1/4 25 1/4 + 1 1/4	57 1/4 25 1/4 + 1 1/4	57 1/4 25 1/4 + 1 1/4
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33 1/4 + 3/4 33 1/4 32 1/4 33 1/4 + 3/4	2.28 8.7	33 1/4 32 1/4 33 1/4 + 3/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	254 33 1/4 32 1/4 33 1/4 + 3/4	33 1/4 32 1/4 33 1/4 + 3/4	33 1/4 32 1/4 33 1/4 + 3/4
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25 1/2 + 1/2 25 1/2 25 1/2 + 1/2	.15e 9.3	25 1/2 25 1/2 + 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	462 25 1/2 25 25 1/2 + 1/2	25 1/2 25 25 1/2 + 1/2	25 1/2 25 25 1/2 + 1/2
17 1/4 - 1/4 17 1/4 17 1/4 - 1/4	.00p	17 1/4 17 1/4 - 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	239 17 1/4 16 1/4 17 1/4 - 1/4	17 1/4 16 1/4 17 1/4 - 1/4	17 1/4 16 1/4 17 1/4 - 1/4
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20 - 1/4 20% 19 1/2 20 - 1/4	.68f 3.1 15	20 - 1/4 20 - 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	335 20% 19 1/2 20 - 1/4	20% 19 1/2 20 - 1/4	20% 19 1/2 20 - 1/4
27 + 1/2 27 26 1/2 27 + 1/2	.5 1.4 8	27 + 1/2 27 + 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	41 27 26 1/2 27 + 1/2	27 + 1/2 26 1/2 27 + 1/2	27 + 1/2 26 1/2 27 + 1/2
45 1/4 + 1/2 45 1/4 44 1/4 45 1/4 + 1/2	.6 1.1 dd	45 1/4 44 1/4 45 1/4 + 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	160 45 1/4 44 1/4 45 1/4 + 1/2	45 1/4 44 1/4 45 1/4 + 1/2	45 1/4 44 1/4 45 1/4 + 1/2
26% - 1/4 26% 26 1/2 26% - 1/4	.06	26% 26 1/2 26% - 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	5 26% 26 1/2 26% - 1/4	26% 26 1/2 26% - 1/4	26% 26 1/2 26% - 1/4
50% + 1/2 50% 50% 50% + 1/2	.60 4.7 15	50% 50% + 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	164 50% 50% 50% + 1/2	50% 50% 50% + 1/2	50% 50% 50% + 1/2
27 1/4 + 3/4 27 1/4 27 1/4 + 3/4	.06	27 1/4 27 1/4 + 3/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	28 27 1/4 27 1/4 + 3/4	27 1/4 27 1/4 + 3/4	27 1/4 27 1/4 + 3/4
47% - 1/4 47% 47% 47%	.06	47% 47% 47%	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	28 47% 47% 47%	47% 47% 47%	47% 47% 47%
70% + 3/4 70% 70% 70% + 3/4	1.72 3.1 15	70% 70% + 3/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	109 70% 70% 70% + 3/4	70% 70% 70% + 3/4	70% 70% 70% + 3/4
108% + 3 1/2 108% 106 1/4 108% + 3 1/2	3.12 2.8 +	108% 106 1/4 108% + 3 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	109 108% 106 1/4 108% + 3 1/2	108% 106 1/4 108% + 3 1/2	108% 106 1/4 108% + 3 1/2
53% + 1 1/2 53% 52 1/4 53% + 1 1/2	.05p	53% 52 1/4 53% + 1 1/2	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	52 53% 52 1/4 53% + 1 1/2	53% 52 1/4 53% + 1 1/2	53% 52 1/4 53% + 1 1/2
31 - 1/4 31 1/4 31 - 1/4	.05p	31 - 1/4 31 - 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	26 31 1/4 31 - 1/4	31 1/4 31 - 1/4	31 1/4 31 - 1/4
71 1/2 - 1 72 1/4 71 1/2 - 1	.06	71 1/2 71 1/2 - 1	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	47 72 1/4 71 1/4 71 1/2 - 1	72 1/4 71 1/4 71 1/2 - 1	72 1/4 71 1/4 71 1/2 - 1
22% 23 22% 22%	.06	22% 22%	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	58 23 22% 22%	22% 22% 22%	22% 22% 22%
39% + 1/4 39% 39 1/2 39% + 1/4	.06	39% 39 1/2 39% + 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	39 39% 39 1/2 39% + 1/4	39% 39 1/2 39% + 1/4	39% 39 1/2 39% + 1/4
32 1/4 + 1/4 32 1/4 32 1/4 + 1/4	.06	32 1/4 32 1/4 + 1/4	29	18	189 22% 22 1/2 22% + 1/4	8% 6% TCW DW 00	TDT .55 6.7	671 8% 8 1/4 8% + 1/4	39 32% 32 1/4 32 1/4 + 1/4	32 1/4 32 1/4 + 1/4	32 1/4 32 1/4 + 1/

01. INVESTMENTS

During 2007, Endesa Chile and its Chilean and foreign subsidiaries invested a total equivalent to US\$ 499 million, as follows:

COMPANY	INVESTMENT (MILLIONS OF DOLLARS) (1)
ARGENTINA	
Endesa Costanera S.A.	32.26
Hidroeléctrica El Chocón S.A.	2.66
Total Investment in Argentina	34.91
CHILE	
Endesa Chile	262.55
Pehuenche S.A.	0.54
Pangue S.A.	0.57
San Isidro S.A.	12.40
Celta S.A.	3.75
Ingendesa	0.62
Endesa Eco	55.63
Total Investment in Chile	336.07
COLOMBIA	
Emgesa S.A.	32.32
Total Investment in Colombia	32.32
PERU	
Edegel S.A.A.	23.36
Total Investment in Peru	23.36
Total Material Investment in Companies	426.66
Total Financial Investment	72.25
TOTAL INVESTMENT ENDESA CHILE AND SUBSIDIARIES	498.92

(1) The exchange rate of Ch\$ 496,89 per dollar at the end of the year was used.



02. FINANCIAL ACTIVITIES

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS 2007

Endesa Chile's net income in 2007 amounted to Ch\$192,439 million, a decrease of Ch\$11,128 million compared to the Ch\$203,567 million reported the year before. This is explained by an improvement in operating income as a consequence of the start-up of new investments in Chile and higher prices in Chile and Colombia. This improvement was offset by increased operating costs caused by reduced hydrology and gas shortages in Chile and Argentina, and by a lower non operating result mainly related to a Ch\$48,890 million provision because of an investment impairment associated with the affiliate Inversiones GasAtacama Holding Limitada and by the accounting impact of the application of Technical Bulletin 64 with respect to our subsidiary in Colombia.

Operating income as of December 2007 was Ch\$570,830 million, 5.4% higher than Ch\$541,806 million reported in 2006. These results come from the strong improvement of the operating results in Colombia and Chile. However, there were some situations of supply difficulties like the lack of gas, low hydrology and high price of liquid fuels in Chile, regulatory and pricing problems and the shortage of fuels and low hydrology in Argentina, additionally to problems related to the constraint of the transmission line and the maintenance of plants and pipelines in Peru.

Endesa Chile's consolidated EBITDA, or operating income plus depreciation and amortization, was Ch\$765,028 million in 2007, 4.6% higher than the year before. The distribution of EBITDA by country is as follows: 56.4% from Chile, 25.1% from Colombia, 10.3% from Peru and 8.2% from Argentina, excluding the contribution of our investment in Endesa Brasil, this is not included in Endesa Chile's consolidation.

During 2007 Endesa Chile started operations of 298 MW in three new projects comprising a total investment of US\$288 million. The company is committed with additional 900 MW of capacity that will start operating for the period 2008-2010 amounting to US\$930 million of total investment.

The most important events in 2007 were the following:

- Bocamina coal-fired thermal plant broke its generation record in 2007 with a production of 1,009 GWh, without any major impact on its surroundings.

In March the new filter started up operations, which reduces emissions of particle matter by 99%, the plant reaches the latest technology in terms of environmental standards. In July, Endesa Chile and the Maire-SES-Tecnimont Chile consortium signed a contract for the supply, construction and assembly of the second unit of the Bocamina plant, with an estimated investment of US\$625 million, which will provide additional 350 MW to the SIC in 2010 and will be equipped with the most modern emission-reduction technologies.

- Endesa Chile's 248 MW power plant, San Isidro II, started commercially operating on open cycle on April 23 using diesel and on January 21, 2008, it started to operate on a combined cycle, increasing its capacity to 353 MW using diesel. It will then have a capacity of 377 MW in combined cycle using LNG, expected for 2009.

- On September 28, the board of Endesa Chile approved the construction of the Quintero 240 MW thermal plant which will initially use oil and then gas once LNG becomes available. The construction contract was signed with General Electric and its commissioning is expected in early 2009. This demonstrates the Company's commitment to make investments that contribute to alleviate supply problems as a consequence of the lack of gas supply and dry hydrology.

- On November 28, Endesa Chile's new hydroelectric plant, Palmucho, started its commercial operation. It is located at the bottom of Ralco's dam on the upper Bío Bío River, contributing with 32 MW of installed capacity to the Central Electricity Grid. This plant uses Ralco's ecological water flow, which is a renewable and clean resource.

- On December 27, Endesa started up the operations of the Canela wind farm being the first wind farm on the Central Electricity Grid. This farm supplies 18.15 MW to the SIC, and is the first subsidiary of Endesa Eco in the development of non-conventional renewable energies, it consists of 11 wind generators of 1.65 MW each. It is estimated that the plant's energy generation will avoid 25,251 tons of carbon dioxide emission into the atmosphere per year.

- On September 1, the Colombian companies Emgesa S.A. E.S.P. and Central Hidroeléctrica Betania S.A. E.S.P. completed the merger into the latter, which then changed its name to Emgesa S.A. E.S.P. As a result, Endesa Chile's direct and indirect shareholding in the merged company, Emgesa S.A.

E.S.P. reached to 26.87%. This new corporate structure offers important advantages for the management of Colombian transactions strengthening Emgesa financially to face the next challenges at the Colombian market.

- On July 3, Standard & Poor's improved its credit rating for Endesa Chile to from BBB- to BBB stable. Also in the same month, the rating agencies Feller Rate and Fitch improved the domestic ratings for Endesa Chile from A+ to AA- stable, demonstrating the company's operational and financial strengthening.

- Endesa Chile obtained numerous prizes in 2007 for performance, notably the distinction in February by IR Global Ranking for having the best corporate governance practices, being the best evaluated of Chilean companies and third at the regional level. Endesa Chile also won first place in Chile in the ranking of companies committed to sustainability, corporate governance, ethics, transparency and social responsibility, prepared by the research firm Management & Excellence S.A. (M&E) and the prestigious magazine Latin Finance. It won an outstanding position in the CSR Ranking 2007 organized by the Fundación PROhumana jointly with Capital magazine. In September, Endesa Chile was awarded the prize for the best sustainability report 2007 by Acción RSE, at an event organized by El Mercurio newspaper in which 23 companies took part. For the second consecutive year, Endesa Chile won the Social Responsibility, Business and Technological Innovation prize of the International Committee of Large Electrical Networks, Cigré, and this time for its commitment to sustainability. Additionally, Endesa Chile became one of the best companies in the sector according to the voluntary evaluation related to the Dow Jones Sustainability Indexes.

Consolidated revenues in 2007 were Ch\$1,726,964 million, 20.3% more than in 2006. Higher average sales prices in Chile, Colombia and Argentina, plus increased physical sales in Peru, explain these improved sales volumes.

In 2007 consolidated operating expenses reached Ch\$1,119,053 million, an increase of 31.4% compared to 2006. Thermal generation using more liquid fuels in Chile and Argentina largely account for this increase. Selling, General and Administrative expenses for their part fell by 12.3% to Ch\$37,081 million in 2007, mainly as a result of lower costs for professional services, financial consultancy, and outsourced services in Peru following the merger with Etevensa.

Consolidated electricity generation was 50,486 GWh in 2007 compared to 52,949 GWh in 2006, a decrease of 4.7%, principally as a consequence of the lack of gas supply and the low hydrology at the different markets.

Non-operating result for 2007 was a negative Ch\$207,485 million, compared to a negative Ch\$133,395 million in 2006, adversely affecting the Company's comparable net income for the year. This is mainly explained by the Ch\$23,888 million conversion adjustment required under Technical Bulletin No.64 with respect to our foreign subsidiaries and the Ch\$48,890 million provision due to the investment impairment associated with the affiliate Inversiones GasAtacama Holding Limitada. The following are the main changes in the non-operating result:

Net other non-operating income and expenses produced a lower result of Ch\$52,728 million in 2007, basically due to: Ch\$23,888 million of reduced income from the conversion adjustment, required under Technical Bulletin No.64 of the Chilean Institute of Accountants, with respect to our foreign subsidiaries, principally Colombia and Peru; Ch\$10,840 million of increased provisions for tax on the equity of the Colombian subsidiaries; Ch\$6,419 million reduced indemnities and commissions received and others; and Ch\$11,762 million of less reversals of provisions for contingencies and litigation in previous years and a higher provision for contingencies in Chile.

It should be mentioned that the result of the conversion adjustment in accordance with Technical Bulletin 64 of our Colombian subsidiary is mainly due to the appreciation of the Colombian peso against the US dollar, by 11.1%, which adversely affected Colombian liabilities in local currency on being translated into dollars, and then to Chilean pesos for consolidation purposes. This accounting adjustment has no effect on the company's cash flows.

Price-level restatements and exchange differences showed a net positive change of Ch\$19,994 million in 2007 compared to 2006, from a gain of Ch\$5,472 million in 2006 to one of Ch\$25,466 million in 2007. This is mainly explained by exchange rate fluctuations between both years. During 2007, the Chilean peso appreciated against the dollar by 7.1%, compared to a depreciation of 3.7% in 2006.

Net result of investments in related companies declined by Ch\$55,932 million in 2007 compared to 2006, basically explained by the Ch\$10,208 million loss of Inversiones GasAtacama Holding Limitada and the Ch\$48,890 million

provision due to the investment impairment as a consequence of the lack of gas supply from Argentina and the effect of the negative sentence arising from the arbitrage between GasAtacama and the distribution company, Emel. The latter is partially offset by an improved result of Ch\$4,046 million by the affiliate Endesa Brasil S.A.

Consolidated financial expenses declined by Ch\$7,112 million in 2007, from Ch\$184,641 million in 2006 to Ch\$177,529 million in 2007, a decrease of 3.9%, deriving from higher capitalized financial expenses, a lower average interest rate and a reduced exchange rate. On the other hand, higher average cash balances, mainly in Colombia, and higher interest rates in Chile and Argentina increased financial income by Ch\$7,360 million in 2007, from Ch\$15,915 million in 2006 to Ch\$23,275 million in 2007.

Income tax and deferred taxes decreased by Ch\$27,127 million in 2007 compared to 2006. Consolidated accumulated income tax amounted to Ch\$113,413 million in 2007, comprising a charge for income tax of Ch\$80,005 million and Ch\$33,408 million of deferred taxes. Accumulated income tax was Ch\$26,766 million lower than in 2006, related to a reduced taxable income, mainly in Endesa Chile and Emgesa in Colombia. Deferred tax showed a fall of Ch\$361 million in 2007 with respect to 2006.

The following is an analysis of the business by country:

In Argentina, operating income as of December 2007 amounted to Ch\$25,693 million, compared to Ch\$37,807 million in the previous year, a fall of 32%. This weaker result is explained by the 11.3% higher operational expenses. On the other hand, sales increased by 4.8% as a result of higher average sale prices. Operating income of Endesa Costanera declined from Ch\$5,255 million to Ch\$388 million, reflecting an increase in the consumption and cost of fuels and higher maintenance costs which exceeded the 12.1% increase in energy sales. Operating income of Hidroeléctrica El Chocón declined from Ch\$32,552 million at December 2006 to Ch\$25,305 million in 2007, with a 15.9% fall in operating revenues due to reduced hydrology in the Comahue region.

In Chile, operating income was Ch\$337,639 million for 2007, an 8.0% increase over the Ch\$312,594 million produced in 2006, mainly the result of higher energy sale prices. Energy sales volume declined by 8.2% over the same period, explained by 23.1% reduced hydroelectric generation and a 98% increase in thermal production to allow reservoir levels to be sufficient to ensure supplies

under its contracts, considering that hydrology in 2007 has been dryer than normal. However, operating expenses increased by 65.3%, including Ch\$223,259 million of higher fuel costs because of increased thermal generation at high production costs.

Operating income in Colombia was Ch\$160,271 million in 2007, Ch\$29,964 million more than in 2006. This improvement is mainly explained by the 6.2% rise in average sale prices because of reduced hydrology which included greater revenues for reliability and a 1.9% increase in physical sales. The operating expenses declined by Ch\$6,062 million (3.8%) mainly as a result of the reduced costs of energy and power purchases of resulting from trading operations.

The Peruvian subsidiary of Endesa Chile, Edegel, accounted operating income of Ch\$46,153 million in 2007, a decrease of 22.6% from the Ch\$59,645 million in 2006. Energy sales fell by 7.3% and the operating expenses rose by 3.8%. The sales reduction is due to a 21.6% fall in average energy sale prices as a result of better hydrology and a reduction in the regulated price due to indexation to the exchange rate and the lower cost of fuels in Peru, even though physical energy sales rose by 18.1%. Higher physical energy sales are a result of the growing demand and higher costs are related to larger energy purchases at higher prices due to transmission line congestion problems. Even though thermal generation increased, the reduction of fuel costs is the result of the start-up of the combined cycle in Ventanilla power plant in November 2006, becoming more efficient.

CREDIT RATINGS

Endesa Chile's current external debt credit rating is Baa3 with stable outlook, according to Moody's, BBB with stable outlook by Fitch and Standard & Poor's. The domestic bonds of Endesa Chile are rated at AA- by Fitch Chile and AA- with positive outlook by Feller Rate.

As a result of the improvement in operations, mainly in Chile, plus the production of satisfactory debt service ratios and very good liquidity and financial flexibility, Standard & Poor's in July 2007 raised its credit rating for Endesa Chile's foreign debt from BBB- with stable outlook to BBB with stable outlook. In July 2007, Fitch Chile raised its local credit rating from A+ to AA-, and Feller Rate raised its rating from A+ with positive Outlook to AA- with stable outlook.

INSURANCE

Operational

In June 2007, Endesa Chile and subsidiaries renewed the terms of their All Risks and Civil Liability regional insurance program, exercising an automatic three-year extension clause for this cover with the present insurers. These policies therefore are now renewed to June 2008.

The characteristics of the current insurance cover for the subsidiaries of Endesa Chile in Argentina, Chile, Colombia and Peru, and for the related companies in Brazil, are the following:

- All-Risks Physical Assets and Interruption of Business limited to US\$ 200 million for protecting the generating plants and principal transformer substations against the risks of earthquake, avalanche, fire, explosion and flooding.
- Machinery breakdowns and loss of earnings up to US\$ 200 million to protect the principal plant production equipment and substations against the risks of operating faults, short circuits, breakage of pieces, material fatigue and mechanical failures in general.
- Extracontractual Civil Liability up to US\$ 150 million covering the Company against physical damages that its business causes to third parties and for which it is obliged to pay an indemnity.

Effective January 1, 2007, insurance cover for terrorist acts and political risks was contracted for a term of one year, for up to US\$80 million.

The Group companies also have maritime, air and land transport insurance for the movement of machinery, equipment and supplies, life and personal accident cover for personnel traveling and for those risks that the law requires to be covered.

Works Insurance

Endesa Chile has current insurance cover for construction and start-up delays for all its works (currently Palmucho, San Isidro II, Canela, Ojos de Agua and Bocamina II). This cover was contracted following a private tender process to which the world's principal insurers were invited to participate.

The insurance cover established for all these projects contemplates All Risks

Construction and Assembly, Transport, Civil Liability and Start-Up Delays with limits and deductions in accordance with the Company's risks policy.

REFINANCINGS DURING 2007

Notable among Endesa Chile financial activities in Chile in 2007 was the redemption in advance of the whole Series G domestic bond issue on April 16, totaling UF 4 million (some US\$139 million) and whose original maturity was in October 2010, with a coupon of 4.8%. To finance this transaction, Endesa Chile issued K Series bonds on April 19 for an amount of UF 4 million for a term of 20 years, with a bullet repayment and a nominal interest rate of 3.8%. The placement yield was 3.78%.

Endesa Chile made drawings of US\$116 million in 2007 under its revolving credit facilities and made prepayments of US\$81 million. The Company thus has US\$216 million drawn out of total available of US\$650 million.

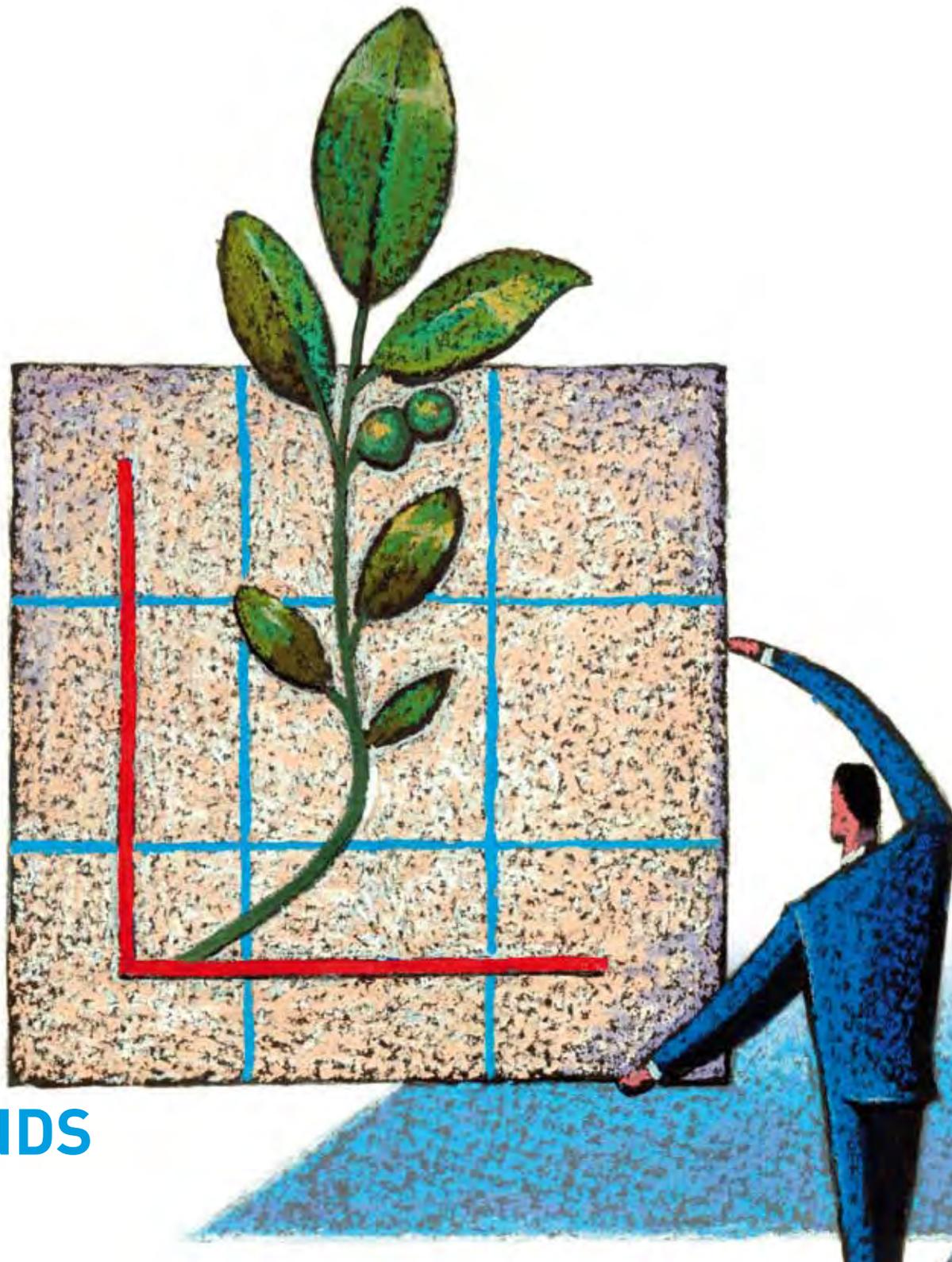
Regarding the financial activities of Endesa Chile's foreign subsidiaries, a series of operations were completed in 2007 to refinance short-term loans and increase the average life of the debt.

The most active foreign subsidiary in terms of debt issues during 2007 was Edegel in Peru, which accumulated nine issues in the year for a total of some US\$70 million, with interest rates fluctuating between 5.9% and 6.75% and with maturities up to 15 years. The proceeds have been used to refinance programmed maturities.

In Colombia, on February 20, 2007, Emgesa issued a domestic bond for around 170,000 million Colombian pesos (some US\$77 million) for a term of 10 years and with an interest rate of CPI plus 5.14% (close to 6.1% in dollar terms). The proceeds were used to repay a bridging loan that had financed bonds maturing in 2006.

In Argentina, Endesa Costanera refinanced maturities for approximately US\$70 million, between short-term bank loans and supplier credits.

At the end of December 2007, Endesa Chile's consolidated financial debt expressed in dollars amounted to US\$4,076 million, 4% higher than at the end of the previous year. The Company's consolidated leverage declined from 74.3% at the end of 2006 to 71.2% in 2007.



DIVIDENDS

01. DIVIDEND POLICY 2008

1. GENERAL

In accordance with the provisions of Circular 687 of February 13, 1987 of the Superintendency of Securities and Insurance, the board's dividend policy is set out for shareholders.

2. DIVIDEND POLICY

The board intends to propose to the shareholders' meeting the distribution of a final dividend of an amount equivalent to 60% of the net income for the year 2008.

The board intends to distribute an interim dividend against the net income for 2008 of up to 15% of the net income to September 30, 2008, according to the financial statements at that date, to be payable in December 2008.

The final dividend will be that approved by the ordinary shareholders' meeting to be held during the first four months of 2009.

Fulfilling the above program will depend on the earnings actually produced and on the results indicated in the projections made periodically by the Company, or the existence of any covenants.

3. PROCEDURE FOR DIVIDEND PAYMENTS

In order to avoid their improper collection, the Company offers four methods for the payment of dividends:

1. Deposit in a bank checking account whose holder is the shareholder;
2. Deposit in a bank savings account whose holder is

the shareholder;

3. Sending of a nominative check or bankers draft by registered mail to the address of the shareholder appearing in the shareholders register; and

4. Withdrawal of check or bankers draft from the offices of DCV Registros S.A., as Endesa Chile's registrar, or from the bank appointed for this purpose

The bank checking or savings accounts may be located anywhere in Chile.

It should be pointed out that the payment method chosen by each shareholder will be used by Endesa Chile for all dividend payments unless the shareholder indicates in writing his intention of changing it and registering another option.

Payments will be made according to option No.4 to those shareholders not registering a payment method.

In cases where the checks or bankers drafts are returned by the post to DCV Registros S.A., these will remain in custody until withdrawn or requested by the shareholder.

In the case of deposits in bank checking accounts, the Company may request, for security reasons, their verification by the respective bank. If the account stated by the shareholder is rejected, whether in a prior checking process or for any other reason, the dividend will be paid in accordance with the stated method No.4.

The Company has adopted and will continue to adopt all the security measures necessary for the payment of dividends in order to safeguard the interests of both shareholders and Endesa Chile.

DIVIDENDS DISTRIBUTED IN RECENT YEARS

YEAR	DIVIDEND PER SHARE (PESOS OF EACH YEAR)	AMOUNT RESTATED AS OF DECEMBER 31, 2007
2001	0.94000	1.15672
2002	-	-
2003	2.30000	2.68103
2004	4.13000	4.70087
2005	5.82000	6.40695
2006	13.41000	14.26142

On December 26, 2007, an interim dividend of Ch\$ 2.1926 per share was paid, corresponding to 15% of the net income at September 30, 2007.

DISTRIBUTABLE EARNINGS 2006

Distributable earnings in relation to the net income for 2006 are shown below:

Net Income for the Year	189,541,318	thousands
(Less) Amortization of Negative Goodwill	6,037,460	thousands
Net Income	183,503,858	thousands
(Less) Accumulated Deficit Development Period Subsidiaries	329,545	thousands
Earnings for Calculation of the Dividend	183,174,313	thousands
60% of Earnings for Calculation of the Dividend	109,904,588	thousands
Number of shares	8,201,754,580	shares
Earnings per share corresponding to the year 2006	13.41	pesos



INFORMATION ON SUBSIDIARY AND RELATED COMPANIES

MAIN SUBSIDIARIES

ENDESA COSTANERA S.A.

Costanera is incorporated in Argentina. Costanera is an electricity generation company publicly traded in Argentina with 2,324 MW total installed capacity including a 1,465 MW capacity oil and gas-fired generation facility and a 859-MW capacity natural gas combined-cycle facility in Buenos Aires. The facility was acquired from the Argentine government following the privatization of Servicios Eléctricos del Gran Buenos Aires S.A. in 1992 when Endesa Chile acquired a 24% interest. Endesa-Chile subsequently increased its interest reaching a total ownership share to date, through its subsidiary Endesa Argentina, of 64.26%. The shareholders' meetings of Costanera and Central Termoeléctrica Buenos Aires S.A. ("CBA") approved the merger of CBA into Costanera, effective as of December 1, 2001. The company Central Costanera S.A. changed its name to Endesa Costanera S.A. in September 2005.

HIDROELÉCTRICA EL CHOCÓN S.A.

El Chocón is an electricity generation company, incorporated in Argentina, located between the Neuquén and Río Negro provinces in southern Argentina (the Comahue Zone). It has two hydroelectric power stations with an aggregate installed capacity of 1,320 MW. El Chocón is currently the second largest hydroelectric facility in Argentina. This 30-year concession was granted by the Argentine government to our subsidiary, Hidroinvest S.A., which bought 59% of the shares in July 1993 during the privatization process. Endesa Chile operates El Chocón for a fee pursuant to an operating agreement with a term equal to the duration of the concession.

EMPRESA ELÉCTRICA PEHUENCHE S.A. (PEHUENCHE S.A.)

Pehuenche S.A. is incorporated in Chile. Pehuenche S.A., a generation company connected to the SIC, owns three hydroelectric facilities south of Santiago in the high-rainfall hydrological basin of the Maule river with a total of 699 MW of installed capacity. Its 570 MW Pehuenche plant started operating in 1991, its 89 MW Curillínque plant started up in late 1993, and its 40 MW Loma Alta plant started operating in August 1997.

EMPRESA ELÉCTRICA PANGUE S.A. (PANGUE S.A.)

Pangue S.A. was incorporated in Chile to build and operate the 467 MW installed capacity hydroelectric power station on the Bío-Bío river. The first unit commenced operations on October 31, 1996, while the second unit commenced operations on February 3, 1997.

COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA S.A.)

Celta S.A. was incorporated in Chile in November 1995 to build and operate the 182 MW coal-fired thermal plant in the SING.

COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A. (SAN ISIDRO S.A.)

San Isidro S.A. was incorporated in Chile in February 1996 to build and operate a 379 MW combined-cycle thermal plant in Quillota in the Fifth Region. The plant began commercial operations in October 1998.

EMPRESA DE INGENIERÍA INGENDESA S.A. (INGENDESA)

Ingendesa is incorporated in Chile. Ingendesa is a multi-disciplinary engineering company founded in late 1990. Its purpose is to provide engineering services, project management and related services in Chile and internationally. It therefore offers all the necessary specializations: civil, mechanical and electrical engineering, metallurgy, architectural and environmental services.

SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.

This company is incorporated in Chile. Sociedad Concesionaria Túnel El Melón S.A. was formed in July 1993 to construct and manage the public road tunnel called Túnel El Melón, under a 23-year concession. It includes 3.3 km of access roads and a tunnel approximately 2.5 km long. It is located 130 km north of Santiago and was the first infrastructure concession granted by the Chilean state. Commercial operation of the tunnel began in September 1995.

ENDESA ECO S.A.

Endesa Eco S.A. was incorporated in Chile in 2005. Its objectives are to promote and develop renewable energy projects such as mini-hydro, wind, geo-thermal, solar, biomass and other generation means, and to act as depositary and trader of emission reduction certificates obtained from such projects.

EMGESA S.A. E.S.P. (EMGESA)

We acquired Betania and Emgesa, both in Colombia, in December 1996 and in October 1997, respectively. In September 2007 both subsidiaries were merged into Betania, which then changed its name to Emgesa S.A. E.S.P. The total installed capacity of Emgesa is 2,829 MW, of which 2,451 MW corresponds to hydro-generation and 378 MW to thermal generation.

EDEGEL S.A.A. (EDEGEL)

Edegel is incorporated in Peru. Edegel is an electricity generation company, acquired by Endesa Chile in 1995. In 2000, Edegel completed the construction of two hydroelectric plants, Yanango (43 MW) and Chimay (151 MW) and in June, 2006, the merger was completed between the subsidiary of Endesa Chile in Peru, Edegel, and Etevensa, a subsidiary of Endesa Internacional, incorporating the combined-cycle Ventanilla plant. Edegel currently owns seven hydroelectric plants (Huinco, Matucana, Callahuanca, Moyopampa, Huampani, Yanango and Chimay), one thermal plant (Santa Rosa) and one combined cycle plant (Ventanilla), with a combined installed capacity of 1,468 MW.

MAIN RELATED COMPANIES

COMERCIALIZADORA DE ENERGÍA DEL MERCOSUR S.A. (CEMSA)

CEMSA is incorporated in Argentina. CEMSA is responsible for trading electricity, including imports and exports of energy.

COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR S.A. (CTM)

This company was incorporated in Argentina in July 1997. CTM is an electricity transmission company that owns the Argentine portion of an interconnection line joining the Brazilian and Argentina electricity markets.

TRANSPORTADORA DE ENERGÍA DEL MERCOSUR S.A. (TESA)

This company was incorporated in Argentina in January 2001. TESA is an electricity transmission company that owns the Argentine portion of an interconnection line joining the Brazilian and Argentine electricity markets.

TERMOELÉCTRICA MANUEL BELGRANO S.A.

This company was incorporated in Argentina in December 2005 to carry out the construction of the plant related to FONINVEMEM.

TERMOELÉCTRICA JOSÉ DE SAN MARTÍN S.A.

This company was incorporated in Argentina in December 2005 to carry out the construction of the plant related to FONINVEMEM.

ENDESA BRASIL S.A.

On May 24, 2005, the board of Endesa Chile approved the constitution of the holding company in Brazil with the name of Endesa Brasil S.A., which received the contribution of existing assets in that country owned by Endesa Internacional, Endesa Chile, Enersis and Chilectra.

ELECTROGAS S.A.

Electrogas was incorporated in Chile in late 1996. The objective of this company is to offer natural gas transportation services to the Fifth Region of Chile, especially to the San Isidro and Nehuenco combined-cycle plants at Quillota.

GASATACAMA S.A. (GASATACAMA)

This company is incorporated in Chile. The purpose of this company is the administration of its subsidiaries, including Gasoducto Atacama Chile S.A., Gasoducto Atacama Argentina S.A. and GasAtacama Generación, which are involved in electricity generation and natural gas transportation.

GASODUCTO ATACAMA CHILE S.A. (GASODUCTO ATACAMA CHILE)

Gasoducto Atacama was formed under the laws of Chile, with the purpose of transporting natural gas both within Chile and abroad, including the construction and placement of pipelines and any other related activities. The company owns the Chilean side of a natural gas pipeline that can transport up to 8.5 million cubic meters of gas daily from northern Argentina to Mejillones in Chile which commenced supplying gas to the SING in July 1999 and also owns an extension of this pipeline from Mejillones to Tal Tal in Chile, which was added in 2000, allowing Endesa Chile's 240 MW Tal Tal thermal power plant to be put into service the same year, supplying electricity to the SIC. The company Gasoducto Atacama Compañía Limitada changed its name to Gasoducto Atacama Chile Limitada in October 2002, and changed again in December 2003 to Gasoducto Atacama Chile S.A.

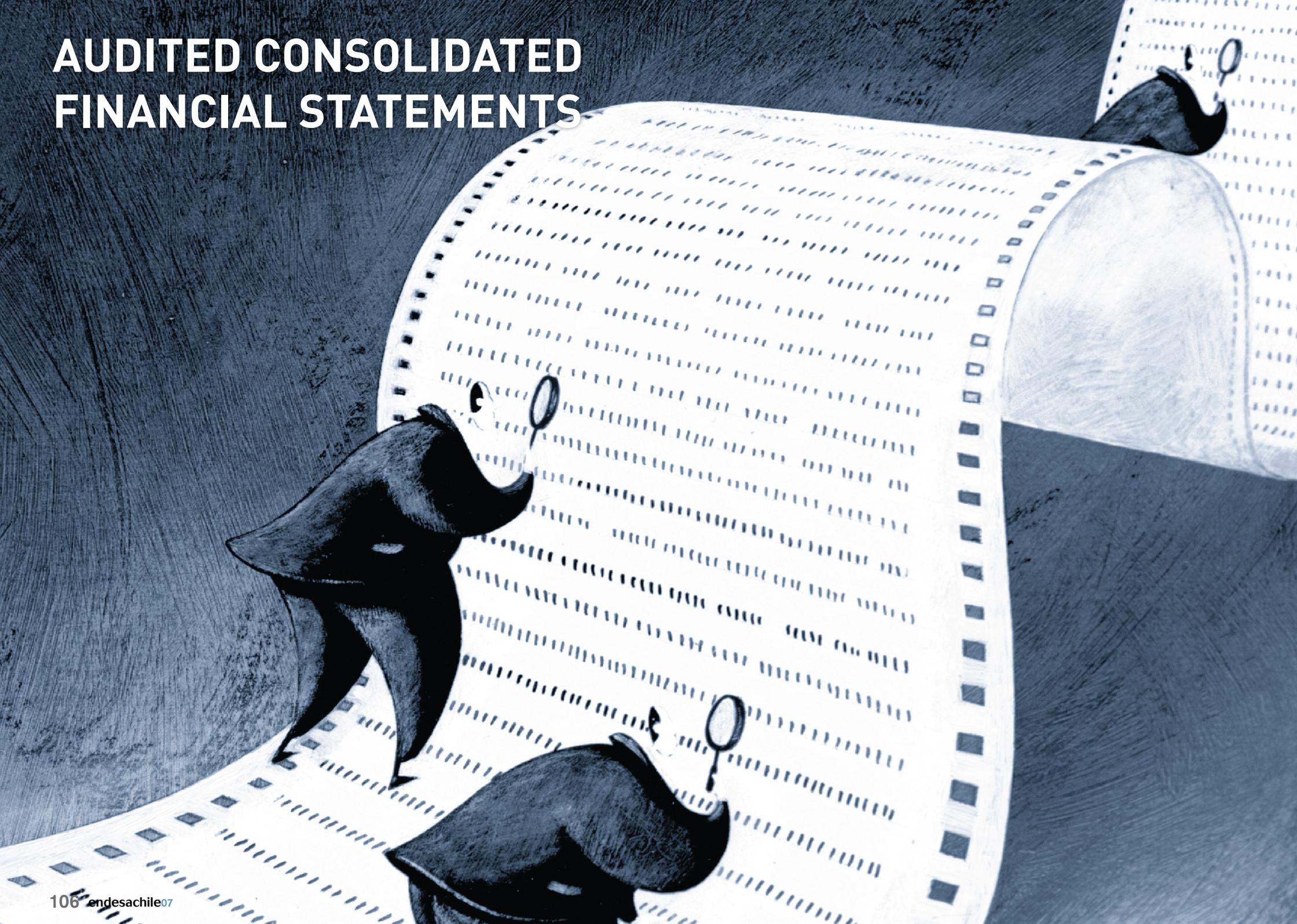
GASATACAMA GENERACIÓN S.A. (GASATACAMA GENERACIÓN)

The purpose of this company, incorporated in Chile, is to generate, transmit, purchase, distribute and sell electric energy in the SING. It owns and operates two combined cycle power plants, that together have 780 MW of installed generation capacity. The company Nor Oeste Pacifico Generación de Energía Limitada ("Nopel Ltda.") changed its name to GasAtacama Generación Limitada in October 2002, and changed again in December 2003 to Gasatacama Generación S.A.

CENTRALES HIDROELÉCTRICAS DE AYSÉN S.A.

On August 31, 2006, the board of Endesa Chile agreed to the constitution of the company Centrales Hidroeléctricas de Aysén S.A. Endesa Chile has a 51% shareholding and Colbún S.A. the remaining 49%. A shareholder agreement has been signed. The company will be responsible for carrying out the studies, as well as the development, financing, construction and exploitation of the Aysén hydroelectric project once it has the pertinent permits and authorizations.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007 together with the Reports of Independent Registered Public Accounting Firms

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS	108
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Ch\$	Chilean pesos
US\$	United States dollars
UF	The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily in advance based on the previous month's inflation rate (see Note 2 (b)).
ThCh\$	Thousands of Chilean pesos
ThUS\$	Thousands of United States dollars

Application of Constant Chilean Pesos

The consolidated financial statements included herein have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2007 purchasing power.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Empresa Nacional de Electricidad S.A. (Endesa-Chile):

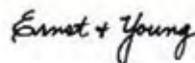
We have audited the accompanying consolidated balance sheets of Endesa-Chile and its subsidiaries (the "Company") as of December 31, 2006 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of certain subsidiaries, which statements reflect total assets representing 36.91 percent and 31.39 percent as of December 31, 2006 and 2007, respectively, and total revenues representing of 37.39 percent, 38.08 percent and 33.76 percent for each of the three years in the period ended December 31, 2007, respectively. We also did not audit the financial statements of certain investments accounted for under the equity method, which represented 8.04 percent and 6.84 percent of total consolidated assets as of December 31, 2006 and 2007, respectively, and the equity in their net results represented 11.7 percent, 19.6 percent and 9.5 percent of the consolidated net income for each of the three years in the period ended December 31, 2007, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Endesa-Chile and subsidiaries at December 31, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 32 to the consolidated financial statements).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2008, except for internal control over financial reporting related to Notes 30 and 32 of the 2007 consolidated financial statements for which the date is April 30, 2008, expressed an unqualified opinion thereon.

ERNST & YOUNG LTDA.



Santiago, Chile
February 19, 2008
(except for Notes 30 and 32 for which the date is April 30, 2008)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Empresa Nacional De Electricidad S.A. (Endesa-Chile):

We have audited internal control of Endesa-Chile ("the Company") over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying annual report on form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

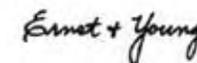
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Empresa Nacional De Electricidad S.A. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Empresa Nacional De Electricidad S.A. as of December 31, 2006 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 19, 2008, except for Notes 30 and 32 for which the date is April 30, 2008, expressed an unqualified opinion thereon.

ERNST & YOUNG LTDA.



Santiago, Chile
February 19, 2008
(except for Notes 30 and 32 for which the date is April 30, 2008)



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the President and Board of Directors of
Endesa Argentina S.A.:

We have audited the consolidated balance sheets of Endesa Argentina S.A. and subsidiaries (the "Company") as of December 31, 2007 and 2006 and the consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 2007 (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Endesa Argentina S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in Chile.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the three years in the period ended December 31, 2007 and the determination of shareholders' equity at December 31, 2007 and 2006, to the extent summarized in Note 36.

DELOITTE & Co. S.R.L.

Carlos A. Lloveras
Buenos Aires, Argentina
March 27, 2008

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Report of Independent Registered Public Accounting Firm

To the Board of Director and Shareholders of
Emgesa S.A. E.S.P. (before Central Hidroeléctrica de Betania S.A. E.S.P. and its subsidiary)

We have audited the balance sheets of Emgesa S.A. E.S.P. (before Central Hidroeléctrica de Betania S.A. E.S.P. and its subsidiary) (the "company") as of December 31, 2007 and 2006 and the related statements of income and cash flows for the three years in the period ended December 31, 2007, all expressed in thousands of constant Chilean pesos (not separately presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included considerations of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of Emgesa S.A. E.S.P. (before Central Hidroeléctrica de Betania S.A. E.S.P. and its subsidiary) as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in Chile.

As described in greater detail in Note 1 to the financial statements, dated August 17, 2007, the Office of the Superintendent of Corporations in Colombian authorized the merger through absorption between Central Hidroeléctrica de Betania S.A. E.S.P. and Emgesa S.A. E.S.P., being the first, i.e., Central Hidroeléctrica de Betania S.A. E.S.P. the absorbing company and Emgesa S.A. E.S.P. the company absorbed."

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the three years ended December 31, 2007 and the determination of shareholders' equity at December 31, 2007 and 2006 to the extent summarized in Note 30.

Carlos Eduardo Torres R.
Bogotá, Colombia, March 7, 2008
DELOITTE & TOUCHE LTDA.

Auditoría, Impuestos, Consultoría, Finanzas Corporativas.

Una firma miembro de
Deloitte Touche Tohmatsu



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Director and Stockholders of
Endesa Brasil S.A.

We have audited the accompanying consolidated balance sheets of Endesa Brasil S.A. and subsidiaries (the "Company") as of December 31, 2006 and 2007, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the three month period ended December 31, 2005 and for each of the two years in the period ended December 31, 2007, expressed in constant Chilean pesos (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of and for the years ended December 31, 2006 and 2007, of certain of the Company's consolidated subsidiaries (hereinafter referred to as the "Companies"), which statements reflect total assets constituting 34.46% and 30.63% of consolidated total assets at December 31, 2006 and 2007, respectively and total revenues constituting 9.92%, 27.21% and 36.32% of consolidated total revenues for the three month period ended December 31, 2005 and the years ended December 31, 2006 and 2007, respectively. With respect to the consolidated shareholders' equity and net income information stated on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP") in Note 24, these financial statements reflect total shareholders' equity constituting 50.87% and 54.43% of consolidated U.S. GAAP basis shareholders' equity at December 31, 2006, and 2007 and total net income constituting 60.52%, 56.77% and 55.31%, of consolidated U.S. GAAP basis net income for the three month period ended December 31, 2005 and the years ended December 31, 2006 and 2007, respectively. Such statements were audited by other auditors whose reports have been provided to us and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of such other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Endesa Brasil S.A. and subsidiaries as of December 31, 2006 and 2007, and the results of their operations, changes in their shareholders' equity and their cash flows for the three month period ended December 31, 2005 and for each of the two years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in Chile.

Una firma miembro de
Deloitte Touche Tohmatsu

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for the three month period ended December 31, 2005 and each of the two years in the period ended December 31, 2007, and the determination of shareholders' equity as of December 31, 2006 and 2007, to the extent summarized in Note 24 to the consolidated financial statements.


Santiago, Chile
March 27, 2008

Una firma miembro de
Deloitte Touche Tohmatsu



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CIEN-Companhia de Interconexão Energética

We have audited the accompanying balance sheet of CIEN-Companhia de Interconexão Energética (the "Company") as of December 31, 2005, and the related statements of income, changes in shareholders' equity and cash flows for the three-month period ended December 31, 2005 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CIEN-Companhia de Interconexão Energética at December 31, 2005, and the results of its operations and its cash flows for the three-month period ended December 31, 2005 in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 24 to the financial statements).

Rio de Janeiro, Brazil, January 13, 2006

ERNST & YOUNG
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Claudio Camargo
Partner



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Centrais Elétricas Cachoeira Dourada S.A. - CDSA

We have audited the accompanying balance sheet of Centrais Elétricas Cachoeira Dourada S.A. - CDSA (the "Company") as of December 31, 2005, and the related statements of income, changes in shareholders' equity and cash flows for the three-month period ended December 31, 2005 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centrais Elétricas Cachoeira Dourada S.A. - CDSA as of December 31, 2005, and the results of its operations and its cash flows for the three-month period ended December 31, 2005 in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 21 to the financial statements).

Rio de Janeiro, Brazil, January 13, 2006

ERNST & YOUNG
Auditores Independentes S.S.

Claudio Camargo
Partner

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Central Geradora Termelétrica Fortaleza - CGTF

We have audited the accompanying balance sheet of Central Geradora Termelétrica Fortaleza – CGTF (the “Company”) as of December 31, 2005, and the related statements of income, changes in shareholders’ equity and cash flows for the three-month period ended December 31, 2005 (not presented separately herein). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Geradora Termelétrica Fortaleza - CGTF as of December 31, 2005, and the results of its operations and its cash flows for the three-month period ended December 31, 2005 in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 22 to the financial statements).

Rio de Janeiro, Brazil, January 13, 2006

ERNST & YOUNG
Auditores Independentes S.S.



Claudio Camargo
Partner

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
CIEN - Companhia de Interconexão Energética

We have audited the accompanying consolidated balance sheets of CIEN - Companhia de Interconexão Energética and its subsidiaries (the “Company”) as of December 31, 2006 and 2007, and the related consolidated statements of income, changes in shareholders’ equity and cash flows for years then ended (not presented separately herein). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Transportadora de Energia S.A. - TESA and Companhia de Transmisión del MERCOSUR S.A. - CTM, wholly-owned subsidiaries of the Company, which statements reflect total assets of 13 percent and 11 percent as of December 31, 2006 and 2007, respectively, and total revenues representing and 6 percent and 2 percent for each of the two years in the period ended December 31, 2007, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Transportadora de Energia S.A. - TESA and Companhia de Transmisión del MERCOSUR S.A. - CTM, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CIEN - Companhia de Interconexão Energética and its subsidiaries at December 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 24 to the financial statements).

Rio de Janeiro, Brazil, March 27, 2008

ERNST & YOUNG
Auditores Independentes S.S.


Claudio Camargo
Partner

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Centrais Elétricas Cachoeira Dourada - CDSA

We have audited the accompanying balance sheets of Centrais Elétricas Cachoeira Dourada - CDSA (the "Company") as of December 31, 2006 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Centrais Elétricas Cachoeira Dourada - CDSA as of December 31, 2006 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 21 to the financial statements).

Rio de Janeiro, Brazil, March 27, 2008

ERNST & YOUNG
Auditores Independentes S.S.


Claudio Camargo
Partner



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Central Geradora Termelétrica Fortaleza - CGTF

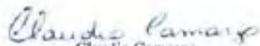
We have audited the accompanying balance sheets of Central Geradora Termelétrica Fortaleza - CGTF (the "Company") as of December 31, 2006 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Central Geradora Termelétrica Fortaleza - CGTF as of December 31, 2006 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 21 to the financial statements).

Rio de Janeiro, Brazil, March 27, 2008

ERNST & YOUNG
Auditores Independientes S.S.


Claudio Camargo
Partner



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the President and Board of Directors of
Transportadora de Energía S.A.:

We have audited the balance sheets of Transportadora de Energía S.A. (the "Company") as of December 31, 2007 and 2006 and the statements of operations and cash flows for each of the two years in the period ended December 31, 2007 (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Transportadora de Energía S.A. as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in Chile.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the two years in the period ended December 31, 2007 and the determination of shareholders' equity at December 31, 2007 and 2006, to the extent summarized in Note 20.

DELOITTE & Co. S.R.L.



Carlos A. Lloveras
Buenos Aires, Argentina
March 27, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the President and Board of Directors of
Compañía de Transmisión del Mercosur S.A.:

We have audited the balance sheets of Compañía de Transmisión del Mercosur S.A. (the "Company") as of December 31, 2007 and 2006 and the statements of operations and cash flows for each of the two years in the period ended December 31, 2007 (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Compañía de Transmisión del Mercosur S.A. as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in Chile.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the two years in the period ended December 31, 2007 and the determination of shareholders' equity at December 31, 2007 and 2006, to the extent summarized in Note 19.

DELOITTE & Co. S.R.L.

Carlos A. Lloveras
Buenos Aires, Argentina
March 27, 2008

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Endesa Chile and Subsidiaries
Audited Consolidated Balance Sheets

Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

	Note	As of December 31,		
		2006 ThCh\$	2007 ThCh\$	2007 ThUS\$ (Note 2 (b))
Assets				
Current assets:				
Cash		22,936,504	19,397,212	39,037
Time deposits	4	99,136,606	44,272,635	89,099
Marketable securities		5,618,810	10,304,785	20,739
Accounts receivable, net	5a	157,721,629	211,209,592	425,063
Other accounts receivable, net	5a	57,855,162	60,045,262	120,842
Accounts receivable from related companies	6a	35,325,944	175,950,661	354,104
Inventories		21,917,484	52,288,016	105,231
Taxes receivables	7a	5,944,970	64,881,489	130,575
Prepaid expenses		4,398,121	4,581,127	9,220
Deferred income taxes	7b	2,284,599	2,884,566	5,805
Other current assets	8	39,569,290	27,822,980	55,994
Total current assets		452,709,119	673,638,325	1,355,709
Property, plant and equipment, net	9	4,457,718,916	4,165,428,072	8,382,998
Other assets:				
Investments in related companies	10a	561,636,516	444,032,166	893,623
Investments in other companies	11	4,188,867	4,131,403	8,315
Long-term receivables	5a	74,178,594	83,285,957	167,615
Goodwill, net	12a	11,914,850	9,854,540	19,832
Negative goodwill, net	12b	(39,274,732)	(37,003,902)	(74,471)
Accounts receivable from related companies	6a	97,223,162	369	1
Other intangibles	13	27,585,462	25,257,477	50,831
Accumulated amortization of other intangibles	13	(9,616,732)	(9,895,864)	(19,916)
Other assets	14	40,565,737	28,649,269	57,657
Total other assets		768,401,724	548,311,415	1,103,487
Total assets		5,678,829,759	5,387,377,812	10,842,194

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Balance Sheets

Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

	Note	As of December 31,		
		2006 ThCh\$	2007 ThCh\$	2007 ThUS\$ (Note 2 (b))
Liabilities and Shareholders' equity				
Current liabilities:				
Short-term debt due to banks and financial institutions	15a	60,727,331	26,435,493	53,202
Current portion of long-term debt due to banks and financial institutions	15b	65,226,493	66,998,709	134,836
Current portion of bonds payable	16a	75,704,336	256,625,251	516,463
Current portion of long-term notes payable	16d	33,576,468	23,414,451	47,122
Dividends payable		27,875,625	23,525,437	47,345
Accounts payable		94,245,000	192,954,223	388,324
Miscellaneous payables		38,050,959	25,167,210	50,649
Accounts payable to related companies	6b	8,839,618	15,743,108	31,683
Accrued liabilities	17	26,608,330	29,534,342	59,438
Employee withholdings		12,991,660	19,960,444	40,171
Income taxes payable	7a	54,170,977	8,246,699	16,597
Deferred revenue		445,552	628,056	1,264
Other current liabilities		742,895	5,415,359	10,899
Total current liabilities		499,205,244	694,648,782	1,397,993
Long-term liabilities:				
Long-term debt due to banks and financial institutions	15c	307,679,655	290,814,076	585,269
Bonds payable	16b	1,574,436,778	1,281,797,215	2,579,639
Long-term notes payable	16d	61,372,171	63,047,888	126,885
Miscellaneous payables		102,153,204	72,876,338	146,665
Accrued liabilities	17	32,221,885	27,858,328	56,065
Deferred income taxes	7b	146,670,076	158,941,619	319,873
Other long-term liabilities		23,609,577	26,284,340	52,898
Total long-term liabilities		2,248,143,346	1,921,619,804	3,867,294
Commitments and contingencies	26			
Minority interest	18a	1,004,392,388	886,882,586	1,784,867
Shareholders' equity:				
Stated capital	19	1,222,877,948	1,222,877,948	2,461,064
Additional paid-in capital – share premium		239,882,687	239,882,687	482,768
Other reserves	19d	(39,677,774)	(161,988,361)	(326,004)
Deficit from development stage companies	3	(325,438)	-	-
Retained earnings	3	300,763,982	391,015,096	786,925
Net income		203,567,376	192,439,270	387,287
Total Shareholders' equity		1,927,088,781	1,884,226,640	3,792,040
Total Liabilities and Shareholders' equity		5,678,829,759	5,387,377,812	10,842,194

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Statements of Income
Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

Note	For the year ended December 31,			
	2005	2006	2007	2007
	ThCh\$	ThCh\$	ThCh\$	ThUS\$ (Note 2 (b))
Operating income:				
Sales	1,231,472,764	1,436,067,876	1,726,963,925	3,475,546
Cost of sales	<u>(756,182,971)</u>	<u>(851,961,274)</u>	<u>(1,119,053,180)</u>	<u>(2,252,115)</u>
Gross profit	475,289,793	584,106,602	607,910,745	1,223,431
Administrative and Selling expenses	<u>(42,302,319)</u>	<u>(42,300,328)</u>	<u>(37,080,644)</u>	<u>(74,625)</u>
Operating income.....	<u>432,987,474</u>	<u>541,806,274</u>	<u>570,830,101</u>	<u>1,148,806</u>
Non-operating income and expense:				
Interest income	17,053,354	15,914,237	23,274,703	46,841
Equity participation in income of related companies..... 10a	23,437,767	45,612,958	46,947,141	94,482
Other non-operating income	20a 36,493,470	32,185,253	17,916,307	36,057
Equity participation in losses of related companies	10a (8,558,076)	(134,473)	(57,399,943)	(115,519)
Goodwill amortization	12 a (1,498,305)	(1,012,592)	(910,091)	(1,832)
Interest expense	(196,057,317)	(184,640,966)	(177,528,830)	(357,280)
Other non-operating expenses	20b (58,760,333)	(46,791,732)	(85,250,850)	(171,569)
Price-level restatement, net	21 1,445,210	1,597,565	8,854,382	17,820
Foreign currency translation, net	22 16,339,702	3,874,962	16,611,944	33,432
Non-operating loss.....	<u>(170,104,528)</u>	<u>(133,394,788)</u>	<u>(207,485,237)</u>	<u>(417,568)</u>
Income before income taxes.....	262,882,946	408,411,486	363,344,864	731,238
Income taxes	7 <u>(100,832,950)</u>	<u>(140,540,151)</u>	<u>(113,413,498)</u>	<u>(228,247)</u>
Income before minority interest	162,049,996	267,871,335	249,931,366	502,991
Minority interest	18b <u>(57,534,622)</u>	<u>(70,788,191)</u>	<u>(61,874,172)</u>	<u>(124,523)</u>
Income before amortization of negative goodwill	104,515,374	197,083,144	188,057,194	378,468
Amortization of negative goodwill	12b <u>16,788,712</u>	<u>6,484,232</u>	<u>4,382,076</u>	<u>8,819</u>
Net income	<u>121,304,086</u>	<u>203,567,376</u>	<u>192,439,270</u>	<u>387,287</u>

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Statements of Shareholders' Equity
Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

	Number of outstanding shares (In thousands)	Stated capital ThCh\$	Additional paid-in capital ThCh\$	Development stage (3) ThCh\$	Other reserves ThCh\$	Retained earnings ThCh\$	Net income ThCh\$	Total ThCh\$
As of January 1, 2005	8,201,755	1,076,448,692	211,158,771	-	23,237,060	174,264,702	83,788,756	1,568,897,981
Reclassification of prior year net income	-	-	-	-	-	83,788,756	(83,788,756)	-
Price-level restatement of capital	-	38,752,153	7,601,716	-	836,534	8,002,741	-	55,193,144
Dividends	-	-	-	-	-	(33,873,246)	-	(33,873,246)
Reorganization of entities under common control (2)	-	-	-	-	(33,694,515)	-	-	(33,694,515)
Cumulative translation adjustment	-	-	-	-	(24,887,528)	-	-	(24,887,528)
Net income	-	-	-	-	-	-	110,622,993	110,622,993
As of December 31, 2005	<u>8,201,755</u>	<u>1,115,200,845</u>	<u>218,760,487</u>	<u>-</u>	<u>(34,508,449)</u>	<u>232,182,953</u>	<u>110,622,993</u>	<u>1,642,258,829</u>
As of December 31, 2007 (1)	<u>8,201,755</u>	<u>1,222,877,948</u>	<u>239,882,687</u>	<u>-</u>	<u>(37,840,379)</u>	<u>254,601,145</u>	<u>121,304,086</u>	<u>1,800,825,487</u>
As of January 1, 2006	8,201,755	1,115,200,845	218,760,487	-	(34,508,449)	232,182,953	110,622,993	1,642,258,829
Reclassification of prior year net income	-	-	-	-	-	110,622,993	(110,622,993)	-
Price-level restatement of capital	-	23,419,218	4,593,970	-	(724,677)	6,047,727	-	33,336,238
Dividends	-	-	-	-	-	(47,734,212)	-	(47,734,212)
Reorganization of entities under common control (2)	-	-	-	-	(6,410,324)	-	-	(6,410,324)
Cumulative translation adjustment	-	-	-	-	4,699,526	-	-	4,699,526
Accumulated deficit of development stage companies	-	-	-	(303,015)	-	-	-	(303,015)
Interim dividends	-	-	-	-	-	(21,078,509)	-	(21,078,509)
Net income	-	-	-	-	-	-	189,541,318	189,541,318
As of December 31, 2006	<u>8,201,755</u>	<u>1,138,620,063</u>	<u>223,354,457</u>	<u>(303,015)</u>	<u>(36,943,924)</u>	<u>280,040,952</u>	<u>189,541,318</u>	<u>1,794,309,851</u>
As of December 31, 2007 (1)	<u>8,201,755</u>	<u>1,222,877,948</u>	<u>239,882,687</u>	<u>(325,438)</u>	<u>(39,677,774)</u>	<u>300,763,982</u>	<u>203,567,376</u>	<u>1,927,088,781</u>
As of January 1, 2007	8,201,755	1,138,620,063	223,354,457	(303,015)	(36,943,924)	280,040,952	189,541,318	1,794,309,851
Reclassification of prior year net income	-	-	-	-	-	189,541,318	(189,541,318)	-
Price-level restatement of capital	-	84,257,885	16,528,230	-	(2,733,849)	28,626,028	-	126,678,294
Dividends	-	-	-	-	-	(88,907,020)	-	(88,907,020)
Reorganization of entities under common control (2)	-	-	-	-	(94,522,106)	-	-	(94,522,106)
Cumulative translation adjustment	-	-	-	-	(27,788,482)	-	-	(27,788,482)
Accumulated deficit of development stage companies (3)	-	-	-	303,015	-	(303,015)	-	-
Interim dividends	-	-	-	-	-	(17,983,167)	-	(17,983,167)
Net income	-	-	-	-	-	-	192,439,270	192,439,270
As of December 31, 2007	<u>8,201,755</u>	<u>1,222,877,948</u>	<u>239,882,687</u>	<u>-</u>	<u>(161,988,361)</u>	<u>391,015,096</u>	<u>192,439,270</u>	<u>1,884,226,640</u>

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Statements of Shareholders' Equity
Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

(1) Restated in thousands of constant Chilean pesos as of December 31, 2007

(2) As a result of a reorganization of entities under common control the movements in other reserves accounted for in a manner similar to the pooling-of-interest method are as follows:

Transaction	2005	2006	2007
	ThCh\$ (historic)	ThCh\$ (historic)	ThCh\$
Creation of Endesa Brasil (Note 10 c. (i))	(33,694,515)	-	-
Merger Edegel- Etevensa (Note 10 d. (iii))	-	(9,599,504)	-
Liquidation of CESA (Note 10 e. (v))	-	3,189,180	-
Merger Betania and Emgesa (Note 10 c. (v)).....	-	-	(94,522,106)
Total	(33,694,515)	(6,410,324)	(94,522,106)

(3) See Note 3

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Statements of Cash Flows
Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

	Years Ended December 31,			
	2005	2006	2007	2007
	ThCh\$	ThCh\$	ThCh\$	ThUS\$ (Note 2 (b))
Cash flows from operating activities:				
Net income.....	121,304,086	203,567,376	192,439,270	387,287
(Gain) loss on sales of property, plant and equipment	(4,037,885)	(3,384,553)	(378,964)	(763)
(Gain) on sales of investments	-	-	(3,077,984)	(6,194)
Charges (credits) to income which do not represent cash flows:				
Depreciation.....	186,931,777	188,279,191	192,975,973	388,368
Amortization of intangibles.....	1,315,574	1,189,822	1,221,526	2,458
Write-offs and Provisions	2,557,947	28,052	142,111	286
Equity participation in income of related companies.....	(23,437,767)	(45,612,958)	(46,947,141)	(94,482)
Equity participation in losses of related companies (see Note 10 g) ..	8,558,076	134,473	57,399,943	115,518
Amortization of goodwill (see Note 12 a)	1,498,305	1,012,592	910,091	1,832
Amortization of negative goodwill.....	(16,788,712)	(6,484,232)	(4,382,076)	(8,819)
Price-level restatement, net	(1,445,210)	(1,597,565)	(8,854,382)	(17,820)
Foreign currency transaction, net.....	(16,339,702)	(3,874,962)	(16,611,944)	(33,432)
Dividends received from equity method investees	2,538,472	18,210,647	45,943,044	92,461
Other credits to income which do not represent cash flows	(11,809,692)	(649,249)	(1,080,365)	(2,174)
Other charges to income which do not represent cash flows.....	25,209,145	7,434,952	3,460,250	6,964
Income attributable to minority interest	57,534,622	70,788,191	61,874,172	124,523
Changes in assets which affect cash flows:				
Increase in trade receivables	(17,072,411)	(103,113,544)	(127,454,962)	(256,505)
Decrease (increase) in inventory	(9,890,099)	4,685,614	(27,366,355)	(55,075)
Increase in other assets	(5,590,121)	(16,689,262)	(50,382,137)	(101,395)
Changes in liabilities which affect cash flows:				
Increase (decrease) in accounts payable associated with operating results	(56,468,676)	61,930,310	208,202,601	419,011
Increase (decrease) in interest payable	1,735,368	(1,769,977)	(18,668,621)	(37,571)
Increase (decrease) in income tax payable	37,397,891	65,461,873	17,633,626	35,488
Increase (decrease) in other accounts payable associated with non- operating results.....	44,038,502	3,471,496	12,074,914	24,301
Net (decrease) increase in value added tax and other payables.....	(30,652,744)	8,169,943	(69,227,594)	(139,321)
Net cash flows provided by operating activities.....	297,086,746	451,188,230	419,844,996	844,946

The accompanying notes are an integral part of these consolidated financial statements.

Endesa Chile and Subsidiaries
Audited Consolidated Statements of Cash Flows
Translation of financial statements originally issued in Spanish-See Note 2 (a)
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	Years Ended December 31,			
	2005	2006	2007	2007
	ThCh\$	ThCh\$	ThCh\$	ThUS\$ (Note 2 (b))
Cash flows from financing activities:				
Proceeds from the issuance of debt.....	93,739,237	572,989,387	166,129,275	334,338
Proceeds from bond issuances	87,098,632	49,967,139	152,731,371	307,375
Proceeds from loans obtained from related companies	44,022,446	36,212,674	39,720,481	79,938
Dividends paid.....	(92,317,381)	(122,766,581)	(236,721,721)	(476,407)
Distributions of capital by foreign subsidiaries	(88,770,792)	-	-	-
Repayment of debt.....	(349,298,485)	(386,310,964)	(159,497,630)	(320,992)
Repayment of bonds	(50,262,447)	(289,417,920)	(108,256,679)	(217,868)
Payment of loans obtained from related companies.....	(42,559,152)	(5,657,822)	-	-
Other disbursements for financing.....	(4,157,140)	(1,258,713)	(1,029,343)	(2,072)
Net cash used in financing activities	<u>(402,505,082)</u>	<u>(146,242,800)</u>	<u>(146,924,246)</u>	<u>(295,688)</u>
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	4,636,512	19,680,044	2,979,081	5,995
Payments related to loans to related companies.....	36,272,115	13,764,934	-	-
Other receipts from investments (1)	7,082,628	1,113,014	43,172,429	86,885
Additions to property, plant and equipment	(64,455,805)	(182,671,177)	(207,029,784)	(416,651)
Long-term investments.....	(16,579,083)	(22,567,961)	(38,183,886)	(76,846)
Proceeds from sales of long-term investments.....	-	53,047	8,373,539	16,852
Liquidation of subsidiary (2).....	-	(4,425,890)	-	-
Other loans granted to related companies.....	(27,395,818)	(44,582,287)	(81,839,056)	(164,703)
Other disbursements related to investing activities (1)	-	-	(43,666,808)	(87,879)
Net cash used in investing activities	<u>(60,439,451)</u>	<u>(219,636,276)</u>	<u>(316,194,485)</u>	<u>(636,347)</u>
Net cash flow for the year	(165,857,787)	85,309,154	(43,273,735)	(87,089)
Effect of price-level restatement and exchange rate difference on cash and cash equivalents	<u>(6,069,724)</u>	<u>(7,508,827)</u>	<u>(22,762,635)</u>	<u>(45,810)</u>
Net increase in cash and cash equivalents	(171,927,511)	77,800,327	(66,036,370)	(132,899)
Cash and cash equivalents - Beginning of year	261,148,366	89,220,855	167,021,182	336,133
Cash and cash equivalents - End of year	<u>89,220,855</u>	<u>167,021,182</u>	<u>100,984,812</u>	<u>203,234</u>

(1) See Note 24

(2) See Note 10 e. (iv). As a result of the liquidation of CESA, cash amounting to ThCh\$ 4,425,890 was transferred to CESA's other shareholder, Endesa Internacional S.A.

The accompanying notes are an integral part of these consolidated financial statements.

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1. Description of Business:

Empresa Nacional de Electricidad S.A. ("Endesa Chile" or the "Company", NYSE: EOC) is an open stock company domiciled in Chile. The Company predominantly generates revenues with power generation, also provides engineering services and operates a road tunnel under public concession. It is a publicly traded company, regulated by the Chilean Superintendence of Securities and Insurance (Superintendencia de Valores y Seguros or "SVS") as well as by the United States Securities and Exchange Commission ("SEC") since issuing American Depositary Receipts ("ADRs") in 1994.

As of December 31, 2007 the Company's only subsidiary that is regulated by the SVS is Empresa Eléctrica Pehuenche S.A. ("Pehuenche S.A.").

The Company is a subsidiary of Enersis S.A. (NYSE: ENI), which held 59.98% of the Company's outstanding shares as of December 31, 2007.

2. Summary of Significant Accounting Policies:

a. General:

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Chile and the regulations established by the SVS (collectively "Chilean GAAP"). Certain accounting practices applied by the Company that conform with accounting principles generally accepted in Chile do not conform with accounting principles generally accepted in the United States ("US GAAP") or International Financial Reporting Standards ("IFRS"). Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

For the convenience of the reader, these financial statements and their accompanying notes have been translated from Spanish to English.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or the amount at which a liability could be transferred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where available, quoted market prices in active markets have been used as the basis for the measurement; however, where quoted market prices in active markets are not available, the Company has estimated such values based on the best available information, including using modeling and other valuation techniques.

The accompanying financial statements reflect the consolidated results of operations of Endesa Chile and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Prior to the adoption of Circular 1819 issued by the SVS (see note 3), investments in companies in the development stage were accounted for using the equity method, except that income or losses were included directly in equity instead of being reflected in the Company's consolidated statement of income. The Company consolidates the financial statements of companies in which it directly or indirectly exercises control through a majority of the voting shares, provided that there are no substantive minority participating rights that prevent control. Majority-owned companies in which Endesa Chile does not exercise management control due to restrictions concerning the control of assets and management ("unconsolidated affiliates") are accounted for under the equity method. The detail of consolidated companies is as follows:

Endesa Chile and Subsidiaries
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2. Summary of Significant Accounting Policies, continued:

Company name	Percentage participation in voting rights as of December 31,				
	2005	2006	2007		
	Total	Total	Direct	Indirect	Total
Enigesas S.A. (Chile).....	100.00	100.00	99.51	0.49	100.00
Ingendesa S.A. (1) (Chile).....	100.00	100.00	98.75	1.25	100.00
Pehuenche S.A. (Chile).....	92.65	92.65	92.65	-	92.65
Endesa Argentina S.A. (Argentina)	99.99	99.99	99.66	0.33	99.99
Endesa Chile Internacional (Chile) (2).....	100.00	100.00	-	-	-
Pangue S.A.(3) (Chile)	94.99	94.99	94.98	0.01	94.99
Central Hidroeléctrica Betania S.A. (4)(Colombia)	85.62	99.99	-	-	-
Endesa Brasil Participacoes Ltda. (Brazil)	100.00	100.00	5.00	95.00	100.00
Capital de Energía S.A. (5) (Colombia).....	51.00	-	-	-	-
Compañía Eléctrica Cono Sur S.A. (Panama).....	100.00	100.00	100.00	-	100.00
Emgesa S.A. (6), (8) (Colombia)	51.32	23.45	1.44	25.43	26.87
Compañía Eléctrica San Isidro S.A. (7) (Chile)	100.00	100.00	100.00	-	100.00
Edegel S.A. (9) (Peru)	63.56	55.44	-	55.44	55.44
Generandes Perú S.A. (Peru)	59.63	59.63	-	59.63	59.63
Compañía Eléctrica Tarapacá S.A. (Chile).....	100.00	100.00	99.94	0.06	100.00
Inversiones Endesa Norte S.A. (Chile).....	100.00	100.00	99.99	0.01	100.00
Ingendesa Do Brasil Limitada (Brazil)	100.00	100.00	-	100.00	100.00
Endesa Eco S.A. (Chile) (10)	100.00	100.00	99.99	0.01	100.00
Hidroinvest S.A. (Argentina) (11).....	69.93	69.93	41.94	54.15	96.09
Hidroeléctrica El Chocón S.A. (Argentina) (12)	65.19	65.19	2.48	65.19	67.67
Endesa Costanera S.A. (Argentina) (13).....	64.26	64.26	12.33	57.44	69.77
Southern Cone Power Argentina S.A (Argentina) (14).....	-	-	98.00	2.00	100.00
Central Eólica Canela S.A. (Chile) (15).....	-	-	-	75.00	75.00
Túnel El Melón S.A. (Chile) (16).....	99.96	99.96	99.99	0.01	100.00

- (1) See Note 10 (c.) (ii.).
- (2) See Note 10 (c.) (iv.).
- (3) See Note 10 (d.) (ii.).
- (4) See Note 10 (c.) (v.), Note 10 (d) (iv.).
- (5) See Note 10 (e.) (iv.).
- (6) Endesa Chile exercises control over this company pursuant to a shareholders' agreement
- (7) See Note 10 (c.) (iii.), Note 10 (d) (i.) and Note 10 (e) (ii.).
- (8) See Note 10 (c.) (v), Note 10 (d) (iv.), Note 10 (e) (iv)
- (9) See Note 10 (d.) (iii.).
- (10) See Note 10 (b.) (i.).
- (11) See Note 10 (d.) (vi.).
- (12) See Note 10 (d.) (vi.).
- (13) See Note 10 (d.) (v.).
- (14) See Note 10 (d.) (v.).
- (15) See Note 10 (b.) (iv.).
- (16) See Note 10 (d.) (vii.).

Endesa Chile and Subsidiaries

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2. Summary of Significant Accounting Policies, continued:

The participation in voting rights is equal to economic participation in all subsidiaries apart from those presented in the following table. Economic interest of the Company in a subsidiary or related company is calculated by multiplying the percentage ownership interest of the Company in a directly held subsidiary or related company by the percentage ownership interest of any entity in the chain of ownership of such ultimate subsidiary or related company. Economic participation is the Company's share in earnings or losses of the subsidiary, which is not always equal to the Company's voting interest.

	Percentage of economic participation as of December 31,		
	2005	2006	2007
	%	%	%
Emgesa S.A. (1).....	22.36	23.45	26.87
Edegel S.A. (2).....	37.90	33.06	33.06
Capital de Energía S.A. (3).....	43.59	-	-
Hidroeléctrica El Chocón S.A. (4).....	47.45	47.45	65.37

- (1) See Note 10 (c.) (v), Note 10 (d) (iv.), Note 10 (e) (iv); subsequent to the mergers in 2007, voting rights are equal to economic interest
(2) See Note 10 (d.) (iii.)
(3) See Note 10 (e.) (iv.)
(4) See Note 10 (d.) (vi.)

Endesa Chile and Subsidiaries

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2. Summary of Significant Accounting Policies, continued:

- b) Constant currency restatement:

The cumulative inflation rate in Chile as measured by the Chilean Consumer Price Index ("CPI") for the three-year period ended December 31, 2007 was approximately 13.1%.

Chilean GAAP requires that the financial statements be restated to reflect the full effects of changes in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method described below is based on a model that enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency. The model prescribes that the historical cost of all non-monetary accounts be restated for general price-level changes between the date of origin of each item and the year-end.

The financial statements of the Company have been price-level restated in order to reflect the effects of the changes in the purchasing power of the Chilean currency during each year. All non-monetary assets and liabilities, all equity accounts and income statement accounts have been restated to reflect the changes in the CPI from the date they were acquired or incurred to year-end (see also Note 21).

The resulting gain or loss included in net income reflects the effects of Chilean inflation on the monetary assets and liabilities held by the Company.

The restatements were calculated using the official consumer price index of the National Institute of Statistics and based on the "prior-month rule," in which the inflation adjustments are based on the CPI at the close of the month preceding the close of the respective period or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index that most closely complies with the technical requirement to reflect the variation in the general level of prices in Chile, and consequently it is widely used for financial reporting purposes.

The values of the Chilean consumer price indices used to reflect the effects of the changes in the purchasing power of the Chilean peso ("price-level restatement") are as follows:

	<u>Index</u>	<u>Change over Previous November 30.</u>
November 30, 2005	100.00	3.6%
November 30, 2006	102.10	2.1%
November 30, 2007	109.67	7.4%

By way of comparison, the actual values of the Chilean consumer price indices as of the balance sheet dates are as follows:

	<u>Index</u>	<u>Change over Previous December 31.</u>
December 31, 2005	100.00	3.7%
December 31, 2006	103.67	2.6%
December 31, 2007	111.76	7.8%

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2. Summary of Significant Accounting Policies, continued:

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in net income or loss for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

Index-linked assets and liabilities

Assets and liabilities that are denominated in index-linked units of account are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the *Unidad de Fomento* ("UF"), which is adjusted daily to reflect the changes in Chile's CPI. Certain of the Company's investments are linked to the UF. As the Company's indexed liabilities exceed its indexed assets, the increase in the index results in a net loss. Values for the UF are as follows (historical Chilean pesos per UF):

	<u>Ch\$</u>
December 31, 2005	17,974.81
December 31, 2006	18,336.38
December 31, 2007	19,622.66

Comparative financial statements

For comparative purposes, the historical December 31, 2005 and 2006 consolidated financial statements and their accompanying notes have been presented in constant Chilean pesos as of December 31, 2007. Amounts previously presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the CPI to December 31, 2006 as follows:

<u>Year</u>	<u>Change in Index</u>
2005	9.7% (1)
2006	7.4% (2)

(1) Equivalent to the amounts for 2005 multiplied by the change in the CPI for 2006, then by the change in the CPI for 2007.

(2) Equivalent to the amounts for 2006 multiplied by the change in the CPI for 2007.

This updating does not change the prior years' statements or information in any way except to update the amounts to constant Chilean pesos of similar purchasing power.

Convenience translation to US dollars

The financial statements are stated in Chilean pesos. The translations of Chilean pesos into US dollars are included solely for the convenience of the reader, using the observed exchange rate reported by the Chilean Central Bank as of December 31, 2007 of Ch\$ 496.89 for US\$ 1.00. The convenience translations should not be construed as representations that the Chilean peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other exchange rate.

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2. Summary of Significant Accounting Policies, continued:

c) Assets and liabilities denominated in foreign currencies:

Assets and liabilities denominated in foreign currencies are detailed in Note 28. These amounts have been stated at the observed rates of exchange reported by the Central Bank of Chile as of each year-end as follows:

	<u>Symbol</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<u>used</u>			
		Ch\$	Ch\$	Ch\$
United States dollar (observed)	US\$	512.50	532.39	496.89
British pound sterling	£	880.43	1,041.86	989.43
Colombian Peso	\$ Col	0.22	0.24	0.25
New Peruvian Sol	Soles	149.42	166.58	165.85
Brazilian real	Rs	219.02	249.01	280.52
Japanese yen	¥	4.34	4.47	4.41
Euro	€	606.08	702.08	730.94
Argentine peso	\$ Arg	181.92	173.87	157.79

	<u>Symbol</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<u>used</u>			
		Ch\$	Ch\$	Ch\$
"Unidad de Fomento"	UF	17,974.81	18,336.38	19,622.66
Annual Tax Unit	UTA	378,852	386,472	410,664

Endesa Chile and Subsidiaries

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2. Summary of Significant Accounting Policies, continued:

d) Time deposits, Repurchase Agreements and Marketable securities:

Time deposits and repurchase agreements are presented at cost plus accrued interest and UF indexation adjustments, as applicable. Marketable securities consist primarily of mutual funds and are stated at market value.

e) Accounts receivable and Allowance for doubtful accounts:

Accounts receivable are generally recorded at their nominal values and are classified as current or long-term, depending on their collection terms. Long-term receivables not bearing interest or bearing an unreasonable interest rate are discounted using a reasonable interest rate. Current and long-term trade accounts receivable, notes receivable and other receivables are presented net of allowances for doubtful accounts (see Note 5). The Company establishes its allowance for doubtful accounts based on the aging of the accounts and prior experience with specific accounts.

f) Inventories:

Inventories primarily include fuel for the generation of electricity and are valued at the lower of price-level restated average cost or net realizable value. In addition to production materials and wages, production costs include material and production overheads, based on normal capacity. Cost of sale is determined by using the weighted average method. Inventory risk resulting from excess and obsolescence are provided for by appropriate valuation allowances.

g) Property, plant and equipment:

Until 1980, property, plant and equipment were valued at net replacement cost as determined by the Chilean Superintendence of Electricity and Fuels adjusted for price-level restatement in accordance with Decree Law N° 4 of 1959.

Property, plant and equipment are currently shown at contributed amounts or cost, as appropriate, plus price-level restatement. The interest cost on debt directly obtained in the construction projects is capitalized during the period of construction. Costs of maintenance and repairs are expensed as incurred unless such costs increase the useful life or productivity of the related assets, in which case the costs are capitalized when incurred.

In 1986, an increase based upon a technical appraisal of property, plant and equipment was recorded in the manner authorized by the SVS in Circulars No.'s 550 and 566 dated October 15 and December 16, 1985, respectively, and Communication No. 4790, dated December 11, 1985.

Property, plant and equipment under capital leases is recorded at the present value of the aggregated future minimum lease payments or at the fair value of the asset leased, whichever is lower. Assets under capital lease are amortized over the lease term or the useful life of the asset, whichever is lower.

When the Company's operations are not expected to produce sufficient net cash flows on a discounted basis to recover the net carrying value of all property, plant and equipment (including property, plant and equipment under capital lease), the book values of those assets are reduced to their net recoverable values with a charge to non-operating expense. The Company has not identified impairment of its property, plant and equipment for the years ended December 31, 2005, 2006 and 2007.

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2. Summary of Significant Accounting Policies, continued:

h) Leasing

Property, plant and equipment under capital leases is recorded at the present value of the aggregated future minimum lease payments or at the fair value of the asset leased, whichever is lower. Assets under capital lease are amortized over the lease term or the useful life of the asset, whichever is lower and are recorded in the caption Other property, plant and equipment.

If at its inception a lease meets one or more of the following four criteria, the lease is classified as a capital lease. Otherwise, it is classified as an operating lease:

- a. The lease transfers ownership of the property to the lessee by the end of the lease term
- b. The lease contains a bargain purchase option.
- c. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- d. The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the excess of the fair value of the leased property.

At the inception of a lease, the Company determines the lease term by assuming the exercise of those renewal options that are reasonably assured because of the significant economic penalty that exists for not exercising those options. The exercise of lease renewal options is at the Company's sole discretion. Lease incentives and increases are amortized on a straight-line basis over the lease term or over the useful life of the respective item, when less than remaining lease period.

i) Depreciation:

Depreciation expense is generally calculated on the price-level restated balances using the straight-line method over the estimated useful lives of the assets. Depreciation of assets recorded under capital lease is included in depreciation expense.

Certain property, plant and equipment is depreciated using the unit-of-production method when this method better reflects the depreciation expenses of these assets.

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2. Summary of Significant Accounting Policies, continued:

j) Investments in related companies:

The Company classifies an investment as investment in related companies, when it has the ability to exercise significant influence over the operations. Investments in related companies are included in "Other assets" using the equity method. This accounting method recognizes in income the Company's proportionate share in the net income or loss of each investee on an accrual basis (Note 10).

The Company assesses its ability to recover the carrying amounts of its investments in related companies accounted for under the equity method, whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. This assessment requires determining the fair values of the equity method investments. Fair value is determined using valuation methodologies, including discounted cash flows and the ability of the investee to sustain an earnings capacity that justifies the carrying amount of the investment. A write down is recorded in case the fair value is less than the carrying value and the decline in value is considered to be other than temporary. As indicated in Note 10 (g), the Company during the year ended December 31, 2007 recorded an impairment of its investment in Inversiones Gas Atacama Holding Limitada amounting to ThCh\$ 48,890,387 as a result of an other-than-temporary impairment of the investment. The impairment charge includes a write down of the investment to its recoverable amount and impairment of goodwill which was recorded over the investment. (see Note 12a).

Investments in foreign affiliates are recorded in accordance with Technical Bulletin No. 64 and No. 72 of the Chilean Association of Accountants (see Note 2 (k)).

k) Foreign investments:

Under Technical Bulletin No. 64 of the Chilean Association of Accountants, investments in foreign subsidiaries and equity method investees are price-level restated, the effects of which are reflected in income, while the effects of the foreign exchange gains or losses between the Chilean peso and the US dollar on the foreign investment measured in US dollars, are reflected in equity in the account "Cumulative Translation Adjustment".

The Company has evaluated the recoverability of its foreign investments as required by Technical Bulletin No. 33 and No 42 of the Chilean Association of Accountants. The result of the valuation was that no foreign investment was impaired as of December 31, 2005, 2006 and 2007.

l) Other intangibles:

Intangibles, other than goodwill, correspond primarily to easements and rights for the use of waterways and are amortized on a straight-line basis over periods not exceeding 40 years in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants. Intangibles are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

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2. Summary of Significant Accounting Policies, continued:

m) Goodwill and negative goodwill:

Prior to January 1, 2004, goodwill arose from the excess of the purchase price of companies acquired over their net book value; negative goodwill arose when net book value exceeded the purchase price of companies acquired.

Goodwill and negative goodwill are also accounted for in the purchase of investments accounted for by the equity method. Chilean GAAP also provides that goodwill and negative goodwill amortization may be accelerated if the proportional net income or net loss of the investee exceeds the respective straight-line amortization amount.

Beginning January 1, 2004, the Company adopted Technical Bulletin No.72 of the Chilean Association of Accountants, which changes the basis for determining accounting for goodwill and negative goodwill generated in transactions after January 1, 2004, based on an allocation of the purchase price based on the fair value of the identifiable assets acquired and identifiable liabilities assumed. Both goodwill and negative goodwill are normally amortized over the maximum period of twenty years considering the expected period of return of the investments.

Whenever events or changes in circumstances indicate that goodwill recorded might be impaired, the Company performs a goodwill impairment test. Goodwill is tested for impairment on the level of cash generating units (CGU).

The testing of goodwill for impairment involves two steps:

1. The first step is to compare each CGU's fair value with its carrying amount, including goodwill. The CGU's fair value is determined using market prices, or, if not available, valuation techniques including discounted cash flow approaches. If a CGU's carrying amount exceeds its fair value, an indicator for goodwill impairment exists and step two is performed.
2. The second step is to compare the implied fair value of goodwill with its carrying amount. The implied fair value represents the excess of the CGU's net identifiable assets over the CGU's net assets at fair value. Any excess of the carrying amount of goodwill over its implied fair value is recorded as impairment loss, writing down the carrying amount of goodwill to its implied fair value.

During the year ended December 31, 2007, the Company recorded an impairment of goodwill recorded over its equity method investment in Inversiones Gas Atacama Limitada amounting to ThCh\$ 62,675. (See Note 10 g) and 12 a).

Goodwill related to investments accounted for under the equity method is tested for impairment together with the related investment, as if goodwill formed part of the carrying amount of the investment. See Note 2 j).

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2. Summary of Significant Accounting Policies, continued:

n) Revenue recognition:

Revenues are generally recognized upon delivery of products to customers or fulfillment of services. Delivery has occurred when the risk and rewards associated with ownership have been transferred to the buyer, compensation has been contractually established and collection of the resulting receivable is probable. The following is a description of the Company's major revenue recognition policies in the various segments:

Core Energy Business:

Revenues from the sale of electricity are recognized when earned on the basis of contractual arrangements with the customers, reflecting the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of the last meter reading and year end. This electricity supplied and unbilled at each year-end is valued at the selling price using the current rates and has been included in revenue from operations. The unbilled amount is presented in current assets as trade receivables and the corresponding cost is included in cost of operations.

Other Services:

The Company recognizes revenue generated from engineering and inspection services and highway tolls at the time the related services are provided, persuasive evidence of the arrangements exists, the sales price is fixed or determinable and collection of the resulting receivable is reasonably assured.

o) Current and deferred income taxes:

The Company records income taxes in accordance with Technical Bulletin No. 60 and complementary technical bulletins thereto issued by the Chilean Association of Accountants, and with SVS Circulars No. 1466 and No. 1560, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision at the date of adoption, a contra asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates calculated using the tax rates that will be in effect at the time of reversal. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applicable for taxable income in the year in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date. For the years ended December 31, 2005, 2006 and 2007, the Company recorded current tax expense according to the tax laws and regulations within each country of ThCh\$ 65,947,139, ThCh\$ 106,770,834 and ThCh\$ 80,005,217, respectively.

The valuation allowances reflect amounts, which relate to deferred tax assets that management believes will more likely than not expire without benefit. In future periods, management's estimates of the amount of the deferred tax assets considered realizable may change, and hence the valuation allowance may increase or decrease.

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2. Summary of Significant Accounting Policies, continued:

p) Accrued vacation expense:

In accordance with Technical Bulletin No. 47 issued by the Chilean Association of Accountants, employee vacation expenses are recorded on an accrual basis.

q) Staff severance indemnity:

The severance indemnity that the Company is obliged to pay at all event under collective bargaining agreements to its employees who have completed 15 years of service, is recorded based on the projected benefit obligation, using a discount rate at which the obligations could be effectively settled.

r) Pension and post-retirement benefits:

Pension and post-retirement benefits are recorded in accordance with the respective employee collective bargaining agreements based on the actuarially determined projected benefit obligation using a discount rate at which the obligations could be effectively settled.

s) Other provisions:

Other provisions and liabilities are recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonable estimated.

t) Statements of cash flows:

The Consolidated Statements of cash flow have been prepared using the indirect method. For classification purposes, cash flows from operations include collections from clients and payments to suppliers, payroll and taxes. Cash and cash equivalents presented in the consolidated statements of cash flows include cash, time deposits, and other balances classified as current assets with an original maturity of 90 days or less at the time purchased and are detailed as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Cash	10,990,894	22,936,504	19,397,212
Time deposits	66,306,742	99,136,606	44,272,635
Repurchase agreements.....	9,871,580	39,333,717	27,015,926
Marketable securities	<u>2,051,639</u>	<u>5,614,355</u>	<u>10,299,039</u>
Total cash and cash equivalents	<u>89,220,855</u>	<u>167,021,182</u>	<u>100,984,812</u>

u) Bonds:

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds (see Note 16). Discounts on the bond issuances of Endesa Chile and its subsidiaries deferred over the term of the respective bonds amounted to ThCh\$ 9,600,354 and ThCh\$ 6,908,551 as of December 31, 2006 and 2007, respectively, presented in "Other assets" (see Note 14).

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2. Summary of Significant Accounting Policies, continued:

v) Financial derivative contracts:

As of December 31, 2006 and 2007, the Company has forward contracts, currency swaps, interest rate swaps and collars with various financial institutions, which are recorded according to Technical Bulletin No. 57 of the Chilean Association of Accountants. Financial derivative contracts are valued at estimated fair values, with certain gains and losses deferred until settlement if the instrument qualifies as a hedge, at which time such amounts are included in earnings as "Other non-operating income and expense" upon the expiration of the contract.

w) Research and development costs:

Costs incurred in research and development by the Company that are general in nature (water-level studies, hydroelectric research, seismic-activity surveys) are expensed as incurred. Studies related to specific and approved construction projects are capitalized. Research and development costs are expensed as incurred and recorded as other operating expenses.

x) Computer software:

The Company has deferred the costs of purchased computer software packages, which are being amortized over a period of three years.

y) Cost of sales and administrative and selling expenses:

The cost of sales line item in the Consolidated Statements of Income includes the cost of the following items: purchased energy and power, materials and fuel used in our operations, tolls, energy transportation, direct production salaries, production related depreciation and amortization, and maintenance of productive assets and other costs of operations. The administrative and selling expenses line item in the Consolidated Statements of Income includes the cost of the following items: general administration of the Company, office supplies and materials, overhead salaries, the allowance for doubtful accounts, amortization and depreciation of assets that are not used in or directly attributable to the production process.

z) Cost recovery:

The Company has not recognized any assets for expected recoveries, through insurance or from others, related to litigation and other legal actions, in the periods presented. The Company records such recoveries only in the case that it is virtually certain such recoveries will be realized. In the case that the Company does record expected recoveries, the Company's policy is to record such amounts as an asset in our consolidated balance sheet, unless a right of offset clearly exists.

aa) Advertising costs:

Advertising costs are expensed as incurred. During the years ended December 31, 2005, 2006 and 2007, the Company recorded ThCh\$ 468,660, ThCh\$ 523,644 and ThCh\$ 297,907 of advertising expense in the income statement in the administrative and selling expense line.

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3. Change in accounting policy

During the year ended December 31, 2007, the Company adopted Circular 1819 issued by the SVS, which requires the consolidation of subsidiaries in the development stage and the recognition of income from development stages in consolidated income rather than in a special component of equity. As a consequence of the adoption of Circular 1819 amounts of gains or losses which had been previously accumulated in this special component of equity were reclassified to the retained earnings balance as of January 1, 2007. The amount reclassified as of January 1, 2007 amounted to ThCh\$ 325,438. Pursuant to the transitory provision of Circular 1819, prior year income statement and balance sheet were not restated.

Reclassifications in the Balance Sheet:

The Company has reclassified the following amounts in presentation as of December 31, 2007:

<u>From Account</u>	<u>Amount ThCh\$ Credit (Debit)</u>	<u>To Account</u>	<u>Amount ThCh\$ Credit (Debit)</u>
Technical revaluation of fixed assets .	(58,408,028)	Buildings and Infrastructure	58,408,028
Income tax.....	(3,428,160)	Recoverable tax.....	3,428,160
Other non-current liabilities.....	352,011	Investments in related companies ..	(352,011)

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4. Time deposits:

Time deposits as of December 31, 2006 and 2007 and the applicable annual interest rates and scheduled maturities as of December 31, 2007 are as follows:

Financial Institution	Annualized Interest Rates %	Scheduled Maturity	As of December 31,	
			2006	2007
			ThCh \$	ThCh\$
Banco Galicia	2.06	January 2, 2008	2,040,457	733,650
Banco Itau Corp Plus	2.06	January 2, 2008	505,122	864,705
Banco Río de la Plata	2.06	January 2, 2008	7,708,848	34,782
Banco Santander	1.6	January 2, 2008	120,973	230,807
Fidubogotá	6.98	January 2, 2008	-	21,539
Banco Río	2.06	January 2, 2008	-	2,737,708
Bank of America	3.17	January 2, 2008	10,813,619	3,269,537
Citibank	3.25	January 2, 2008	21,383,869	2,918,061
Citibank N.A. (Overnight)	3.7	January 2, 2008	-	25,914,600
Citibank New York	6.85	January 2, 2008	3,517,217	7,470,924
Corficolombiana Multiplicar	8.57	January 2, 2008	3,360,227	7,516
Corficolombiana Valor Plus	7.46	January 2, 2008	8,952,792	62,704
Fiducolumbia	8.44	January 2, 2008	7,120,679	6,102
Banco Boston	-	-	14,005	-
Banco Continental	-	-	9,031,979	-
Fiduoccidente	-	-	248,867	-
Fondeos	-	-	17,472,383	-
Banco Frances	-	-	959,791	-
Banco Nationale de Paris	-	-	63,491	-
Pension Fund Correval	-	-	6,311	-
CDT Otros	-	-	259,389	-
Fund Surenta	-	-	2,816,788	-
FAM Fondo Ganadero	-	-	769	-
FCE efectivo BBVA	-	-	112,925	-
FCO sumar	-	-	239,732	-
Fund Surgir	-	-	2,356,388	-
HSBC Argentina	-	-	27,637	-
Serfinco	-	-	2,348	-
Total			<u>99,136,606</u>	<u>44,272,635</u>

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5. Accounts receivable and other receivables:

a. Current accounts receivable, other receivables and related allowances for doubtful accounts as of December 31, 2006 and 2007 are as follows:

Account	As of December 31,							
	2006				2007			
	Under 90 days	91 days to 1 year	Allowance	Total	Under 90 Days	91 days to 1 year	Allowance	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Accounts Receivable ...	156,584,369	2,944,095	(1,806,835)	157,721,629	206,742,345	5,718,569	(1,251,322)	211,209,592
Other Receivables (1) ..	54,714,003	4,143,252	(1,002,093)	57,855,162	58,068,399	2,814,908	(838,045)	60,045,262
Total	<u>211,298,372</u>	<u>7,087,347</u>	<u>(2,808,928)</u>	<u>215,576,791</u>	<u>264,810,744</u>	<u>8,533,477</u>	<u>(2,089,367)</u>	<u>271,254,854</u>

Long-term receivables as of December 31, 2006 and 2007 are ThCh\$ 74,178,594 and ThCh\$ 83,285,957, respectively, net of valuation allowance of ThCh\$ 0 and ThCh\$ 0, respectively. To the extent long-term receivables do not bear interest or an unreasonable interest rate, they are discounted to their present value using a reasonable interest rate.

(1) As of December 31, 2006 and 2007 the balances include amounts of ThCh\$ 31,241,992 and ThCh\$ 29,343,531, respectively that will be reimbursed to Endesa Chile and its subsidiaries for transmission line use.

b. Current and long-term accounts receivable, net of Allowances for Doubtful Accounts, by country as of December 31, 2006 and 2007 are as follows:

Country	As of December 31,			
	2006		2007	
	ThCh\$	%	ThCh\$	%
Chile	113,496,566	39.17%	150,146,254	42.35%
Peru	31,355,196	10.82%	15,658,545	4.42%
Argentina	94,587,267	32.64%	119,948,252	33.83%
Colombia	44,470,809	15.35%	52,118,791	14.70%
Panama (1)	5,845,547	2.02%	16,668,969	4.70%
Total	<u>289,755,385</u>	<u>100.00%</u>	<u>354,540,811</u>	<u>100.00%</u>

(1) Country of incorporation of the wholly-owned subsidiary Compañía Eléctrica Cono Sur S.A.

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5. Accounts receivable and other receivables, continued:

c. Changes in the allowance for doubtful accounts are as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Beginning balance.....	3,817,020	3,482,422	2,808,928
Charged to expense	183,683	397,593	470,532
Write-offs.....	(146,980)	(554,318)	(645,190)
Price-level restatement and conversion adjustment	(371,301)	(516,769)	(544,903)
Ending balance.....	<u>3,482,422</u>	<u>2,808,928</u>	<u>2,089,367</u>

d. Sales recorded but not invoiced are ThCh\$ 81,378,073 ThCh\$ 102,489,278 and ThCh\$ 150,181,755 as of December 31, 2005, 2006 and 2007, respectively.

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6. Transactions with Related Companies:

If not stated otherwise, the balances of current accounts receivable and payable correspond principally to:

- Sales and purchases of electricity and various services, which have payment terms of 30 days and are not adjustable.
- Operating loans, which have adjustment clauses and bear interest.

Balances of accounts receivable and payable classified according to the nature of the related company transaction are as follows as of December 31, 2006 and 2007:

a. Notes and accounts receivable from related companies:

Company Name	As of December 31,			
	Short-term		Long-term	
	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Transmisora Eléctrica de Quillota Ltda.	3,097	1,855,524	-	-
Atacama Finance Co. (1)	66,117	89,682,080	97,222,766	-
Cía de Energía del Mercosur S.A.....	1,304,754	1,596,912	-	-
Chilectra S.A.....	17,277,165	17,265,900	396	369
Cía. Interconexión Energética S.A.	891,479	749,359	-	-
Codensa S.A.....	14,819,700	19,076,824	-	-
Edelnor S.A.....	3,571	2,527,408	-	-
Empresa Eléctrica Piura S.A.	115,539	90,337	-	-
Enersis S.A.	95,591	81,054	-	-
Endesa Brasil S.A.	-	54,596	-	-
Gasoducto Tal Ltda.....	2,119	180	-	-
Gas Atacama Generación Ltda.....	65,906	18,421	-	-
GNL Quintero S.A. (2).....	-	40,175,603	-	-
Cachoeira Dourada S.A.	154	-	-	-
Central Generadora Termoeléctrica de Fortaleza S.A.	98,094	1,792	-	-
Cam Colombia Ltda.	68,820	57,683	-	-
Synapsis Soluciones y Servicios IT Ltda.....	13,684	13,569	-	-
Endesa Internacional S.A.....	28,320	12,669	-	-
GNL Chile S.A.	-	1,873,672	-	-
Gasoducto Atacama Chile S.A.....	304,823	13,096	-	-
Consorcio Ara – Ingendesa Ltda.....	158,496	50,423	-	-
Centrales Hidroeléctricas de Aysén S.A.	-	752,836	-	-
Sociedad Consorcio Ingendesa Ara Ltda.....	8,515	723	-	-
Total	<u>35,325,944</u>	<u>175,950,661</u>	<u>97,223,162</u>	<u>369</u>

(1) The receivables from Atacama Finance Co. correspond to a sponsor loans given by Compañía Eléctrica Cono Sur S.A. originally for the purpose of financing construction works of Gasoducto Atacama Argentina S.A., Gasoducto Atacama Chile S.A. and Gas Atacama Generación S.A. The loans are denominated in US dollars, bear weighted average interest of 7.5% and mature in September 2008.

(2) The receivable from GNL Quintero S.A. represents a sponsor loan to finance the investee's operations and are denominated in US\$. They bear interests of 5.56% p.a. and mature in 2008.

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6. Transactions with Related Companies, continued:

b. Notes and accounts payable due to related companies:

Company Name	As of December 31,			
	Short-term		Long-term	
	2006 ThCh\$	2007 ThCh\$	2006 ThCh\$	2007 ThCh\$
Cachoeira Dourada S.A.	14,623	-	-	-
Compañía de Energía del Mercosur S.A.	15,499	10,281,404	-	-
Compañía de Transmisión del Mercosur S.A.	891,479	749,359	-	-
Chilectra S.A.	49,401	108,590	-	-
Codensa S.A.	3,662,827	2,845,969	-	-
Enersis S.A. (3).	260,877	271,505	-	-
Synapsis Soluciones y Servicios IT Ltda.	817,124	583,572	-	-
Transmisora Eléctrica de Quillota Ltda.	-	32,184	-	-
Compañía Americana de Multiservicios Ltda.	448	84,734	-	-
Electrogas S.A.	239,557	209,417	-	-
Cam Colombia Ltda.	470,150	250,388	-	-
Synapsis Perú Ltda.	350,725	35,003	-	-
Synapsis Colombia Ltda.	131,743	-	-	-
Synapsis Argentina Ltda.	-	79,980	-	-
Gas Atacama Generación S.A.	692,060	31,224	-	-
Gasoducto Tal Tal Ltda.	-	46,585	-	-
Consortio Ara-Ingendesa Ltda.	164,338	333	-	-
Edelnor S.A.	10,416	91,371	-	-
Cam Perú	60,360	27,830	-	-
Empresa Eléctrica Piura S.A.	1,007,991	13,660	-	-
Total	8,839,618	15,743,108	-	-

Short-term accounts receivable from and payable to related companies are related to the sales and purchases of electricity and various services, as well as operating loans. Transactions for electricity and services have payment terms of 30 days and are not adjustable. Operating loans are adjustable and require payment of interest.

(3) The accounts payable to Enersis S.A. for both years result mainly from financing operations. They are denominated in US dollars and bear interest at market rates according to Libor (London Interbank Offer Rate) + 0.955%.

Other short-term receivables and payables bear interest rate of TIP + 0.05%. TIP is an inter-bank average interest rate, which was 4.43% as of December 31, 2007.

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6. Transactions with Related Companies, continued:

c. The most significant transactions and their effects in income (expense) for each year ended December 31 are as follows:

Company	Nature of Transaction	Income (expense)		
		2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Atacama Finance Co.	Interest	5,288,647	6,976,594	7,103,591
	Price-level restatement	4,149,796	2,025,889	6,772,234
	Foreign currency translation	(13,542,589)	1,764,710	(12,992,064)
Cia. Americana Multiservicios Ltda.	Services provided	687	-	243
Cen. Gen. Termoeléctrica de Fortaleza S.A.	Services provided	40,428	249,772	77,547
Com. De Energía del Mercosur S.A.	Sales of energy	12,093,332	6,275,933	9,317,681
	Purchases of energy	(945,257)	(44,599)	(82,981)
	Services received	-	-	(15,725,075)
Codensa S.A.	Purchases of energy	(17,792,086)	(19,480,778)	(16,068,926)
	Sales of energy	70,148,942	55,220,888	59,981,578
	Services provided	70,096	65,183	73,922
	Services received	(1,006,704)	(755,340)	(518,552)
	Interest	-	1,105,836	26,335
Cia. Transmisión del Mercosur S.A.	Purchases of energy	(2,197,357)	(711,303)	-
Cía. Interconexión Energética S.A.	Sales of energy	5,629,825	711,303	-
	Foreign currency translation	172,198	705,681	688,712
Chilectra S.A.	Sales of energy	155,523,040	162,938,076	186,478,941
	Services provided	2,679,503	2,672,345	2,729,140
	Services received	(93,753)	(106,678)	(700,228)
Gas Atacama Generación S.A.	Services provided	158,166	1,042,030	353,218
Empresa Eléctrica Piura S.A.	Sales of energy	776,121	728,503	261,641
	Services provided	2,767	100,003	14,031
Enersis S.A.	Interest	(435,551)	(197,595)	(1,205,197)
	Services provided	340,578	141,716	1,085,823
	Foreign currency translation	747,586	109,464	-
	Services received	-	-	(980,069)
Endesa Internacional S.A.	Services received	-	(4,427,229)	-
	Interest	-	(80,608)	-
	Price-level restatement	-	(64,736)	-
	Foreign currency translation	-	(13,632)	-
Ingendesa do Brasil Ltda.	Services received	(5,059)	-	-
Consortio Ingendesa ARA Ltda.	Services provided	235,305	176,960	620,670
Etevensa S.A.	Sales of energy	1,101,957	-	-
	Services provided	587,847	-	-

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6. Transactions with Related Companies, continued:

c. The most significant transactions and their effects in income (expense) for each year ended December 31, continued:

Company	Nature of Transaction	Income (expense)		
		2005	2006	2007
		ThCh\$	ThCh\$	ThCh\$
Electrogas S.A.	Purchases of gas	(1,702,881)	(2,112,880)	(2,740,516)
Endesa Brasil S.A.	Services provided	73,898	195,215	268,088
Edelnor S.A.	Sales of energy	29,006,449	27,085,030	25,243,296
Endesa, S.A.	Services provided	43,004	-	-
Synapsis Argentina Ltda.	Services received	-	-	(111,202)
Cam Colombia Ltda.	Services received	(379,945)	(535,555)	(592,296)
Cam Perú S.A.	Services received	(46,335)	(350,727)	(6,049)
Synapsis Sol y Serv. IT Ltda.	Services received	(2,005,250)	(2,115,080)	(2,518,448)
	Services provided	-	-	548,651
Synapsis Colombia	Services received	(485,353)	(525,099)	(748,736)
Synapsis Brasil Ltda.	Services received	(94,753)	1,849	-
Synapsis Perú Ltda.	Services received	(300,741)	(297,840)	(176,371)
Consorcio ARA – Ingendesa Ltda.	Services provided	2,068,892	859,252	30,155
Cachoeira Dourada S.A.	Services provided	34,841	9,258	17,863
Transmisora Eléc. De Quillota Ltda.	Interest	66,506	28,879	-
	Services provided	5,264	5,497	-
Ampla Energía y Servicios S.A.	Services provided	86,231	-	-
Sociedad Agrícola Pastos Verdes	Services provided	-	9,646	7,262
Consorcio Ingendesa Minmetal Ltda.	Services provided	114,317	67,725	-
GNL Quintero S.A.	Interest	-	-	802,022
	Exchange rate difference	-	-	(3,114,788)
	Price-level restatement	-	-	1,310,042
Centrales Hidroeléctricas de Aysén S.A.	Services provided	-	-	2,958,049
	Price-level restatement	-	-	23,844
	Interest	-	-	5,675

These transactions were carried out at prices that approximate market value. The transfer of short-term funds between related companies, which are not for collection or payment of services, is on the basis of a current cash account, at a variable interest rate based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30-day terms, with automatic rollover for the same period and settlement in line with cash flows.

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7. Income taxes:

a. Taxes recoverable (payable) as of each year-end are as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Income tax provision	(54,170,977)	(8,246,699)
Value added tax (payable) recoverable	(1,774,565)	58,863,882
Income tax recoverable	7,719,535	6,017,607
Net tax position recoverable (payable)	(48,226,007)	56,634,790

b. In accordance with BT No. 60 and complementary bulletins thereto of the Chilean Association of Accountants, and applicable circulars issued by the SVS, the Company and its subsidiaries have recorded consolidated deferred income taxes as of December 31, 2006 and 2007 as follows:

	As of December 31, 2006				As of December 31, 2007			
	Asset		Liability		Asset		Liability	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Accounts receivables	1,345	9,484,435	-	-	395	7,271,529	-	-
Deferred income	74,281	989,257	-	-	104,558	903,656	-	-
Vacation accrual	521,481	-	-	-	548,144	-	-	-
Assets in leasing	-	-	-	498,992	-	-	-	1,058,920
Depreciation	-	-	-	285,738,376	-	-	-	289,130,419
Severance indemnities	-	-	-	1,105,858	-	-	-	985,660
Deferred Expenses	-	-	-	835,747	-	-	-	705,803
Capitalized interest	-	-	-	14,754,749	-	-	-	14,099,991
Tax loss carryforwards	-	48,568,311	-	-	-	23,506,004	-	-
Contingencies	1,071,131	1,414,357	-	-	1,132,214	2,730,346	-	-
Imputed interest on construction	-	-	-	4,034,502	-	-	-	3,959,224
Costs of studies	-	-	-	9,043,752	-	-	-	8,960,610
Spare parts used	-	-	-	871,574	-	-	-	806,387
Accrued liabilities	101,292	-	-	-	615,647	-	-	-
Bonds discount	-	-	-	358,920	-	-	-	235,630
Intangibles	-	-	-	450,082	-	-	-	332,280
Recoverable contributions to assets	-	-	-	419,902	-	-	-	318,469
Provision for obsolete spare parts	-	1,741,792	-	-	-	1,445,992	-	-
Pension benefits	515,069	992,332	-	-	483,608	890,494	-	-
Deferred bond discount	-	-	-	963,817	-	-	-	897,343
Capitalized commission for loans	-	-	-	92,871	-	-	-	50,783
Other events	-	-	-	1,200,836	-	-	-	954,568
Complementary accounts, net	-	(4,707,463)	-	(145,458,117)	-	(4,285,763)	-	(134,154,437)
Valuation allowance	-	(30,241,236)	-	-	-	(3,062,227)	-	-
Total	2,284,599	28,241,785	-	174,911,861	2,884,566	29,400,031	-	188,341,650
Net deferred tax balance	2,284,599	-	-	(146,670,076)	2,884,566	-	-	(158,941,619)

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7. Income taxes, continued:

c. Income tax expense for the years ended December 31, 2005, 2006 and 2007 is as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Current income tax (expense) benefit			
Income tax provision	(65,947,139)	(111,297,525)	(80,754,221)
Adjustment from prior periods	-	4,526,691	749,004
Deferred tax (expense) benefit			
Deferred taxes.....	(29,340,975)	(23,907,656)	(49,644,715)
Amortization of complementary accounts.....	(3,487,128)	(9,762,791)	(9,745,330)
Change in valuation allowance (1).....	(983,477)	(116,596)	25,998,339
Other charges or credits.....	(1,074,231)	17,726	(16,575)
Total	<u>(100,832,950)</u>	<u>(140,540,151)</u>	<u>(113,413,498)</u>

(1) During the year ended December 31, 2007, due to the reorganization of subsidiaries in Colombia (see note 10 c. (v)), the Company was able to recover tax loss carryforwards recorded in the former subsidiary Betania. These tax loss carryforwards and the related deferred tax assets were previously fully covered by a valuation allowance. As a result of the transaction the tax loss carryforwards and the related deferred tax asset were recovered and the related valuation allowance has been reversed.

8. Other current assets:

Other current assets as of each year-end are as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Advance payments.....	143,724	133,821
Repurchase agreements.....	39,333,717	27,015,926
Other	91,849	673,233
Total	<u>39,569,290</u>	<u>27,822,980</u>

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9. Property, plant and equipment:

The composition of Property, plant and equipment as of each year end is as follows:

	Estimated years of useful lives	As of December 31,	
		2006	2007
		ThCh\$	ThCh\$
Land	-	55,889,296	52,942,477
Buildings and infrastructure	35 – 65	5,992,547,217	5,847,775,979
Distribution and transmission lines and public lighting	35	24,093,972	29,912,309
Machinery and equipment	10 – 30	1,262,263,500	1,144,896,780
Construction in progress	-	57,832,722	54,680,205
Property, plant and equipment in leasing (1)	-	106,463,451	78,197,506
Furniture and fixtures, tools, software and IT equipment	3 – 10	23,328,255	22,130,533
Vehicles	6 – 10	1,945,460	1,712,994
Other assets	3 – 8	4,567,768	12,331,275
Sub-total		194,137,656	169,052,513
Technical appraisal	-	12,803,027	12,833,487
Total Property, plant and equipment		7,541,734,668	7,257,413,545
Less: Accumulated depreciation		<u>(3,084,015,752)</u>	<u>(3,091,985,473)</u>
Total Property, plant and equipment, net		<u>4,457,718,916</u>	<u>4,165,428,072</u>

(1) Refers to leasing contracts listed below.

(i) A leasing contract exists between the Company and Abengoa Chile S.A. for transmission lines and the related technical installations. This contract has a duration of 20 years and the annual interest rate per year is 6.5%. (see also Note 32 p)

(ii) Corresponds to a contract to remodel a power plant operated by the former subsidiary Etevensa. The project is being carried out by the Company and the financial institutions: Banco de Crédito del Perú, BBVA, Banco Continental, and Citibank. This contract is for 8 years and bears an annual interest rate of Libor + 2.5%. (see also Note 32 p)

Depreciation expense, including depreciation of assets held in capital leases, was ThCh\$ 186,931,777, ThCh\$ 188,279,191 and ThCh\$ 192,975,973 for the years ended December 31, 2005, 2006 and 2007, respectively.

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10. Investment in related companies:

a. Investments as of each year-end are as follows:

Related Companies	As of December 31, 2006	As of December 31, 2007			Carrying Value		Equity in Net Earnings (Losses)		
	Percentage Owned	Number of Shares	Percentage Owned	Related Equity	2006	2007	2005	2006	2007
	%		%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Comp. De Interconexión Energética S.A. (1)	-	-	-	-	-	-	(8,456,356)	-	-
Gas Atacama Generación S.A.	0.05%	-	0.05%	(5,006,882)	13,958	(2,504)	(5,524)	(8,279)	(14,633)
Gasoducto Atacama Argentina S.A.	0.05%	-	0.03%	117,961,103	39,363	35,388	4,644	5,662	(437)
Gasoducto Atacama Chile S.A.	0.05%	-	0.05%	93,723,709	43,459	46,862	6,552	6,070	9,434
Centrales Hidroeléctricas de Aysén S.A.(2)	51.00%	1,702,124	51.00%	29,258,515	10,939,474	14,921,838	-	-	(985,219)
Inversiones Electrogas S.A.	42.50%	425	42.50%	17,260,328	7,832,630	7,335,639	1,918,728	2,005,331	2,246,836
Inversiones Gas Atacama Holding Ltda. (3)	50.00%	-	50.00%	152,292,311	95,857,601	27,255,769	6,818,420	3,053,646	(56,045,596)
Comerc. Energía del Mercosur S.A.	45.00%	6,305,400	45.00%	7,588,668	3,990,917	3,414,901	54,631	845	(53,257)
Transmisora Eléctrica de Quillota Ltda.	50.00%	-	50.00%	8,075,084	3,705,885	4,037,542	188,156	229,956	331,656
Endesa Brasil S.A. (1)	40.45%	67,256,360	40.45%	948,146,991	436,786,086	383,553,540	14,099,465	40,068,416	44,114,265
Gas Atacama S.A.	0.001%	1,147	0.001%	157,594,012	2,209	1,808	153	78	(113)
Electrogas S.A.	0.02%	85	0.02%	16,028,805	3,618	3,406	985	1,034	1,161
Distrilec Inversora S.A.	0.89%	4,416,141	0.89%	252,637,584	2,462,014	2,242,073	(96,196)	(126,194)	102,552
Consortio ARA – Ingendesa Ltda.	50.00%	-	50.00%	212,273	173,744	106,137	160,729	99,958	140,491
Sociedad Consortio Ingendesa ARA Ltda.	50.00%	-	50.00%	23,820	83,031	11,910	67,401	63,022	(13,966)
Consortio Ingendesa – Minmetal Ltda.	50.00%	-	50.00%	32,800	15,656	16,400	117,903	78,940	746
Consortio ARA Ingendesa Sener Ltda.	-	-	33.33%	(5,283)	-	(1,761)	-	-	(2,094)
GNL Chile S.A.	23.57%	3,023,642	33.33%	(1,708,857)	(352,011)	(569,619)	-	-	(137,496)
GNL Quintero S.A. (4)	-	200	20.00%	7,950,210	-	1,590,042	-	-	(147,132)
Central Térmica San Martín S.A.	23.10%	500,006	23.10%	70,987	19,441	16,398	-	-	-
Central Térmica Manuel Belgrano S.A.	23.10%	500,006	23.10%	70,983	19,441	16,397	-	-	-
Total					<u>561,636,516</u>	<u>444,032,166</u>	<u>14,879,691</u>	<u>45,478,485</u>	<u>(10,452,802)</u>

(1) See Note 10 (c) (i.)

(2) See Note 10 (b) (ii.)

(3) See Note 10 (g)

(4) See Note 10 (b) (iii.)

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10. Investment in related companies, continued:

b. Constitution of companies

- (i) On April 18, 2005, Endesa Chile and its subsidiary Enigesa formally constituted a new subsidiary which was named Endesa Eco S.A., whose main objective is to promote and develop projects of renewable energy. The shareholders' equity of the new subsidiary is ThCh\$ 636,001 divided in 5,800,000 nominative shares without nominal value. Endesa Chile subscribed 5,799,420 shares which represent 99.99% of the paid-in capital and effectively paid 1,799,820 shares for the sum of ThCh\$ 197,360; the company's subsidiary Enigesa subscribed 580 shares representative of 0.01% of the paid-in capital and paid 180 shares for a sum of ThCh\$ 20. The unpaid balance will be paid proportionally by each shareholder within three years from the constitution date.
- (ii) On September 4, 2006, Endesa Chile and its subsidiary, Endesa Inversiones Generales S.A., formally constituted a new subsidiary named Centrales Hidroeléctricas de Aysén S.A., whose main objective is the development, financing, ownership, and exploitation of a hydroelectric project in the Region XI in Aysén, Chile. The shareholder's equity of the new subsidiary is ThCh\$ 1,000, divided in 100 nominative shares, all of the same unique series, of equal value and without nominal value. Endesa Chile subscribed 99 shares, representing 99% of the paid-in capital and effectively paid ThCh\$ 1059 for all 99 shares; Endesa Inversiones Generales S.A. subscribed 1 share, representing 1% of the paid-in capital and effectively paid ThCh\$ 11 for 1 share.

On September 21, 2006 Centrales Hidroeléctricas de Aysén S. A. ("Aysén") celebrated its First General Shareholders' Meeting and approved a capital increase of ThCh\$ 20,000,000 divided into 2,000,000 nominative shares, all of the same unique series, of equal value and without par value. All of which will be subscribed to and effectively paid within three years from the date of the First General Shareholders' Meeting. Accordingly, of the 1,999,000 shares corresponding to the capital increase, Endesa Chile will subscribe to 1,019,900 shares, representing 51% of the capital increase and 50.99995% of current shareholders' equity, while the new shareholder, Colbún S.A., is subscribing to 980,000 shares representing 49% of the capital increase. Endesa Inversiones Generales S.A. will not exercise its preferential right to subscribe to shares. Therefore, its participation in the current shareholders' equity will be 0.00005%

As of October 10, 2006, Endesa Chile subscribed to and effectively paid ThCh\$ 10,909,900 for 1,019,899 shares, which corresponds to Ch\$ 10,000 per share. This amount is equal to the placement price agreed to in Centrales Hidroeléctricas de Aysén S.A.'s First General Shareholders' Meeting. In the same transaction, the Company subscribed to and effectively paid Ch\$ 10,000 for 1 share, an amount that is equal to the placement price agreed to in Centrales Hidroeléctricas de Aysén S.A.'s First General Shareholders' Meeting. The payment of the subscribed share was made in conformity with the terms established in the public deed "Payment of Acquired Shares by Transfer of Bare Property and the Granting of Usufruct of Groundwater Rights", which has been subscribed to by all parties to date with the sum of ThCh\$ 11 paid in cash and through contribution of the bare property of the groundwater rights that are described in the aforementioned deed.

On October 16, 2007, Aysén increased its paid-in capital by ThCh\$ 13,375,000 by issuing 1,337,500 shares without par value. The Company subscribed 682,125 of the issued shares paying ThCh\$ 3,848,089 in cash and ThCh\$ 1,119,500 by capitalization of an intercompany receivable between the Company and Aysén.

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10. Investment in related companies, continued:

- (iii) On March 9, 2007, the Company subscribed 200 of the 1,000 nominative shares issued by GNL Quintero S.A. for the amount of Th\$ 2,011,863, giving Endesa Chile a participation of 20% in the newly constituted company.
- (iv) On October 29, 2007, the entity Central Eólica Canela S.A. ("Canela") was created, with the Company's subsidiary Endesa Eco S.A. subscribing 75% of the issued shares. The 25% were subscribed by Centinela S.A., an unrelated party. In addition, Centinela S.A. subscribed a put-option for its participation in Canela, establishing that the participation can be sold to Endesa Eco S.A. on or after October 29, 2012.

c. Reorganizations of entities under common control

- (i) Endesa Brasil S.A. was formed on June 10, 2005 as part of a reorganization of entities under common control. Its main objective is to be the holding company of other companies and societies that are direct or indirect participants in the electric sector, including transmission, distribution, generation and commercialization of electric energy in Brazil and offshore. Endesa Brasil was created as an energy holding concentrating all the electric assets of Endesa, S.A.'s group in Brazil.

Endesa Brasil holds shares in the following companies: Companhia de Interconexão Energética – CIEN, Central Geradora Termelétrica Fortaleza – CGTF, Companhia de Energética do Ceará – COELCE, Ampla Energia e Serviços S.A., Ampla Investimentos e Serviços S.A., Investluz S.A. and Centrais Elétricas Cachoeira Dourada S.A. – CDSA.

With respect to the above mentioned companies, all the shares formerly controlled by companies belonging to the Endesa Chile group were transferred to Endesa Brasil S.A. The contributions were made by Enersis, Endesa Chile, Chilectra and Endesa Internacional. Endesa Chile, through its subsidiaries Edegel S.A. and Compañía Eléctrica Cono Sur S.A. contributed their investments in Cachoeira Dourada S.A. (99.61%) and CIEN (45%), in exchange for participation in Endesa Brasil as follows: Edegel S.A. 4.18% and Compañía Eléctrica Cono Sur S.A. 36.27%.

The economic participation of the Company in Endesa Brasil S.A. is 37.85%.

- (ii) On September 6, 2005, the Company acquired 189,000 shares of Ingendesa S.A. for ThCh\$ 66,458, increasing its direct participation in that company to 98.75%.
- (iii) On November 22, 2005, the Company sold 1 share of Compañía Eléctrica San Isidro S.A. to Endesa Inversiones Generales S.A., for the amount of ThCh\$ 15.
- (iv) On August 3, 2007, the Company's wholly owned subsidiaries Compañía Eléctrica Cono Sur S.A. and Endesa Chile Internacional S.A. were merged, with Compañía Eléctrica Cono Sur S.A. being the absorbing entity. As of the date of the merger both entities were under common control of the Company, the transaction was accounted for as a reorganization of entities under common control using the pooling-of-interests method to combine the balance sheets and income statements of the involved entities.

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10. Investments in related companies, continued:

- (v) On September 1, 2007, the Company's subsidiary Betania and its subsidiary Emgesa were merged, by Betania absorbing Emgesa and the merged entity then changing its name to Emgesa. Prior to the merger, the Company directly and indirectly owned 99.99% in Betania and through Betania 23.45% in Emgesa. Pursuant to a shareholders' agreement, the Company had controlled Emgesa prior to the merger. The merger was materialized by Betania issuing shares in exchange for the investment in Emgesa. As a result of the exchange ratio agreed between the shareholders of former Emgesa, and the subsequent exchange of Emgesa shares against Betania shares, the Company increased its participation in Emgesa (merged entity) to 26.87%.

The shareholders of former Emgesa, Endesa Chile and Endesa Internacional are under common control of Endesa, S.A., the Company's ultimate parent company to the extent minority interest is not affected. Consequently, pursuant to Technical Bulletin No. 72, the transaction was accounted for as a common control transaction, using the pooling-of-interest method to combine the balance sheets and income statements of the merged entities, resulting in a decrease of other reserves of ThCh\$ 94,522,106.

All the transfers were recorded at book value of the related investments.

d. Acquisitions

- (i) On August 11, 2005, the Company and its subsidiary Endesa Inversiones Generales S.A. acquired 99.999% and 0.001% of Inversiones Lo Venecia Ltda., for amounts of ThCh\$ 9,167,709 and ThCh\$ 90, respectively. Lo Venecia Ltda was the owner of 25.001% of the paid-in capital of Compañía Eléctrica San Isidro S.A. As a result, Endesa Chile now directly and indirectly owns 100% of the shares of Compañía Eléctrica San Isidro S.A.

In accordance with Technical Bulletin No.72 of Chilean Association of Accountants and the standards established in the Circular No.1697 of the Chilean Superintendence of Securities and Insurance, the Company recorded the acquisition under the purchase method, valuing the proportion of all assets and liabilities acquired of Compañía Eléctrica San Isidro S.A. from third parties as of July 31, 2005 at their respective fair values.

The difference determined by the Company between the fair value and the carrying value of Compañía Eléctrica San Isidro S.A. shareholders' equity as of the acquisition date amounted to ThCh\$ 7,287,452, and it is due to the higher economic value of property, plant and equipment compared to their carrying value. This amount assigned to the property, plant and equipment will be depreciated over 18 years, which was the estimated remaining useful life of these assets at the time of acquisition.

- (ii) On January 13, 2006 the Company acquired 5,500 shares in Empresa Eléctrica Pangué S.A. for the sum of ThCh\$ 6,055, increasing its direct participation in this entity to 94.97%.

On July 20, 2006, the Company acquired 3,500 shares in Empresa Eléctrica Pangué S.A. for the sum of ThCh\$ 3,774, increasing its participation to 94.98 % (94.97% as of December 31, 2005).

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10. Investments in related companies, continued:

- (iii) On June 1, 2006 a merger occurred in Peru through the absorption of Empresa de Generación Termoeléctrica Ventanilla S.A. ("Etevensa") by the Company's indirect subsidiary Edegel S.A.

In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants, this reorganization of companies under common control is accounted for using the pooling of interests method. As a result of the merger, which materialized through stock issued by the Company's indirect subsidiary Edegel, the Company decreased its indirect participation in Edegel, held through its investment vehicle Generandes Perú S.A. to 55.44% (63.56% as of December 31, 2005) and a decrease in equity was recognized in other reserves amounting to ThCh\$ 10,309,867.

- (iv) On October 5, 2004, Corporación Financiera del Valle ("Corfivalle") committed to withdrawing as a shareholder of Central Hidroeléctrica de Betania S.A.E.S.P., through an exchange of assets between Corfivalle and Endesa Chile, which was to take place as soon as the legal processes defined by both parties was to be settled. On December 29, 2006, the transaction was legally formalized and effective.

As a result of the finalized transaction, Endesa Chile through its indirect subsidiary Betania transferred a transformer station previously owned by Betania and 3.81% participation in Empresa de Energía de Bogotá S.A. E.S.P. to Corfivalle in exchange for 14.3% participation in Central Hidroeléctrica de Betania S.A. E.S.P. which, prior to the formalization of the transaction was owned by Corfivalle. Consequently, the Company increased its participation in Central Hidroeléctrica de Betania S.A. E.S.P. from 85.62% to 99.99%.

In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants and Circular No. 1697 of the Superintendence of Securities and Insurance, the Company accounted for the purchase of minority interest in Betania under the purchase method and consequently valued the assets and liabilities acquired from Central Hidroeléctrica de Betania S.A., at their respective fair values. As a result of this evaluation, it was concluded that the fair values do not significantly differ from the book values.

Consequently, the aforementioned purchase of minority interest was recorded in conformity with Technical Bulletin No. 72 of the Chilean Association of Accountants and resulted in a negative goodwill amounting to ThCh\$ 7,855,746.

- (v) On February 27, 2007, the Company purchased 19,574,798 of the outstanding ordinary shares of Southern Cone Power Argentina S.A.. These shares represented 100% of the outstanding shares and were purchased for ThCh\$ 5,505,301 in cash. The acquired entity owns 5.5% of the outstanding class A shares of Endesa Costanera S.A.. Through the purchase of Southern Cone Power Argentina, the Company increased its participation in Endesa Costanera S.A. to 69.77%. In accordance with Technical Bulletin No. 72, the transaction represents a purchase of minority interest and consequently was accounted for under the purchase method.

- (vi) On March 8, 2007, the Company purchased for US\$ 50,000,000 in cash, 2,734,110 class R shares and 1,733,390 class L shares, equivalent to 25% of the outstanding shares of Hidroinvest S.A., the controlling company of Endesa Chile's subsidiary Hidroeléctrica el Chocón S.A. and additionally 7,405,768 shares of Hidroeléctrica el Chocón S.A.. As a result, the Company increased its direct and indirect participation in Hidroeléctrica el Chocón S.A. to 67.67%. In accordance with Technical Bulletin No. 72, the transaction represents a purchase of minority interest and consequently was accounted for under the purchase method resulting in negative goodwill amounting to ThCh\$ 2,035,385 related to the purchase of minority interest of Endesa Costanera and negative goodwill amounting to ThCh\$ 5,356,840 related to the purchase of minority interest of Hidroeléctrica el Chocón S.A.

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10. Investments in related companies, continued:

(vii) On March 27, 2007, Sociedad Concesionaria Túnel el Melón S.A. increased its paid-in capital by issuing 3,169,614,306 shares at a total amount of ThCh\$ 32,042,220, with the Company subscribing for 100%, through a cash payment of ThCh\$ 16,927,339 and capitalization of loans in the amount of ThCh\$ 15,114,821, thereby increasing the Company's participation in that company by 0.01% to 100% .

e. Dissolution of related parties:

(i) As of October 3, 2005 Sociedad Lajas Inversoras S.A., owner of 99.61% of the Brazilian company Cachoeira Dourada S.A. was dissolved and liquidated. The assets of the company were allocated among all shareholders proportionally to their participation, meaning that the Company's indirect subsidiary Edegel S.A. received 11.47% of these assets and the Company's subsidiary Compañía Eléctrica Cono Sur S.A. received 88.53% of these assets.

(ii) On November 29, 2005, the Company acquired 0.001% of Inversiones Lo Venecia Ltda. (see Note 10 d. (i)) for the amount of ThCh\$ 91. As a result of this purchase, Inversiones Lo Venecia Ltda. ceased to exist as a separate legal entity, given that the Company already owned the remaining 99.999% of its shares. All assets and liabilities owned by Lo Venecia Ltda. were transferred to Endesa Chile.

(iii) On November 29, 2005, the Company transferred the assets of Inversiones Eléctricas Quillota S.A. to Endesa Chile. (individual entity) through the dissolution of Inversiones Eléctricas Quillota.

(iv) As a result of a reconciliation agreement signed on October 5, 2004, Corporación Financiera del Valle (Corfivalle) will withdraw its participation in Central Hidroeléctrica de Betania S.A. E.S.P. through an exchange of assets between Grupo Corfivalle and the Company. This agreement was formalized during 2006 when the legal processes defined by both parts are completed. Afterwards, the assets were transferred.

In this transaction, the Company was to transfer Betania S.A. E.S.P.'s electric substation as well as 3.81% of its participation in Empresa de Energía de Bogotá S.A. E.S.P. to Corfivalle in exchange for Corfivalle's 14.3% participation in Central Hidroeléctrica de Betania S.A. E.S.P.

The parties, understanding that the measures necessary to complete the asset transfer would occur gradually, have granted usufruct of political and economic rights of the aforementioned assets, which was exchanged on January 1, 2004. Hence, the Company's 3.81% participation in Empresa Eléctrica de Bogotá S.A., which was subject to complete execution of this agreement, was shown under other assets.

As a first step of the transaction, on January 30, 2006, Capital Energía S.A. ("Cesa") was dissolved and liquidated. Cesa owned 48.48% of Emgesa S.A.. Central Hidroeléctrica Betania S.A. controlled Cesa with 51.00% participation.

In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants, this transaction performed by companies under common control was accounted for using the pooling of interests method. As a result of the transaction, the Company increased its indirect participation in Emgesa to 23.45%. (22.36% as of December 31, 2005). In addition, an increase in equity was recognized in other reserves amounting to ThCh\$ 3,425,179 and a negative goodwill of ThCh\$ 7,855,746 was registered.

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10. Investments in related companies, continued:

f. Net investment hedge

In accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants for the years ended December 31, 2005, 2006 and 2007, the Company has designated long-term liabilities as hedging instruments for net investments in foreign countries, when the functional currency of those investments is the same currency in which the liability is denominated. The Company recorded foreign exchange gains and losses on those liabilities as cumulative translation adjustments in shareholders' equity. To the extent that liabilities exceed the total investment, the gain or loss on this ineffective portion of the hedge is recorded in current income. As of December 31, 2006 and 2007, the corresponding investments and associated liabilities are as follows:

Company	As of December 31, 2007			
	Country of Origin	Investment	Functional Currency	Associated Liability
		ThCh\$		ThCh\$
Emgesa S.A.	Colombia	178,159,768	US\$	227,962,660
Endesa Brasil S.A.	Brazil	343,878,661	US\$	345,844,624
Edegel S.A.	Peru	123,522,245	US\$	105,048,701
Hidroeléctrica el Chocón S.A.	Argentina	209,430,225	US\$	70,068,527
Comercializadora de Energía del Mercosur S.A.	Argentina	3,414,901	US\$	2,328,177
Endesa Costanera S.A.	Argentina	76,640,125	US\$	42,241,091
Distrilec Inversora S.A.	Argentina	2,242,073	US\$	1,123,130
Total		937,287,998		794,616,910

Company	As of December 31, 2006			
	Country of Origin	Investment	Functional Currency	Associated Liability
		ThCh\$		ThCh\$
Central Hidroeléctrica Betania S.A.	Colombia	355,604,911	US\$	262,323,761
Endesa Brasil S.A.	Brazil	391,604,818	US\$	397,974,223
Edegel S.A.	Peru	150,895,239	US\$	120,882,825
Hidroeléctrica El Chocón S.A.	Argentina	189,228,513	US\$	84,283,253
Comercializadora de Energía del Mercosur S.A.	Argentina	3,990,917	US\$	2,674,710
Endesa Costanera S.A.	Argentina	88,845,906	US\$	52,242,841
Distrilec Inversora S.A.	Argentina	2,462,014	US\$	1,292,422
Total		1,182,632,318		921,674,035

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10. Investments in related companies, continued:

g. Impairment of investment accounted for under the equity-method

During the year ended December 31, 2007, the Company recorded an impairment charge of its investment in Inversiones Gas Atacama Holding Limitada and subsidiaries, as the Company believes that the investment is other-than-temporary impaired.

Gas Atacama Holding Limitada and its subsidiaries operate gas pipelines between Argentina and Chile, as well as power generating thermo-electrical plants in the north of Chile.

Gas Atacama's subsidiary GasAtacama Generación S.A. (GAG), has been notified of the arbitration sentence in its dispute with the electricity distribution companies Empresa Eléctrica de Arica S.A., Empresa Eléctrica de Iquique S.A. and Empresa Eléctrica de Antofagasta S.A., before the arbitrator Ricardo Peralta, in which GAG demanded the termination of the electricity supply contracts signed with those distributors.

The result of the arbitration has been unfavorable for GAG, thus further aggravating the entities's delicate operative and financial situation.

Due to the facts and circumstances described above, the Company believes that the impairment of its investment in Gas Atacama is other-than-temporary as it is rather influenced by changes in the economical environment, situation of raw material supply and other circumstances which are not deemed to be temporary in nature.

The Company performed an impairment test by comparing the fair value of the investment in Gas Atacama (determined using a discounted cash-flow approach as no market value is available) to the respective carrying amount (including goodwill), resulting in the investment (including goodwill) being impaired.

Thus, as of December 31, 2007, the Company recorded a total impairment charge of ThCh\$ 48,953,062 in its Consolidated Statements of Income, which is comprised of ThCh\$ 62,675 of impairment charge of goodwill recorded over the investment in Inversiones Gas Atacama Holding and ThCh\$ 48,890,387 related to the impairment of the investment accounted for under the equity method. These amounts were recorded within the lines "Amortization of goodwill" and "Equity participation in losses of related companies", respectively in the Consolidated Statement of Income.

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11. Investments in other companies:

Investments in other companies as of December 31, 2006 and 2007 are as follows:

Company	Number of shares	Percentage owned as of December 31, 2007	As of December 31, 2006	As of December 31, 2007
		%	ThCh\$	ThCh\$
Club de la Banca y Comercio	1	-	2,212	1,892
Club Empresarial	1	1.00%	24,749	21,538
Empresa Eléctrica de Aysén S.A	2,516,231	-	2,317,758	2,326,312
Cooperativa Eléctrica de Chillán Ltda.	-	-	15,181	15,180
CDEC-SIC Ltda	-	14.36%	146,315	175,836
CDEC-SING Ltda	-	7.69%	164,009	278,359
Financiera Eléctrica Nacional S.A.	4,098	0.10%	118,415	102,905
Electrificadora de la Costa S.A.	6,795,148	0.14%	98,271	85,398
Electrificadora del Caribe S.A.	42,784,058	0.10%	1,301,957	1,123,983
Total			4,188,867	4,131,403

These investments are stated at price-level restated cost as no they are not traded on an open market.

12. Goodwill and Negative Goodwill:

a. Goodwill as of December 31, 2006 and 2007 and the related amortization for each of the years ended December 31, is as follows:

Company	As of December 31,				
	Amortization			Net Balance	
	2005	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Emgesa S.A.	1,263,902	777,629	619,125	8,427,566	6,704,537
Gasoducto Atacama Chile Ltda. (1)	5,613	5,613	68,288	68,288	-
Edegel S.A.	32,079	32,639	25,967	353,587	281,305
Pangue S.A.	196,711	196,711	196,711	3,065,409	2,868,698
Total	1,498,305	1,012,592	910,091	11,914,850	9,854,540

(1) During the year ended December 31, 2007, in addition to ordinary annual amortization of ThCh\$ 5,613, the Company recorded goodwill impairment amounting to ThCh\$ 62,675, resulting in a complete impairment of goodwill recorded over this investment. See Note 10 g) for details.

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12. Goodwill and Negative Goodwill, continued:

b. Negative goodwill as of December 31, 2006 and 2007 and the related amortization for each of the years ended December 31, is as follows:

Company	As of December 31,				
	Amortization			Net Balance	
	2005	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Edegel S.A.	8,050,476	1,819,292	1,580,988	23,802,402	19,103,601
Endesa Costanera S.A.	2,722,178	2,769,662	2,495,374	7,616,584	6,247,414
Emgesa (see note 10 c. (v))	6,016,058	1,895,278	97,005	7,855,746	6,296,047
Hidroeléctrica el Chocón (see note 10 d. (vi))	-	-	208,709	-	5,356,840
Total	16,788,712	6,484,232	4,382,076	39,274,732	37,003,902

13. Other intangible assets:

The detail of other intangibles as of each year-end is as follows:

Item	Estimated Useful life Months	As of December 31,					
		2006			2007		
		Total	Accumulated	Net Balance	Total	Accumulated	Net Balance
	Months	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Easements	24	3,100,017	(2,321,848)	778,169	3,414,788	(2,639,800)	774,988
Water rights	1,440	15,002,886	(2,096,034)	12,906,852	12,803,954	(1,960,148)	10,843,806
Salex-fourth line Comahue	60	7,460,675	(3,523,350)	3,937,325	6,483,421	(3,491,149)	2,992,272
Software	36	1,641,745	(1,319,376)	322,369	2,321,276	(1,589,544)	731,732
Other	36-60	380,139	(356,124)	24,015	234,038	(215,223)	18,815
Total		27,585,462	(9,616,732)	17,968,730	25,257,477	(9,895,864)	15,361,613

Amortization expense for the years ended December 31, 2005, 2006 and 2007 amounted to ThCh\$ 1,315,574, ThCh\$ 1,189,822 and ThCh\$ 1,221,526, respectively.

14. Other assets:

Other assets as of each year-end are as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Bond discount (1)	9,600,354	6,908,551
Reimbursable contributions	2,470,010	1,873,345
Deferred commissions on loans and lines of credit	7,670,737	6,205,250
Minimum tax on productive assets (Argentina)	13,567,456	8,236,877
Capitalized debt issuance costs (1)	4,558,723	3,421,213
Unrealized loss on derivative contracts	1,331,350	1,349,967
Other	1,367,107	654,066
Total	40,565,737	28,649,269

(1) During the year ended December 31, 2007, the Company repaid its series G bonds and completely amortized the related deferred bond-discount and capitalized bond issuance costs totaling ThCh\$ 2,448,157.

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15. Debt due to banks and financial institutions:

a. Short-term debt due to banks and financial institutions:

Financial Institution	Foreign Currency				Local Currency		Total	
	US\$		Other Foreign Currencies		Ch\$		2006	2007
	2006	2007	2006	2007	2006	2007		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco BBVA Bhif	-	-	-	-	-	1	-	1
Scotiabank	-	2,032,414	-	-	-	-	-	2,032,414
Banco Continental	2,346	-	5,444,632	-	-	-	5,446,978	-
Banco Ciudad de Buenos Aires	-	-	2,258,158	-	-	-	2,258,158	-
Banco de Crédito e Inversiones Perú	-	4,408,224	-	-	-	-	-	4,408,224
Banco de Galicia y Buenos Aires	634,838	885,686	-	-	-	-	634,838	885,686
Banco de Bogotá	-	-	21,171,020	4,446,466	-	-	21,171,020	4,446,466
Banco Itau	928,564	1,026,904	-	-	-	-	928,564	1,026,904
AVVillas	-	-	3,068,422	9,906,699	-	-	3,068,422	9,906,699
Banco Provincia de Buenos Aires	1,447,296	-	-	-	-	-	1,447,296	-
Banco Santander	-	-	4,904,556	1,313,777	-	-	4,904,556	1,313,777
Citibank	-	-	5,290,875	-	-	-	5,290,875	-
Banco Bladex	2,620,087	2,415,322	-	-	-	-	2,620,087	2,415,322
Bancolombia	-	-	12,956,537	-	-	-	12,956,537	-
Total	5,633,131	10,768,550	55,094,200	15,666,942	-	1	60,727,331	26,435,493
Total outstanding principal	4,701,186	4,242,716	54,997,779	15,666,942	-	1	59,698,965	19,909,659
Weighted average interest rate	6.94%	6.47%	7.94%	11.95%	-	0.30%	7.85%	9.72%

	As of December 31,	
	2006	2007
	%	%
Percentage of debt in foreign currency	100.00%	100.00%
Percentage of debt Chilean Peso	-	-
Total	100.00%	100.00%

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15. Debt due to banks and financial institutions, continued:

b. Current portion of long-term debt due to banks and financial institutions were denominated as follows:

Financial Institution	Foreign Currency				Local Currency		Total	
	US\$		Other Foreign Currencies		Ch\$		2006	2007
	2006	2007	2006	2007	2006	2007		
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Bancafe.....	-	-	1,315,277	-	-	-	1,315,277	-
Bancolombia.....	-	-	4,786,166	2,884,954	-	-	4,786,166	2,884,954
Banesto.....	4,739,978	2,047,648	-	-	-	-	4,739,978	2,047,648
Banco Continental.....	1,425,122	1,486,139	10,556,713	9,784,862	-	-	11,981,835	11,271,001
Banco Bilbao Vizcaya Argentaria S.A.....	-	-	1,087,464	2,453,214	-	-	1,087,464	2,453,214
Banco Estado.....	-	-	-	-	415,497	-	415,497	-
Banco de Crédito.....	-	-	10,874	10,045,982	-	-	10,874	10,045,982
Banco Mediocredito Italiano.....	-	-	2,178,467	2,003,678	-	-	2,178,467	2,003,678
Banco Nationale Paris.....	3,767,729	3,229,981	-	-	-	-	3,767,729	3,229,981
Banco Santander Central Hispano.....	-	-	1,238,237	2,793,017	-	-	1,238,237	2,793,017
Caja Madrid Miami Agency.....	15,526	18,368	-	-	-	-	15,526	18,368
Conavi.....	-	-	2,192,130	-	-	-	2,192,130	-
Colpatría.....	-	-	876,944	-	-	-	876,944	-
Corfinsura.....	-	-	3,507,407	-	-	-	3,507,407	-
Granahorrar.....	-	-	1,315,277	-	-	-	1,315,277	-
Davivienda.....	-	-	3,046,376	938,051	-	-	3,046,376	938,051
Export Development Corporation.....	1,933,960	1,632,362	-	-	-	-	1,933,960	1,632,362
J.P. Morgan Chase Bank.....	14,397,116	-	-	-	-	-	14,397,116	-
Citibank.....	2,292,664	4,972,903	-	-	-	-	2,292,664	4,972,903
Kreditanstalt für Wiederaufbau.....	322,269	276,815	-	-	-	-	322,269	276,815
Credit Suisse First Boston.....	12,048	4,278,999	-	-	-	-	12,048	4,278,999
Skandinaviska Enskilda Banken.....	947,920	-	-	-	-	-	947,920	-
Deutsche Bank.....	132,654	2,986,309	-	-	-	-	132,654	2,986,309
Standard Bank.....	132,655	2,986,309	-	-	-	-	132,655	2,986,309
The Bank of Tokyo-Mitsubishi, Ltd. New York Branch.....	2,703	27,902	-	-	-	-	2,703	27,902
WestLB AG, New York Branch.....	2,479,073	131,165	-	-	-	-	2,479,073	131,165
Scotiabank.....	-	3,639,187	98,247	8,380,864	-	-	98,247	12,020,051
Total.....	32,601,417	27,714,087	32,209,579	39,284,622	415,497	-	65,226,493	66,998,709
Total outstanding Principal.....	31,588,532	27,270,738	32,026,679	39,166,806	415,497	-	64,030,708	66,437,544
Weighted average interest rate....	6.61%	7.85%	7.70%	7.19%	9.00%	-	7.16%	7.46%

As of December 31,

	2006	2007
	%	%
Percentage of debt in foreign currency.....	99.36%	100.00%
Percentage of debt in Chilean Peso.....	0.64%	-
Total.....	100.00%	100.00%

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c. Long-term portion of debt due to banks and financial institutions were denominated as follows:

Financial Institution	Currency	As of December 31, 2006	As of December 31, 2007						Total long-term portion	Annual interest rate
			Long-term portion	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 5 years	After 5 years but within 10 years	After 10 years		
ABN Amro Bank.....	US\$	2,025,079	-	1,759,819	-	-	-	-	1,759,819	5.18%
Instituto de Crédito Oficial.....	US\$	2,882,760	-	1,759,819	6,509,259	-	-	-	8,268,078	5.18%
Bancolombia.....	\$ Col	24,778,885	-	-	23,927,531	-	-	-	23,927,531	12.19%
Banesto.....	US\$	2,328,898	-	-	-	-	-	-	-	-
Banco Bilbao Viscaya Argentaria.....	US\$	6,075,236	-	5,279,456	-	-	-	-	5,279,456	5.18%
Banco Bilbao Viscaya Argentaria.....	\$ Col	21,072,211	-	-	20,348,091	-	-	-	20,348,091	12.19%
Banco Estado.....	US\$	589,655	-	-	4,475,116	-	-	-	4,475,116	5.18%
Banco Nacionales de Paris.....	US\$	4,491,992	1,635,585	-	-	-	-	-	1,635,585	5.78%
Banco Nacionales de Paris.....	US\$	7,483,874	812,948	812,948	1,625,896	2,438,844	-	-	5,690,636	5.98%
Banco Medio Crédito.....	\$ Arg	7,601,335	1,990,992	1,990,992	995,577	-	-	-	4,977,561	1.75%
Banco Santander Central Hispano.....	US\$	7,522,571	-	-	3,590,030	10,984,374	-	-	14,574,404	5.18%
Banco Santander Central Hispano.....	\$ Col	23,990,532	-	-	-	23,166,434	-	-	23,166,434	12.19%
Bank of Tokio Mitsubishi Ltda.....	US\$	6,307,521	-	4,223,565	10,984,374	-	-	-	15,207,939	5.18%
Caja Madrid, Miami Agency.....	US\$	3,159,123	-	2,745,317	-	-	-	-	2,745,317	5.18%
Citibank N.A.....	US\$	7,522,571	-	5,279,456	10,984,374	-	-	-	16,263,830	5.18%
Citibank.....	US\$	11,435,737	4,968,900	-	-	-	-	-	4,968,900	6.08%
Davivienda.....	\$ Col	8,057,469	-	-	7,780,630	-	-	-	7,780,630	12.19%
Export Development Corporation.....	US\$	5,730,408	711,399	711,399	1,422,798	1,422,799	-	-	4,268,395	6.61%
Export Development Corporation.....	US\$	2,075,706	721,529	360,763	-	-	-	-	1,082,292	6.06%
Export Development Canada.....	US\$	1,072,100	-	-	8,136,574	-	-	-	8,136,574	5.18%
Kreditanstalt für Wiederaufbau.....	US\$	469,180	135,908	-	-	-	-	-	135,908	4.85%
WestLB AG, New York Branch.....	US\$	9,148,590	7,950,240	-	-	-	-	-	7,950,240	6.83%
Banco de Crédito.....	Soles	18,247,278	-	-	-	-	-	-	-	-
Banco Continental.....	US\$	20,314,028	2,829,541	7,663,038	-	-	-	-	10,492,579	7.33%
The Bank of Nova Scotia.....	US\$	-	-	1,689,426	-	-	-	-	1,689,426	5.18%
Credit Suisse First Boston.....	US\$	17,153,606	4,259,057	6,388,585	-	-	-	-	10,647,642	10.95%
Scotiabank.....	US\$	-	7,155,216	5,366,412	-	-	-	-	12,521,628	6.70%
Deutsche Bank AG, New York.....	US\$	1,620,062	-	1,407,855	-	-	-	-	1,407,855	5.18%
Deutsche Bank AG, New York.....	US\$	28,589,343	5,796,967	5,796,967	10,351,958	-	-	-	21,945,892	9.19%
Scotiabank.....	Soles	8,942,554	-	-	-	-	-	-	-	-
ING Bank N.V., Curacao Branch.....	US\$	7,776,301	-	6,757,704	-	-	-	-	6,757,704	5.18%
San Paolo.....	US\$	4,860,188	-	4,223,565	-	-	-	-	4,223,565	5.18%
HSBC.....	US\$	4,050,157	-	3,519,638	-	-	-	-	3,519,638	5.18%
The Royal Bank of Scotland PLC.....	US\$	428,841	-	-	3,254,630	-	-	-	3,254,630	5.18%
B.N.P. Paribas Panama Branch.....	US\$	857,680	-	-	6,509,259	-	-	-	6,509,259	5.18%
Banesto N.Y. Branch.....	US\$	428,841	-	-	3,254,630	-	-	-	3,254,630	5.18%
Standard Bank.....	US\$	28,589,343	5,796,967	5,796,967	10,351,958	-	-	-	21,945,892	9.19%
Total.....		307,679,655	44,765,249	77,123,721	165,063,463	3,861,643	-	-	290,814,076	

As of December 31,

	2006	2007
	%	%
Percentage of debt in foreign currency.....	100.00%	100.00%
Percentage of debt in Chilean Peso.....	-	-
Total.....	100.00%	100.00%

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15. Debt due to banks and financial institutions, continued:

d. Debt priority

Except for certain debts, which are collateralized by liens on specific assets (see Note 26), all of these debts rank the same in priority of payment.

On November 10, 2004, Endesa Chile subscribed a credit for the amount of ThUS\$ 250,000 with a term of amortization November 11, 2010 and an interest rate of LIBOR+0.375%. As of December 31, 2007, the Company has drawn ThUS\$ 85,000 of the total credit line.

On January 26, 2006, Endesa Chile subscribed a second credit (Revolving Facility) for the amount of ThUS\$ 200,000 with a term of amortization July 26, 2011 and an interest rate of LIBOR+0.300%. As of December 31, 2007, the Company has drawn ThUS\$ 131,000 of the total credit line.

On December 7, 2006, Endesa Chile subscribed a third credit (Revolving Facility) for the amount of ThUS\$ 200,000 with a term of amortization December 7, 2009 and an interest rate of LIBOR+0.25%. As of December 31, 2007, the Company has not drawn any amount of credit line.

The Revolving Credits of Endesa Chile can be drawn or redeemed before maturity throughout the credit periods.

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16. Bonds and notes payable

a. Details of the current portion of bonds payable is as follows at each year-end:

Issuer	Series	Currency	Face Value Outstanding	Interest rate	Maturity Date	Par Value	
						ThCh\$ 2006	ThCh\$ 2007
Endesa Chile	1	US\$	230,000,000	7.88%	02-01-2027	3,871,740	3,369,834
Endesa Chile	2	US\$	220,000,000	7.33%	02-01-2037	3,839,312	3,336,409
Endesa Chile	3	US\$	200,000,000	8.13%	02-01-2097	844,131	769,352
Endesa Chile	1	US\$	400,000,000	7.75%	07-15-2008	8,124,138	205,815,978
Endesa Chile	1	US\$	400,000,000	8.50%	04-01-2009	4,860,188	4,223,565
Endesa Chile	F	U.F.	1,500,000	6.20%	08-01-2022	751,639	1,337,624
Endesa Chile	144A	US\$	400,000,000	8.35%	08-01-2013	7,957,367	6,915,053
Endesa Chile	144A	US\$	200,000,000	8.63%	08-01-2015	4,109,718	3,571,397
Endesa Chile	G	U.F.	4,000,000	4.80%	10-15-2010	778,497	-
Endesa Chile	H	U.F.	4,000,000	6.20%	10-15-2008	1,002,184	998,591
Endesa Chile	K	U.F.	4,000,000	3.80%	04-15-2027	-	615,596
Emgesa-Colombia ...	B 1°	\$ Col.	400,000,000	11.29%	11-10-2011	1,504,943	1,494,929
Edegel-Peru	2	US\$	30,000,000	8.41%	02-14-2007	17,700,584	-
Edegel-Peru	3	US\$	30,000,000	8.75%	06-13-2007	17,229,716	-
Edegel-Peru	5 A	US\$	10,000,000	3.75%	01-26-2009	91,724	79,710
Edegel-Peru	6 A	Soles	30,000,000	5.88%	02-27-2008	107,702	5,073,714
Edegel-Peru	6 B	Soles	20,000,000	8.50%	06-18-2008	10,980	3,325,311
Edegel-Peru	7 A	US\$	10,000,000	7.16%	01-26-2007	179,518	152,092
Edegel-Peru	8 A	Soles	22,370,000	6.00%	02-23-2007	73,350	3,776,847
Edegel-Peru	8 B	Soles	25,700,000	6.47%	03-30-2008	74,334	4,329,860
Edegel-Peru	9 A	Soles	70,000,000	6.91%	06-1-2009	72,053	66,793
Edegel-Peru	10 A	Soles	35,000,000	6.72%	10-21-2010	80,611	74,727
Edegel-Peru	11 A	US\$	20,000,000	6.06%	11-18-2012	80,884	70,289
Edegel-Peru	13 A	Soles	25,000,000	6.47%	10-20-2013	56,240	52,135
Edegel-Peru	14 A	Soles	25,000,000	6.09%	10-27-2010	47,682	44,201
Edegel-Peru	15 A	Soles	30,000,000	6.16%	11-27-2011	30,279	28,069
Emgesa-Colombia ...	B-10	\$ Col.	60,000,000	11.43%	11-10-2009	204,277	226,963
Emgesa-Colombia ...	B-10	\$ Col.	9,684,517,481	9.87%	11-10-2009	101,125	102,994
Emgesa-Colombia ...	C-10	\$ Col.	17,235,158,229	10.25%	10-09-2009	54,765	55,771
Emgesa-Colombia ...	C-10	\$ Col.	229,825,000,000	11.31%	10-09-2009	1,242,288	1,475,623
Emgesa-Colombia ...	A-10	\$ Col.	210,000,000,000	10.32%	02-23-2015	622,367	570,961
Edegel-Peru	13 B	Soles	25,000,000	6.16%	01-15-2014	-	116,953
Edegel-Peru	14 B	Soles	25,000,000	5.91%	02-22-2011	-	87,043
Edegel-Peru	1 A	Soles	25,000,000	6.31%	06-21-2022	-	6,541
Edegel-Peru	2 A	US\$	8,000,000	5.97%	07-18-2011	-	106,769
Edegel-Peru	3 A	Soles	25,000,000	6.28%	07-03-2019	-	128,006
Edegel-Peru	4 A	Soles	20,000,000	6.75%	08-31-2014	-	74,608
Edegel-Peru	5 A	Soles	25,000,000	6.50%	03-18-2013	-	77,084
Edegel-Peru	6 A	Soles	25,000,000	6.44%	05-21-2013	-	29,647
Edegel-Peru	7 A	Soles	25,000,000	6.63%	06-13-2013	-	13,730
Emgesa-Colombia ...	10A	\$ Col	40,000,000,000	10.32%	02-23-2015	-	108,755
Emgesa-Colombia ...	10B	\$ Col	170,000,000,000	10.84%	02-20-2017	-	3,921,727
Total						<u>75,704,336</u>	<u>256,625,251</u>

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16. Bonds and notes payable, continued:

b. Details of the long-term portion of bonds payable is as follows at each year-end:

Issuer	Series	Currency	Face Value Outstanding	Interest Rate	Maturity Date	Par Value	
						2006 ThCh\$	2007 ThCh\$
Endesa Chile	1	US\$	230,000,000	7.88%	02-01-2027	117,720,051	102,300,210
Endesa Chile	2	US\$	220,000,000	7.33%	02-01-2037	125,793,109	109,315,800
Endesa Chile	3	US\$	200,000,000	8.13%	02-01-2097	23,109,337	20,082,306
Endesa Chile	1	US\$	400,000,000	7.75%	07-15-2008	228,714,744	-
Endesa Chile	Only	US\$	400,000,000	8.50%	04-01-2009	228,714,744	198,756,000
Endesa Chile	F	U.F.	1,500,000	6.20%	08-01-2022	29,539,908	28,845,310
Endesa Chile	144A	US\$	400,000,000	8.35%	08-01-2013	228,714,744	198,756,000
Endesa Chile	144A	US\$	200,000,000	8.63%	08-01-2015	114,357,372	99,378,000
Endesa Chile	G	U.F.	4,000,000	4.80%	10-15-2010	78,773,088	-
Endesa Chile	H	U.F.	4,000,000	6.20%	10-15-2008	78,773,088	78,490,640
Endesa Chile	K	U.F.	4,000,000	3.80%	04-15-2027	-	78,490,640
Emgesa (ex Betania)	B	\$ Col.	400,000,000,000	11.29%	11-10-2011	102,160,015	98,650,075
Edegel-Peru	5A	US\$	10,000,000	3.75%	1-26-2009	5,717,869	4,968,900
Edegel-Peru	6 A	Soles	30,000,000	5.88%	2-27-2008	5,365,532	-
Edegel-Peru	6 B	Soles	20,000,000	8.50%	6-18-2008	3,577,021	-
Edegel-Peru	7 A	US\$	10,000,000	7.16%	7-26-2009	5,717,869	4,968,900
Edegel-Peru	8 A	Soles	22,370,000	6.00%	03-10-2008	4,000,897	-
Edegel-Peru	8 B	Soles	25,700,000	6.47%	03-30-2008	4,596,472	-
Edegel-Peru	9A	Soles	70,000,000	6.91%	06-01-2009	12,519,575	11,605,706
Edegel-Peru	10A	Soles	35,000,000	6.72%	10-21-2010	6,259,788	5,802,853
Edegel-Peru	11A	US\$	20,000,000	6.06%	11-18-2012	11,435,736	9,937,800
Edegel-Peru	13 A	Soles	25,000,000	6.47%	10-20-2013	4,471,277	4,144,895
Edegel-Peru	14 A	Soles	25,000,000	6.09%	10-27-2010	4,471,277	4,144,895
Edegel-Peru	15 A	Soles	30,000,000	6.16%	11-27-2011	5,365,532	4,973,874
Edegel-Peru	13 B	Soles	25,000,000	6.16%	01-15-2014	-	4,144,895
Edegel-Peru	14 B	Soles	25,000,000	5.91%	02-22-2011	-	4,144,895
Edegel-Peru	1A	Soles	25,000,000	6.31%	06-21-2022	-	4,144,895
Edegel-Peru	2A	US\$	8,000,000	5.97%	07-18-2011	-	3,975,118
Edegel-Peru	3A	Soles	25,000,000	6.28%	07-03-2019	-	4,144,895
Edegel-Peru	4A	Soles	20,000,000	6.75%	08-31-2014	-	3,315,916
Edegel-Peru	5A	Soles	25,000,000	6.50%	03-18-2013	-	4,144,895
Edegel-Peru	6A	Soles	25,000,000	6.44%	05-21-2013	-	4,144,895
Edegel-Peru	7A	Soles	25,000,000	6.63%	06-13-2013	-	4,144,895
Emgesa-Colombia	B-10	\$ Col.	229,825,000,000	11.31%	10-09-2009	58,697,032	56,680,570
Emgesa-Colombia	B-10	\$ Col.	60,000,000,000	11.43%	11-10-2009	15,323,997	14,797,494
Emgesa-Colombia	C-10	\$ Col.	9,684,517,481	9.88%	10-09-2009	2,409,167	2,485,162
Emgesa-Colombia	C-10	\$ Col.	17,235,158,229	10.25%	10-09-2009	4,287,499	4,333,425
Emgesa-Colombia	A-10	\$ Col.	210,000,000,000	10.32%	02-23-2015	63,850,038	51,791,231
Emgesa-Colombia	10A	\$ Col.	40,000,000,000	10.32%	02-23-2015	-	9,864,996
Emgesa-Colombia	10B	\$ Col.	170,000,000,000	10.84%	02-20-2017	-	41,926,234
Total						1,574,436,778	1,281,797,215

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16. Bonds and notes payable, continued:

c. Bonds payable by entities:

Endesa Chile (individual legal entity):

Risk ratings of the last two bonds issuances are as follows:

Rating Entity	Category
Feller - Comisión Clasificadora de Riesgo Ltda.	AA-
Comisión Clasificadora de Riesgo	A+
Fitch Chile Clasificadora de Riesgo Ltda.	AA-

Fourth Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bearer bonds in local currency, denominated in Unidades de Fomento
Issuance Value	Seven and a half million (UF 7,500,000) divided into: Series E-1: 1000 bonds at UF 1,000 each. Series E-2: 500 bonds at UF 10,000 each. Series F: 150 bonds at UF 10,000 each.
Indexation	Based on variations in Unidad de Fomento index
Amortization period	Series E-1 and E-2: August 1, 2006. Series F: August 1, 2022.
Early Redemption	Only in the case of Series F, beginning February 1, 2012.
Nominal interest rate	6.2% annually, compounded on outstanding capital, readjusted by the value of the Unidad de Fomento. The interest rate applied semi-annually will be equal to 3.0534%.
Placement period	36 months from the registration date in the Chilean Securities Register of the SVS.
Guarantee	There is no specific guarantee; however, there is a general guarantee over the issuer's assets.
Interest payments	Interest will be paid semi-annually each August 1 and February 1, starting August 1, 2001. Accrued interest as of December 31, 2007 amounted to ThCh\$ 748,944 (ThCh\$ 751,639 in 2006) and is presented under current liabilities.

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16. Bonds and notes payable, continued:

Fifth Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bearer bonds in local currency, denominated in Unidades de Fomento
Issuance Value	Eight million (UF 8,000,000) divided into: Series K: 4,000 bonds at UF 1,000 each. Series H: 4,000 bonds at UF 1,000 each.
Indexation	Based on variations in Unidad de Fomento index
Amortization period	Series K: April 15, 2027. Series H: in semi-annual installments from April 15, 2010.
Early Redemption	Only in the case of Series K, beginning October 16, 2011.
Nominal interest rate	Series K: 3.8% annually, in semi-annual installments, compounded on outstanding capital, readjusted by the value of the Unidad de Fomento. The interest rate applied semi-annually will be equal to 1.8823%. Series H: 6.2% annually, in semi-annual installments, compounded on outstanding capital, readjusted by the value of the Unidad de Fomento. The interest rate applied semi-annually will be equal to 3.0534%.
Placement period	36 months from the registration date in the Chilean Securities Register of the SVS.
Guarantee	There is no specific guarantee; however, there is a general guarantee over the issuer's assets.
Interest payments	Interest will be paid semi-annually each April 15 and October 15, starting April 15, 2007. Accrued interest as of December 31, 2007 amounted to ThCh\$ 1,614,187 (ThCh\$ 1,780,681 in 2006) and is presented under current liabilities.

- The Company has issued and placed four public offerings of bonds in the international market as follows:

Risk ratings of the bonds are as follows as of the date of these financial statements:

Rating Entity	Category
Standard & Poor's	BBB
Moody's Investors Services	Baa3
Fitch	BBB

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16. Bonds and notes payable, continued:

First Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Marketable securities denominated in US\$ (Yankee bonds) in the US market.
Issuance Value	Six hundred and fifty million US Dollars (US\$ 650,000,000) divided into: Series 1: US\$ 230,000,000 Series 2: US\$ 220,000,000 Series 3: US\$ 200,000,000
Indexation	Variation of the US Dollar
Capital Amortization	Series 1 full expiration on February 1, 2027 Series 2 full expiration on February 1, 2037 (Put Option on February 1, 2009, on which date the holders may redeem 100% of the securities plus accrued interest). Series 3 full expiration on February 1, 2097
Nominal interest rate	Series 1: 7.875% annually Series 2: 7.325% annually Series 3: 8.125% annually
Interest Payments	Interest will be paid semi-annually each February 1 and August 1 annually, starting January 27, 1997. Accrued interest as of December 31, 2007 amounts to ThCh\$ 10,450,735 (ThCh\$ 12,025,990 in 2006), which is shown under current liabilities.

Second Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Marketable securities denominated in US\$ (Yankee bonds) in the US market.
Issuance Value	Four hundred million US Dollars (US\$ 400,000,000)
Indexation	Variation in the US Dollar
Capital amortization	Series 1 full expiration on July 15, 2008
Nominal interest rate	Series 1: 7.75% annually
Interest Payments	Interest will be paid semi-annually each January 15 and July 15 annually, starting January 15, 1999. Accrued interest as of December 31, 2007 amounts to ThCh\$ 7,059,978 (ThCh\$ 8,124,138 in 2006), which is shown under current liabilities.

Third Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Marketable securities denominated in US\$ (Yankee bonds) in the US market.
Issuance Value	Four hundred million US Dollars (US\$ 400,000,000)
Indexation	Variation in the US Dollar
Capital amortization	Series 1 full expiration on April 1, 2009
Nominal interest rate	Series 1: 8.50% annually
Interest Payments	Interest will be paid semi-annually each October 1 and April 1 annually, starting October, 1, 1999. Accrued interest as of December 31, 2007 amounts to ThCh\$ 4,223,565 (ThCh\$ 4,860,188 in 2006), which is shown under current liabilities.

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16. Bonds and notes payable, continued:

Fourth Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Marketable electronic securities denominated in US\$ (Yankee bonds) in the US and European market under the Rule 144-A.
Issuance Value	Six hundred million US Dollars (US\$ 600,000,000) divided in two series.
Indexation	Variation in the US Dollar
Capital amortization	Series 1: expiration on August 1, 2013: US Dollars 400,000,000; Series 2: expiration on August 1, 2015: US Dollars 200,000,000
Nominal interest rate	Series 1: 8.35% annually Series 2: 8.625% annually
Interest Payments	Interest will be paid semi-annually each February 1 and August 1 annually, starting July 23, 2003. Accrued interest as of December 31, 2007 amounts to ThCh\$ 10,486,450 (ThCh\$ 12,067,085 in 2006), which is shown under current liabilities.

Repurchase of Yankee Bonds:

During November 2001, the Company made a tender offer to repurchase all of a portion of the First Issuance of the following series of Yankee Bonds:

- Series 1: US\$ 230,000,000; 30 years term with maturity in 2027.
- Series 3: US\$ 200,000,000; 100 years term with maturity in 2097.

The offer expired November 21, 2001, and the Company repurchased a total of US\$ 24,119,000 and US\$ 159,584,000 of Series 1 and 3 bonds, respectively, with accrued interest, at prices of US\$ 21,324,000 and US\$ 134,828,000 for Series 1 and 3, respectively.

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16. Bonds and notes payable, continued:

Edegel S.A.

Edegel S.A. has performed twenty five issuances of bonds on June 4, 1999, February 15, 2000, June 14, 2000 and November 27, 2000, August 22, 2001, June 6, 2003, September 4, 2003, October 29, 2003, December 12, 2003, January 26, 2004, February 27, 2004, June 18, 2004, July 26, 2004, March 10, 2005, March 30, 2005, June 1, 2005, October 21, 2005, November 18, 2005, three last issuances on November 18, 2006 and the last four issuances during 2007. The outstanding bonds as of December 31, 2006 and 2007 are detailed as follows:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in US\$ (110,000 bonds).
Issuance Value	One hundred and ten million US dollars (US\$ 110,000,000)
Capital amortization	Full expiration as of June 3, 2006, February 14, 2007, and June 13, 2007, respectively.
Nominal interest rate	8.75%, 8.41%, 8.75%, and 8.44% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 0 (ThCh\$ 761,382 in 2006) and is shown under other current liabilities. As of December 31, 2007 this issuance (principal and interest) has been paid-in-full.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (10,000 bonds).
Issuance Value	Fifty million Peruvian Soles (Peruvian Soles 50,000,000)
Capital amortization	Full expiration as of September 4, 2006
Nominal interest rate	4.13% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2006 amounts to ThCh\$ 0 (ThCh\$ 101,356 in 2005) and is shown under other current liabilities. As of December 31, 2006 this issuance has been paid-in-full.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (10,000 bonds).
Issuance Value	Fifty million Peruvian Soles (Peruvian Soles 50,000,000)
Capital amortization	Full expiration as of October 30, 2006.
Nominal interest rate	4.875% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2006 amounts to ThCh\$ 0 (ThCh\$ 61,956 in 2005) and is shown under other current liabilities. As of December 31, 2006 this issuance has been paid-in-full.

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16. Bonds and notes payable, continued:

Edegel S.A.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (10,000 bonds).
Issuance Value	Fifty million Peruvian Soles (Peruvian Soles 50,000,000)
Capital amortization	Full expiration as of December 12, 2006.
Nominal interest rate	4.75% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2006 amounts to ThCh\$ 0 (ThCh\$ 18,110 in 2005) and is shown under other current liabilities. As of December 31, 2006 this issuance has been paid-in-full.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in US Dollar (10,000 bonds).
Issuance Value	Ten million US Dollar (US\$ 10,000,000)
Capital amortization	Full expiration as of January 26, 2009.
Nominal interest rate	3.75% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 79,710 (ThCh\$ 91,724 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (6,000 bonds).
Issuance Value	Thirty million Peruvian Soles (Peruvian Soles 30,000,000)
Capital amortization	Full expiration as of September 27, 2008.
Nominal interest rate	5.875% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 99,840 (ThCh\$ 107,702 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (4,000 bonds).
Issuance Value	Twenty million Peruvian Soles (Peruvian Soles 20,000,000)
Capital amortization	Full expiration as of June 18, 2008.
Nominal interest rate	5.88% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 9,395 (ThCh\$ 10,980 in 2006) and is shown under other current liabilities.

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16. Bonds and notes payable, continued:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in US\$ (10,000 bonds).
Issuance Value	Ten million US\$ (US\$ 10,000,000)
Capital amortization	Full expiration as of July 26, 2009.
Nominal interest rate	7.16% annually
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 152,092 (ThCh\$ 179,519 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (4,474 bonds).
Issuance Value	Twenty two million, three hundred seventy thousand Peruvian Soles (Peruvian Soles 22,370,000)
Capital amortization	Full expiration as of March 10, 2008.
Nominal interest rate	6.00% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 67,995 (ThCh\$ 73,350 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,140 bonds).
Issuance Value	Twenty five million, seven hundred thousand Peruvian Soles (Peruvian Soles 25,700,000)
Capital amortization	Full expiration as of March 30, 2008.
Nominal interest rate	6.47% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 68,908 (ThCh\$ 74,334 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (14,000 bonds).
Issuance Value	Seventy million Peruvian Soles (Peruvian Soles 70,000,000)
Capital amortization	Full expiration as of June 01, 2009.
Nominal interest rate	6.91% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 66,793 (ThCh\$ 72,053 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (7,000 bonds).
Issuance Value	Thirty five million Peruvian Soles (Peruvian Soles 35,000,000)
Capital amortization	Full expiration as of October 21, 2010.
Nominal interest rate	6.72% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 74,727 (ThCh\$ 80,611 in 2006) and is shown under other current liabilities.

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16. Bonds and notes payable, continued:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated US Dollars (20,000 bonds).
Issuance Value	Twenty million US Dollars (US\$ 20,000,000)
Capital amortization	Full expiration as of November 18, 2012.
Nominal interest rate	6.06% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 70,289 (ThCh\$ 80,884 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of October 20, 2013.
Nominal interest rate	6.47% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 52,135 (ThCh\$ 56,240 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of October 27, 2010.
Nominal interest rate	6.09% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 44,201 (ThCh\$ 47,682 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (6,000 bonds).
Issuance Value	Thirty million Peruvian Soles (Peruvian Soles 30,000,000)
Capital amortization	Full expiration as of November 27, 2011.
Nominal interest rate	6.16% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 28,069 (ThCh\$ 30,278 in 2006) and is shown under other current liabilities.

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16. Bonds and notes payable, continued:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of January 15, 2014.
Nominal interest rate	6.16% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 116,953 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of February 22, 2011.
Nominal interest rate	5.91% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 87,043 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of June 21, 2022
Nominal interest rate	6.31% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 6,541 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated US Dollar (8,000 bonds).
Issuance Value	Eight million US\$ (US\$8,000,000)
Capital amortization	Full expiration as of July 18, 2011
Nominal interest rate	5.97% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 106,769 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

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16. Bonds and notes payable, continued:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of July 3, 2019
Nominal interest rate	6.28% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 128,006 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (4,000 bonds).
Issuance Value	Twenty million Peruvian Soles (Peruvian Soles 20,000,000)
Capital amortization	Full expiration as of August 31, 2014
Nominal interest rate	6.75% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 74,608 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of March 18, 2013
Nominal interest rate	6.50% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 77,084 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of May 21, 2013
Nominal interest rate	6.4375% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 29,647 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated Peruvian Soles (5,000 bonds).
Issuance Value	Twenty Five million Peruvian Soles (Peruvian Soles 25,000,000)
Capital amortization	Full expiration as of June 13, 2013
Nominal interest rate	6.625% annually.
Interest Payments	Interest will be paid semi-annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 13,730 (ThCh\$ 0 in 2006) and is shown under other current liabilities.

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16. Bonds and notes payable, continued:

Emgesa S.A.

Emgesa issued bonds on October 8, 1999, July 9, 2001, February 26, 2003, on November 11, 2004 and February 23, 2005 as per the following:

First Issuance

Issuer	Emgesa S.A.
Securities issued	Ordinary bonds denominated in Colombian pesos
Issuance Value	Four hundred billion Colombian pesos (\$Col 400,000,000,000)
Capital amortization	Expiration between 2009 and 2011 at the amount of \$Col 400,000,000,000
Nominal interest rate	IPC+6.29% (11.29%) effective annual rate
Interest Payments	Interest will be paid quarterly. Accrued interest as of December 31, 2007 amounts to ThCh\$ 1,494,929 (ThCh\$ 1,504,943 in 2006) and is shown under current liabilities.

Issuance Terms

First Issuance

Issuer	Emgesa S.A.
Securities issued	Marketable securities denominated in Colombian pesos
Issuance Value	Five hundred and thirty billion Colombian pesos (\$Col 530,000,000,000)
Capital amortization	Full expiration between 2004 and 2009 at the amount of \$Col 316,744,675,710
Nominal interest rate	10.72% annual average rate
Interest Payments	Interest will be paid quarterly and annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 1,861,351 (ThCh\$ 1,602,455 in 2006) and is shown under current liabilities.

Issuance Terms

Third Issuance

Issuer	Emgesa S.A.
Securities issued	Marketable securities denominated in Colombian pesos
Issuance Value	Two hundred and fifty billion of Colombian pesos (\$Col 250,000,000,000)
Capital amortization	Full expiration on February 23, 2015
Nominal interest rate	IPC + 5.04% (10.32%) quarterly
Interest Payments	Interest will be paid annually. Accrued interest as of December 31, 2007 amounts to ThCh\$ 679,716 (ThCh\$ 622,367 in 2006) and is shown under current liabilities.

Issuance Terms

Fourth Issuance

Issuer	Emgesa
Securities issued	Ordinary bonds denominated in Colombian pesos
Issuance Value	One hundred seventy billion Colombian pesos (\$Col 170,000,000,000)
Capital amortization	Full expiration on February 20, 2017
Nominal interest rate	IPC+6.29% (10.84%) effective annual rate
Interest Payments	Interest will be paid quarterly. Accrued interest as of December 31, 2007 amounts to ThCh\$ 3,921,727 (ThCh\$ 0 in 2006) and is shown under current liabilities.

Issuance Terms

The discount of the above mentioned bonds was deferred and recorded under the caption Other Assets in the year of the respective issuance. As of December 31, 2006 and 2007, such discounts amounted to ThCh\$ 9,600,354 and ThCh\$ 6,908,551, respectively.

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16. Bonds and notes payable, continued:

d. Notes payable

Composition of the short-term and long-term balance per creditor as of each year end is as follows:

Lending Institution	Short-term		Long-term	
	As of December 31,		As of December 31,	
	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Mitsubishi Corporation	30,556,567	19,430,179	57,200,293	56,988,165
CAMMESA.....	3,019,901	3,094,272	4,171,878	6,059,723
Total.....	<u>33,576,468</u>	<u>23,414,451</u>	<u>61,372,171</u>	<u>63,047,888</u>

Balance includes financing arrangements provided by the supplier of electrical installations and equipment for Endesa Costanera plants. The notes payable to Mitsubishi Corporation are denominated in US\$ and bear interest. The notes payable to CAMMESA are denominated in \$Arg and bear interest.

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17. Accrued liabilities:

The accrued expenses included in short-term and long-term liabilities as of each year end are as follows:

	Short-term		Long-term	
	As of December 31,		As of December 31,	
	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Employee salaries.....	10,784,934	10,005,011	-	-
Provision for contingences, lawsuits, and others.....	6,097,026	6,862,026	-	-
Provision for expenses, costs and investments	9,459,924	9,985,593	-	-
Post retirement benefits	-	2,481,230	4,554,913	3,995,927
Employee severance indemnities (1)	63,261	13,157	6,382,206	6,425,298
Pensions and post-retirement benefits of foreign subsidiaries	-	-	21,284,766	16,900,421
Others.....	203,185	187,325	-	536,682
Total	<u>26,608,330</u>	<u>29,534,342</u>	<u>32,221,885</u>	<u>27,858,328</u>

(1) Long-term accruals include severance indemnities to personnel, calculated in accordance with the policy described in Note 2 (q), and an analysis of the changes in the accrual in each year is as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Opening balance as of January 1.....	5,693,924	6,382,206
Net increase in accrual	2,023,782	806,088
Payments during the year	(1,335,500)	(762,996)
Total.....	<u>6,382,206</u>	<u>6,425,298</u>

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18. Minority interest:

The information presented below represents the participation by non-controlling shareholders in the legal entities presented below. As a result the economic participation by minority interest shareholders may be larger at the consolidated level of Endesa Chile.

a. Minority shareholders' participation in the shareholders' equity of the Company's subsidiaries as of each year-end is as follows:

Company	As of December 31, 2006			As of December 31, 2007		
	Equity	Participation	Total	Equity	Participation	Total
	ThCh\$	%	ThCh\$	ThCh\$	%	ThCh\$
Central Hidroeléctrica Betania S.A (1)	363,482,619	0.01%	21,961	-	-	-
Endesa Costanera S.A (2)	150,100,911	35.74%	53,638,422	119,304,734	30.23%	36,071,676
Edegel S.A.	498,365,151	44.56%	222,058,918	407,048,817	44.56%	181,370,667
Emgesa S.A. (1)	664,042,954	76.55%	508,304,296	686,373,037	73.13%	501,937,249
Empresa Eléctrica Pangué S.A.	125,430,647	5.01%	6,291,852	118,093,601	5.01%	5,923,811
Endesa Argentina S.A.	42,737,894	0.01%	4,273	134,393,664	0.01%	13,439
Generandes Perú S.A.	252,455,436	40.37%	101,913,786	206,672,674	40.37%	83,431,733
Hidroeléctrica El Chocón S.A (3)	202,116,934	34.81%	70,356,904	170,188,801	32.33%	55,015,232
Hidroinvest S.A (4)	82,180,015	30.07%	24,711,531	103,672,237	3.91%	4,048,816
Pehuenche S.A.	232,588,570	7.35%	17,095,260	259,455,281	7.35%	19,069,963
Túnel El Melón S.A (5)	(9,629,565)	0.05%	(4,815)	-	-	-
Total			1,004,392,388			886,882,586

- (1) See Note 10 (d) (iv.), Note 10 (e) (iv.)
(2) See Note 10 d. (v)
(3) See note 10 (d) (vi.)
(4) See note 10 (d) (vi.)
(5) See Note 10 d. (vii)

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18. Minority interest, continued:

b. Minority shareholders' equity participation in the results from operations of the Company's subsidiaries for each year is as follows:

Company	Year-ended December 31, 2005			Year-ended December 31, 2006			Year-ended December 31, 2007		
	Net Income	Participation	Total	Net Income	Participation	Total	Net Income	Participation	Total
	ThCh\$		ThCh\$	ThCh\$		ThCh\$	ThCh\$		ThCh\$
Capital de Energía S.A. (1)	21,247,487	49.00%	10,411,268	-	-	-	-	-	-
Central Hidroeléctrica Betania S.A. (2)	2,663,802	14.38%	382,997	1,088,685	0.01%	66	-	-	-
Central Cachoeira Dourada S.A. (3)	25,197,630	0.39%	99,308	-	-	-	-	-	-
Endesa Costanera S.A. (4)	(11,866,291)	35.74%	(4,240,409)	(6,644,735)	35.74%	(2,374,489)	(11,134,854)	30.23%	(3,366,613)
Inversiones Eléctricas Quillota S.A. (5)	(11,028,656)	50.00%	(5,514,327)	-	-	-	-	-	-
Edegel S.A. (6)	37,855,704	36.44%	13,796,058	9,277,188	44.56%	4,133,681	3,803,113	44.56%	1,694,571
Emgesa S.A. (7)	44,287,702	51.52%	22,815,651	67,282,159	76.55%	51,502,408	51,012,220	73.13%	46,295,005
Empresa Eléctrica Pangué S.A. ...	21,247,201	5.01%	1,065,802	41,830,532	5.01%	2,098,303	34,138,191	5.01%	1,712,440
Endesa Argentina S.A.	(10,435,679)	0.01%	(1,044)	(2,592,233)	0.01%	(259)	38,363,392	0.01%	3,836
Generandes Perú S.A.	32,011,576	40.37%	12,922,760	6,844,543	40.37%	2,763,074	3,514,474	40.37%	1,418,759
Hidroeléctrica El Chocón S.A. (8)	2,833,523	34.81%	986,349	14,840,727	34.81%	5,166,057	8,814,829	32.33%	2,860,563
Hidroinvest S.A. (9)	(131,228)	30.07%	(39,461)	7,174,042	30.07%	2,157,234	20,907,848	3.91%	1,058,126
Pehuenche S.A.	65,995,226	7.35%	4,850,649	72,668,962	7.35%	5,341,168	138,741,293	7.35%	10,197,485
Túnel El Melón S.A. (10)	(1,958,659)	0.05%	(979)	1,896,959	0.05%	948	-	-	-
Total			57,534,622			70,788,191			61,874,172

- (1) See Note 10 (e.) (iv.)
(2) See Note 10 (c.) (v.), Note 10 (d) (iv.)
(3) See Note 10 (c.) (i.)
(4) See Note 10 (d.) (v.)
(5) See Note 10 (e.) (iii.)
(6) See Note 10 (d.) (iii.)
(7) See Note 10 (c.) (v), Note 10 (d) (iv.), Note 10 (e) (iv)
(8) See Note 10 (d.) (vi.)
(9) See Note 10 (d.) (vi.)
(10) See Note 10 (d.) (vii.)

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19. Shareholders' equity:

a. Dividends

In accordance with Law 18,046, the Company must declare a minimum dividend. This minimum dividend amounts to 30% of consolidated net income before consolidated amortization of negative goodwill. The Company paid dividends to shareholders during 2005, 2006 and 2007 related to 2004, 2005, 2006 and 2007 net income, respectively. An interim dividend was provided for 2007 net income, as follows:

Payment date	Historical value Ch\$ per share	Type of dividend	Related Year
April 2004	2.30000	Final	2003
April 2005	4.13000	Final	2004
March 2006	5.82000	Final	2005
December 2006	2.57000	Interim	2006
May 2007	10.84000	Final	2006
December 2007	2.1926	Interim	2007

b. Number of shares

During each of the years ended December 31, 2005, 2006 and 2007, the number of shares authorized, subscribed, outstanding and paid for was 8,201,754,580, all of which having voting rights.

c. Subscribed and paid-in capital

Subscribed and paid-in capital as of December 31, 2005, 2006 and 2007 amounted to ThCh\$ 1,222,877,948.

19. Shareholders' equity, continued:

d. Other reserves

Other reserves are composed of the following as of December 31, of each year:

	As of December 31,	
	2006 ThCh\$	2007 ThCh\$
Accumulated capital revaluation	1,942,082	1,942,082
Revaluation of property, plant and equipment under Decree Law No. 4	1,331,497	1,331,497
Other revaluations	86,645	86,645
Reserve for technical revaluation of property, plant and equipment (Circulars 550 and 566)	33,308,498	33,308,498
Reserve for technical revaluation of investments in subsidiaries subsequently sold (Circulars 550 and 566)	28,009,943	28,009,943
Equity adjustment of unconsolidated subsidiaries	(379,527)	(379,527)
Reserve for reorganization of entities under common control	(43,832,543)	(138,354,989)
Reduction of capital in foreign subsidiaries	(7,069,645)	(7,069,645)
Accumulated translation adjustment of Chilean entities reporting in foreign currency	(18,260,401)	(31,102,646)
Accumulated foreign currency translation adjustment related to foreign subsidiaries, net (1)	(34,814,323)	(49,760,219)
Total	(39,677,774)	(161,988,361)

(1) The detail of the net cumulative translation adjustment for foreign currency gains and losses on liabilities and net investments measured in currencies other than the Chilean peso as of December 31, 2005, 2006 and 2007, respectively are as follows:

	As of December 31,		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Endesa Argentina S.A.	(5,679,865)	(4,920,246)	(11,531,112)
Endesa Chile Internacional	1,914,915	1,914,915	1,914,915
Distrilec Inversora S.A.	(139,741)	(117,526)	(270,728)
Gas Atacama	-	-	(289)
Electrogas	-	-	(474)
Inversiones Electrogas	-	-	(680,429)
Hidroeléctrica El Chocón	-	-	179,730
Hidroinvest	-	-	(2,808,384)
Southern Cone Power Argentina. S.A.	-	-	(662,142)
Capital de Energía S.A.	(41,346)	-	-
C.H. Betania S.A.	131,755	(194,015)	(1,637,483)
Ingendesa Do Brasil Ltda.	(269,168)	(249,346)	(415,476)
Cono Sur S.A.	(32,424,762)	(29,863,574)	(31,036,749)
Endesa Costanera S.A.	(1,537,879)	(1,384,531)	(2,811,598)
Total	(38,046,091)	(34,814,323)	(49,760,219)

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20. Other income and expenses:

a. The detail of other non-operating income in each year is as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Gain from foreign currency transaction	11,799,360	37,114	91,127
Gain on sale of property, plant and equipment	4,466,597	3,570,995	449,283
Energy and power contract settlement	8,264,845	5,458,821	6,460,185
Dividends Empresa Eléctrica de Bogotá	1,001,703	-	-
Indemnities and commissions	2,015,507	8,572,200	2,152,944
Gains on service and other contracts	846,397	585,843	212,788
Gain on sale of investments	-	-	3,077,984
Recovery of expenses and clients' portfolios	2,518,143	943,260	2,371,522
Reversal of contingency provision	1,164,232	9,335,150	878,818
Other	4,416,686	3,681,870	2,221,656
Total	<u>36,493,470</u>	<u>32,185,253</u>	<u>17,916,307</u>

b. Other non-operating expenses in each year are as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Loss from foreign currency transaction.....	14,546,952	16,854,123	40,796,526
Adjustment of Investments in Related Companies	4,541,333	1,129,468	1,123,415
Loss on sale of property, plant and equipment	428,712	186,442	70,319
Costs of sales of property, plant and equipment.....	244,979	599,107	-
Retirement benefits and severance indemnities	931,913	1,153,881	780,756
Board of directors compensation	250,748	258,793	271,434
Contingencies and litigation	17,541,387	8,823,290	12,128,496
Energy and power settlement (1)	9,329,382	7,052,490	8,503,789
Tax penalties	2,028,533	3,210,130	3,393,266
Tax on equity, Colombia	3,711,897	3,196,912	14,037,294
Other	5,204,497	4,327,096	4,145,555
Total	<u>58,760,333</u>	<u>46,791,732</u>	<u>85,250,850</u>

(1) In 2005, the amount recorded corresponds to the period of April 2004 – December 2004. In 2006, the amount recorded corresponds to the period of January 2005 – December 2005. In 2007, the amount recorded corresponds to the period of January 2006 – December 2006.

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21. Price-level restatement:

The gain (loss) from price-level restatement as of each year is as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Assets			
Current assets.....	10,482,946	6,184,546	866,183
Accounts receivable from subsidiaries	4,149,796	1,961,153	8,082,276
Property, plant and equipment	72,341,436	41,024,274	145,486,524
Investment in subsidiaries.....	6,594,505	10,601,775	38,721,742
Goodwill and negative goodwill	(1,584,461)	(512,210)	(3,056,029)
Other assets.....	60,639,542	17,962,382	77,928,240
Net gain from asset accounts	<u>152,623,764</u>	<u>77,221,920</u>	<u>268,028,936</u>
Liabilities and Shareholders' equity			
Shareholders' equity.....	(60,522,263)	(35,803,120)	(126,678,294)
Current and long-term liabilities	(79,074,405)	(33,084,371)	(110,045,318)
Minority interest.....	(5,644,765)	(3,035,456)	(8,290,174)
Net loss from Liabilities and Shareholders' equity accounts	<u>(145,241,433)</u>	<u>(71,922,947)</u>	<u>(245,013,786)</u>
Net gain from price-level restatement of balance sheet	7,382,331	5,298,973	23,015,150
Net loss from price-level restatement of income statement	<u>(5,937,121)</u>	<u>(3,701,408)</u>	<u>(14,160,768)</u>
Net gain from price-level restatement	<u>1,445,210</u>	<u>1,597,565</u>	<u>8,854,382</u>

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22. Foreign currency translation:

The (charge) credit to income for foreign currency translation as of each year is as follows:

Assets	Currency	As of December 31,		
		2005	2006	2007
		ThCh\$	ThCh\$	ThCh\$
Current assets				
Cash.....	US\$	1,473,474	453,185	338,875
	Other	-	(2,767)	(49,732)
Time deposits.....	US\$	2,343,776	(485,737)	(154,050)
	Other	(252,114)	-	-
Other accounts receivable, net	US\$	(24,199)	2,757	(450)
	Other	-	12,457	(277,529)
	Other	(24,054)	(9,730)	-
	US\$	-	-	(1,866,499)
Other current assets.....	US\$	(2,824,158)	616	-
	Other	(31,369)	(2,655)	(881)
Accounts due from related companies.....	US\$	(554,857)	154,304	-
Non-current assets				
Accounts due from related companies.....	US\$	(13,380,596)	2,425,552	(15,418,140)
Forward contracts.....	US\$	-	39,581	-
Other non-current assets.	US\$	(40,904,239)	10,939,876	(5,602,087)
Subtotal foreign currency translation.....		(54,178,336)	13,527,439	(23,030,493)

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22. Foreign currency translation, continued:

Liabilities	Currency	As of December 31,		
		2005	2006	2007
		ThCh\$	ThCh\$	ThCh\$
Current liabilities				
Short-term debt due to banks and financial institutions	US\$	-	-	83,178
Current portion of long-term debt due to banks and financial institutions	US\$	(3,486,004)	21,580	1,480,231
	¥	(55,078)	-	-
	Euro	1,358	-	-
	Pounds	(33,210)	-	-
Current portion of bonds payable	US\$	10,685,875	(3,841,853)	1,999,966
Current portion of long-term	US\$	(535,298)	-	-
Accounts payable to related companies	US\$	1,312,646	-	-
Accrued liabilities	US\$	17,415	-	-
	Other	(2,225,763)	1,989	-
Miscellaneous payables	Other	-	(227,093)	-
	US\$	-	-	820,691
Other current liabilities	US\$	1,367,490	(324,533)	222,081
	Other	-	113	12,252
Long-term liabilities				
Debt due to banks and financial Institutions	US\$	26,014,091	1,444,310	21,379,596
	Yen	70,636	-	-
	Euro	5,789	-	-
	Other	45,214	-	-
Bonds payable	US\$	39,141,904	(6,203,212)	15,810,134
Accounts payable	US\$	3,703,793	-	1,556,423
Other long-term liabilities	US\$	(1,182,106)	(510,146)	978,085
Accounts payable to related Companies	US\$	-	(13,632)	-
Forwards	US\$	(4,330,716)	-	(4,700,200)
Subtotal foreign currency translation		70,518,038	(9,652,477)	39,642,437
Net effect on income		16,339,702	3,874,962	16,611,944

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23. Bond issuance costs:

The costs related to the registration and issuance of bonds of Endesa Chile incurred during the years ended December 31, 2005, 2006 and 2007 are as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Consulting fees	-	-	-
Other	-	-	11,056
Total	-	-	11,056

Bond issuance costs are capitalized, recorded under "other assets" and are amortized on a straight-line basis over the life of the bonds.

24. Other cash-flow items:

The detail of other disbursements for financing purposes as of December 31, 2005, 2006 and 2007 are as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Realization of forward contracts	(4,157,140)	(572,640)	(460,663)
Revolving Facility Mitsubishi Fees	-	(612,663)	-
Other	-	(73,410)	(568,680)
Total cash-outflow	(4,157,140)	(1,258,713)	(1,029,343)

Cash flows related to other receipts from investment activities as of December 31, 2007 for each of the years ended are as follows:

	As of December, 31		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Sale of participation in Gas Atacama to Southern Cross (1)	-	-	43,172,429
Receipt of Loans granted to former subsidiaries of Infraestructura 2000 S.A.	2,262,691	583,012	-
Return of capital investment from related company (Empresa de Energía de Bogotá S.A.)	4,819,937	-	-
Others	-	530,002	-
Total Cash flows related to other receipts from investments	7,082,628	1,113,014	43,172,429

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24. Other cash-flow items, continued

Cash flows related to other disbursements from investment activities as of December 31, 2007 and for each of the years then ended are as follows:

	As of December, 31		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Purchase of participation in Gas Atacama from CMS (1)	-	-	(43,666,808)
Total Cash flows related to other receipts from investments	-	-	(43,666,808)

(1) On June 30, 2007, the Company notified CMS Enterprises Company (the entity controlling 50% of Inversiones Gas Atacama Holding and subsidiaries) of its decision to exercise its right of first offer to purchase the interest held by CMS Enterprises Company in Inversiones Gas Atacama Holding for US\$ 80 million. Included in this amount was the purchase of a sponsor loan that CMS had grants to Inversiones Gas Atacama Holding and its subsidiaries.

On the same date, the Company and Southern Cross Latin America Private Equity Fund III L.P. ("Southern Cross") subscribed a sale and purchase agreement for 50% of the Company's participation in Inversiones Gas Atacama Holding S.A. and its subsidiaries and in its sponsor loans to Southern Cross for the amount of US\$ 80 million.

The Company, by exercising its right of first offer to purchase from CMS and selling this participation on the same date and in a linked transaction to Southern Cross acted as an agent and thus did not record any gains or losses related to the sale and purchase of the participation.

25. Financial derivatives:

As of December 31, 2007 the Company and its subsidiaries held the following financial derivative contracts with financial institutions with the objective of decreasing exposure to interest rates and foreign currency risk:

Type (1)	Nominal amount US\$	Period Of Maturity	Item	Sales (S)/ Purchase (P)	Hedged Item	As of December 31, 2007	
						Hedged Amount ThCh\$	Deferred Fair Value Change ThCh\$
EO	40,000,000	3 rd Quarter 2010	Interest rate	P/S	Bank-debt	19,875,600	-
EO	60,000,000	3 rd Quarter 2009	Interest rate	P/S	Bank-debt	29,813,400	-
S	125,000,000	3 rd Quarter 2008	Exchange rate	P	Bank-debt	62,111,250	(4,645,735)
S	84,100,000	4 th Quarter 2012	Interest rate	P	Bank-debt	41,788,449	(715,522)

(1) EO = European Option, S = Swap

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26. Commitments and contingencies:

The detail of liens and guaranties granted by the Company and its subsidiaries as of December 31, 2007 is as follows:

a. Liens held by third parties:

		As of December 31, 2007			
		Book value of remaining encumbered assets and schedule to be released			
Guarantee	Subsidiary	2007	2008-2010	After 2010	Total
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banks	Pangue S.A.	2,267,573	-	-	2,267,573
Soc. de Energía de la República Argentina	Endesa Argentina, Endesa Costanera	6,981,239	-	-	6,981,239
Mitsubishi	Endesa Costanera	34,039,097	-	-	34,039,097
Credit Suisse First Boston	Endesa Costanera	19,875,600	-	-	19,875,600
Miscellaneous	Endesa parent company	3,024,438	-	-	3,024,438
Miscellaneous	Edegel	52,634,012	-	-	52,634,012
Total		<u>118,821,959</u>	<u>-</u>	<u>-</u>	<u>118,821,959</u>

b. Guarantees of subsidiary obligations:

		As of December 31, 2007			
		Schedule of balance payable of related debt			
Guarantee	Subsidiary	2008	2009-2010	After 2010	Total
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
2° Juzgado Civil de Quillota	Cia. Eléctrica San Isidro	10,000	-	-	10,000
Vestas Elóicas S.A.U.	Endesa Eco S.A.	7,468,361	-	-	7,468,361
Banco Español de Crédito	Cia. Eléctrica Tarapacá S.A.	2,047,648	-	-	2,047,648
Total		<u>9,526,009</u>	<u>-</u>	<u>-</u>	<u>9,526,009</u>

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26. Commitments and contingencies, continued:

c. Litigation and other legal actions:

The Company is party to various lawsuits arising in the ordinary course of its business. Management considers it unlikely that any losses associated with the pending lawsuits described below will significantly affect the Company or its subsidiaries' results of operations, financial position and cash flows, although no assurance can be given to such effect. Accordingly, the Company has established a provision for these lawsuits of ThCh\$ 6,097,026 and ThCh\$ 6,862,026 as of December 31, 2006 and 2007, respectively, which Management considers to be adequate. Management does not believe that it is reasonably possible that the Company will incur losses in excess of the established provision.

The following is a detail of significant pending lawsuits that have been filed against the Company, its subsidiaries and equity method investees. The lawsuits are detailed by Company and the descriptions provide the court of law overseeing the lawsuit, a legal reference number, the parties, a general description of the lawsuit, the process status of the lawsuit and the amounts involved in the lawsuit. The most relevant cases are detailed below.

Endesa Chile

i. Court: 7th Civil Tribunal of Santiago

Process number: 8895-2003

Plaintiff: Juan Francisco Aranguiz Córdova, et al. (minority shareholders and former employees of Empresa Eléctrica Pangue).

Defendant: Empresa Eléctrica Pangue S.A. and Endesa Chile

Cause: The Plaintiffs, former shareholders of Pangue S.A., seek annulment of a contract signed on September 25, 2000, between Pangue S.A. and Endesa Chile, to establish a voluntary easement on Pangue's water rights, allowing the point of return of the Ralco Power Plant, located up river, to be located in the final part of the tailwaters of the Pangue reservoir. The Plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangue S.A. lost value, for which they are seeking ThCh\$ 2,521,996. Lastly, they claim that had said contract not been signed, Pangue S.A. would have distributed dividends to them.

Process Status: The Court ruled in favor of Endesa Chile, overruling the suit in its entirety. The Plaintiff filed an appeal before the Appeals Court of Santiago. As of October 2, 2007, the Plaintiffs have adhered to the appeal.

Amounts involved: ThCh\$ 3,604,380

ii. Court: 24th Civil Tribunal of Santiago

Process number: 3622-2003

Plaintiff: Francisco Javier Errázuriz Talavera, Francisco Javier Errázuriz Ovalle, Matías Errázuriz Ovalle

Defendants: Empresa Nacional de Electricidad S.A., Francisco Fernández Montero, Luis Felipe Acuña Rivas, Rene Agustín Lara Montoya, Inversiones Cirrus

Cause: The suit is based on the fact that the Defendants initiated a criminal suit against the Plaintiffs based on events that occurred on a property called "La Esperanza de Marchigüe", owned by the Plaintiffs, on August 21, 1998, for the crime of kidnapping, claims that were dismissed by the tribunal. The Plaintiffs believe that these criminal charges against them caused moral damage, for which they are seeking restitution.

Process status: A sentence was issued in favor of Endesa Chile, and the Plaintiffs appealed the decision. The appeal is pending.

Amounts involved: ThCh\$ 1,400,000.

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26. Commitments and contingencies, continued:

iii. 9th Civil Tribunal of Santiago

Process number: 15279-2005

Plaintiff: Jaime Arrieta Correa et. al.

Defendant: Chilean Treasury, Department of Water Resources and Endesa Chile

Cause: The Plaintiffs are suing to nullify Dept. of Water Resolution No. 134, dated March 22, 2000, which gives Endesa Chile non-consumptive water rights to carry out the Neltume Power Plant project, with indemnities for damages. If this petition is not granted, the Plaintiffs are suing for restitution of damages allegedly suffered by the Plaintiffs for the loss of quality of lakefront property at Pirehueico Lake and for the property devaluation.

Process Status: Endesa Chile has answered the lawsuit and the Chilean Treasury filed dilatory defences, which were rejected by the Tribunal.

Amounts involved: Undetermined.

iv. 24th Civil Tribunal of Santiago

Process number: 7957-2005

Plaintiff: Inversiones M.D. Ltda. et. al.

Defendant: Chilean Treasury, Department of Water Resources and Endesa Chile

Cause: The Plaintiffs are suing to nullify Dept. of Water Resolution No. 134, dated March 22, 2000, which gives Endesa Chile non-consumptive water rights to carry out the Central Neltume project, with indemnities for damages. If this petition is not granted, the Plaintiffs are suing for restitution of damages allegedly suffered by the Plaintiffs for the loss of quality of lakefront property at Pirehueico Lake and for the property devaluation. The Tribunal decreed an injunction prohibiting any new contracts involving Endesa Chile's water rights related to Project Neltume

Process Status: The case was opened to receive evidence. Endesa Chile requested that this case be reviewed in conjunction with the cases "Arrieta con Fisco et. al.", process number 15279-2005, at the 9th Civil Tribunal of Santiago and "Jordán et. al. vs. Chilean Treasury et. al.", process number 1608-05, at the 10th Civil Tribunal of Santiago, but this request was rejected in the first instance. Endesa Chile filed a motion to reconsider with a subsidiary appeal against this last ruling, which was accepted by the Court of Appeals of Santiago, causing the cases to be reviewed in conjunction.

Amounts involved: Undetermined.

v. 10th Civil Tribunal of Santiago

Process number: 1608-2005

Plaintiff: José Manuel Jordán Barahona et. al.

Defendant: Chilean Treasury, Department of Water Resources and Endesa Chile

Cause: The Plaintiffs are suing to nullify Dept. of Water Resolution No. 134, dated March 22, 2000, which gives Endesa Chile non-consumptive water rights to carry out the Central Neltume project, with indemnities for damages. If this petition is not granted, the Plaintiffs are suing for restitution of damages allegedly suffered by the Plaintiffs for the loss of quality of lakefront property at Pirehueico Lake and for the property devaluation.

Process Status: The Tribunal opened the case to receive evidence, against which the Plaintiff filed a motion to reconsider, which is still pending. On October 23, 2007, the parties motioned to postpone the proceedings for 90 days.

Amounts involved: Undetermined.

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26. Commitments and contingencies, continued:

vi. Court: Court of Letters of Santa Bárbara

Process number: 3938

Plaintiff: Endesa Chile

Defendant: Bunster Barrueto, et al.

Cause: A judicial proceeding was initiated by Endesa Chile with respect to a consignment to the amount of the appraisal performed by "Commission of Good Men" that determined the amount Endesa Chile should pay the proprietors of farms with easements established in relation to the electric concession granted by Supreme Decree No. 31 on January 18, 2000 to construct the Ralco Power Plant. Subsequently, in the same file, the Defendants presented a claim against the appraisals performed by the Commission.

Process Status: The court ruled in favor of Endesa Chile in the first instance. The Defendant appealed, which was rejected by the Court of Appeals of Concepción. The Defendant filed an appeal for annulment before the Supreme Court.

Amounts involved: ThCh\$ 2,574,000.

vii. Judicial claims against Superintendence of Energy and Fuel fines:

Court: Court of Appeals of Santiago

Process number: 5783-04

Claim Resolution number: 1439 from August 14, 2003.

Cause: Fine for general black-out on September 23, 2002

Process status: The Court is waiting to hear allegations on several claims, derived from the same circumstances, which are being examined together.

Prior to hearing the claims, the Court ordered the reception of evidence, which occurred in November 2007.

Amounts involved: Fine of 1,500 UTA

viii. 9th Civil Tribunal of Santiago

Process number: 13084-04

Plaintiff: Endesa Chile, Pangué S.A. and Pehuenche S.A.

Defendant: Chilean Treasury

Cause: The Plaintiffs are suing to nullify Resolution No. 35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, because this resolution includes pronouncements on issues that were not originally matters of divergence, by instructing the CDEC-SIC to define the time period of greatest probability of load loss.

Process Status: The suit was rejected in the first instance. The Defendants appealed the decision before the Appeals Court of Santiago.

Amounts involved: Undetermined.

ix. 19th Tribunal of Santiago

Process number: 2487-2005

Plaintiff: Empresa Eléctrica Guacolda S.A.

Defendant: Endesa Chile, Pangué, Pehuenche and San Isidro

Cause: Guacolda is suing for the right to receive payment from each of the Defendants, in its condition as owner of the transmission line between the Maitencillo and Cardones Substations within the Central Interconnected System, for basic tolls related to electricity sent through the transmission lines by the Defendants during the period from October 9, 2003 to March 12, 2004.

Process Status: The parties have been notified that the court is ready to announce judgement.

Amounts involved: ThCh\$ 423,594.

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26. Commitments and contingencies, continued:

x. 12th Tribunal of Santiago
Process number: 2838-2005
Plaintiff: Sociedad Agrícola Ganadera and Forestal Las Cruces Ltda.
Defendant: Endesa Chile
Cause: The Plaintiffs are suing Endesa Chile for the alleged arbitrary and indiscriminate use of legal resources such that the Plaintiffs were deprived of their water use rights. The Plaintiff alleges physical and moral damage and is seeking restitution.
Process Status: On December 31, 2007, the Tribunal ruled in favor of Endesa Chile, rejecting the lawsuit in its entirety.
Amounts involved: ThCh\$ 2,423,662

xi. Court of Letters of Santa Bárbara
Process number: 4563
Plaintiff: Luis Danús Covian et. al.
Defendant: Endesa Chile and Pangué S.A.
Cause: The Plaintiffs filed suit so that the Court will declare that the Plaintiffs and Defendants form a part of a community with respect to the Fundo Ralco and therefore they have co-ownership rights.
Process Status: The Tribunal ruled in favor of the Defendants, rejecting the suit in its entirety and ruling that the Plaintiff pay all legal costs. The Defendant appealed the decision before the Appeals Court of Concepción.
Amounts involved: Undetermined

xii. 19th Tribunal of Santiago
Process number: 7361-2005
Plaintiff: María Victoria Errázuriz Ovalle, María Victoria Ovalle Ovalle, María Ignacia Errázuriz Ovalle
Defendant: Endesa Chile, Francisco Fernández Montero, Luis Felipe Acuña Rivas, René Agustín Lara Montoya and Inversiones Cirrus S.A.
Cause: The suit is based on the fact that the Defendants initiated a criminal suit against the family of the Plaintiffs (father and siblings) based on events that occurred on a property called "La Esperanza de Marchigüe", owned by the Plaintiffs, on August 21, 1998, for the crime of kidnapping, claims that were dismissed by the tribunal. The Plaintiffs believe that these criminal charges against them caused moral damage, for which they are seeking restitution.
Process Status: The discussion period has ended.
Amounts involved: ThCh\$ 3,200,000

xiii. 29th Tribunal of Santiago
Process number: 575-2006
Plaintiff: José María Lladser Prado
Defendant: Endesa Chile
Cause: The Plaintiff is suing for restitution of damages suffered when Endesa Chile opened the floodgates of the Rapel dam in June 2005, which produced alleged damage to property owned by the Plaintiff.
Process status: The evidence period has ended, with some proceedings pending.
Amounts involved: ThCh\$ 192,000

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26. Commitments and contingencies, continued:

xiv. Court: Court of Appeals of Santiago
Process number: 10805-05
Plaintiff: Endesa Chile
Defendant: Superintendencia de Electricidad and Fuel
Claim Resolution number: 817 from April 27, 2004 and No. 1838 from November 3, 2005.
Cause: Fine for general black-out on January 13, 2003
Process status: The Court is waiting to hear allegations from the parties on several claims, derived from the same circumstances, which are being examined together, starting with the oldest.
Amounts involved: Fine of 560 UTA

xv. Court: Court of Arbitration
Process Number: 2144-J
Plaintiff: Endesa Chile
Defendant: CMPC Celulosa S.A.
Cause: The disagreement between the parties originated from the Supply Contract signed by Endesa Chile and CMPC Celulosa S.A. on May 31, 2003, relative to electricity supply for the Defendant's plants in the Eighth Region and principally refers to Endesa Chile's decision to dispute part of the usage required by CMPC Celulosa S.A. as Endesa Chile does not consider this usage to be covered in the current contract.
Process Status: The evidence period has ended, however some proceedings related to evidence are still pending.
Amounts Involved: Undetermined

xvi. Court: 2nd Court of Letters of Coronel
Process number: 6940-2006
Plaintiff: Marlina Breve Toledo and Others
Defendant: Endesa Chile
Cause: A group of mothers from the Coronel region have sued Endesa Chile for compensation of moral damage allegedly suffered by their children due to burns they sustained in the lands surrounding the Bocamina Power Plant. These events occurred during January and February 2002.
Process status: The Court established the points of evidence, but the parties have not been notified.
Amounts involved: ThCh\$ 460,000.

xvii. Court: 16th Civil Tribunal of Santiago
Process number: 14234-2007
Plaintiff: Enrique Herrera et. al.
Defendant: Endesa Chile and Pangué S.A.
Cause: The Plaintiffs, former shareholders of Pangué S.A., seek annulment of a contract signed on September 25, 2000, between Pangué S.A. and Endesa Chile to establish a voluntary easement on Pangué's water rights, allowing the point of return of the Ralco Power Plant, located up river, to be located in the final part of the tailwaters of the Pangué reservoir. The Plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangué S.A. lost value and they are seeking ThCh\$ 1,036,809 to compensate for damages arising from the signing of this contract.
Process status: Endesa Chile and Pangué answered the suit and the discussion period is finished. The Tribunal called the parties to a reconciliatory hearing, although not all parties have been notified yet.
Amounts involved: ThCh\$ 1,036,809.

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26. Commitments and contingencies, continued:

xviii. Court: 18th Civil Tribunal of Santiago
Process number: 13577-2007
Plaintiff: Ana Luisa Aránguiz Escobar and Others
Defendant: Endesa Chile

Cause: The Plaintiff is suing for compensation for damages arising from the final electrical concession given to Endesa Chile to establish and exploit the Rapel Power Plant. This concession gave Endesa Chile rights to flood the lands in the area in order to create a reservoir, paying the property owners the corresponding compensation. The Plaintiff alleges that her land, without reason, was excluded from the concession plans and therefore, did not receive compensation.

Process status: Endesa Chile answered the suit and the discussion period is finished.

Amounts involved: ThCh\$ 548,500.

xix. Court: Appeals Court of Santiago
Process number: 6746-2007
Plaintiff: Endesa Chile

Defendant: Department of Water Resources

Cause: This case is an appeal of Exemption Resolution DGA No. 2144 of the Department of Water Resources, issued on September 11, 2007, which establishes rules for auctioning off water rights for the Manso river. These water rights were simultaneously requested by Endesa Chile and AES Gener S.A., but the latter withdrew its request on September 7, 2006. Given these aforementioned facts, the Plaintiff is claiming that the Department of Water Resources should not auction off these water rights, which would infringe on Articles 6 and 7 of the Chilean Constitution and Article 142 of the Water Codes, among other legal clauses.

Process status: The hearing of the case is pending.

Amounts involved: Undetermined

xx. Court: Third Civil Tribunal of Santiago
Process number: 26.499-2007
Plaintiff: Endesa Chile

Defendant: Chilean Treasury

Cause: Endesa Chile has sued the Treasury in hopes that the Tribunal will rule that Endesa Chile, because it is a company that generates electrical power, is, in relation with the operation of its power plants and artificial dams subject to the General Law of Electrical Services, and all other legal standards regulating the electric industry and the instructions emanated by the CDEC of the respective interconnected system, and not by decisions and guidelines emanated by the Water Control Committee (regulated by the Water Code).

Process status: Endesa Chile filed the suit on November 30, 2007 and notified the Treasury.

Amounts involved: Undetermined

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26. Commitments and contingencies, continued:

Pangue S.A.

i. Court: 7th Civil Tribunal of Santiago
Process number: 8895-2003

Plaintiff: Juan Francisco Aranguiz Córdoba, et al. (minority shareholders and former employees of Empresa Eléctrica Pangue).
Defendant: Empresa Eléctrica Pangue S.A. and Endesa Chile

Cause: The Plaintiffs, former shareholders of Pangue S.A., seek annulment of a contract signed on September 25, 2000, between Pangue S.A. and Endesa Chile, to establish a voluntary easement on Pangue's water rights, allowing the point of return of the Ralco Power Plant, located up river, to be located in the final part of the tailwaters of the Pangue reservoir. The Plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangue S.A. lost value and they are seeking ThCh\$ 2,521,996. Lastly, they claim that had said contract not been signed, Pangue S.A. would have distributed dividends to them. Dilatory defences were filed, which are pending resolution by the Tribunal. The Tribunal decreed an injunction prohibiting any new contracts involving water rights registered to Pangue S.A.

Process Status: The Tribunal ruled in favor of the Defendants, rejecting the suit in its entirety. The Plaintiff filed an appeal with the Appeals Court of Santiago. On October 2, 2007, the Defendants adhered to the appeal.

Amounts involved: ThCh\$ 3,604,380.

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26. Commitments and contingencies, continued:

ii. Court: Court of Appeals of Santiago
Process number: 5785-04
Plaintiff: Pangue S.A.
Defendant: Superintendence of Electricity and Fuel
Claim Resolution number: 1432 from August 14, 2003.
Cause: Fine for general black-out on September 23, 2002
Process status: The Court is waiting to hear allegations on several claims, derived from the same circumstances, which are being examined together.
Prior to hearing the claims, the Court ordered the reception of evidence, which occurred in November 2007.

Amounts involved: Fine of 1,000 UTA.

iii. Court: Court of Appeals of Santiago
Process number: 10803-05
Plaintiff: Pangue S.A.
Defendant: Superintendence of Electricity and Fuel
Claim Resolution number: 818 from April 27, 2004 and No. 1834 from November 3, 2005.
Cause: Fine for general black-out on January 13, 2003
Process status: The Court is waiting to hear allegations from the parties on several claims, derived from the same circumstances, which are being examined together, starting with the oldest.
Amounts involved: Fine of 560 UTA

iv. Ninth Civil Tribunal of Santiago
Process number: 13084-04
Plaintiff: Endesa Chile, Pangue S.A. and Pehuenche S.A.
Defendant: Chilean Treasury
Cause: The Plaintiffs are suing to nullify Resolution No. 35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, because this resolution includes pronouncements on issues that were not originally matters of divergence, by instructing the CDEC-SIC to define the time period of greatest probability of load loss. Process Status: The suit was rejected in the first instance. The Plaintiffs filed an appeal before the Appeals Court of Santiago.
Amounts involved: Undetermined.

v. Court of Letters of Santa Bárbara
Process number: 4563
Plaintiff: Luis Danús Covian et. al.
Defendant: Endesa Chile and Pangue S.A.
Cause: The Plaintiffs filed suit so that the Court will declare that the Plaintiffs and Defendants form a part of a community with respect to the Fundo Ralco and therefore they have co-ownership rights.
Process Status: The Tribunal ruled in favor of the Defendants, rejecting the suit in its entirety and ruling that the Plaintiff pay all legal costs. The Defendant appealed the decision before the Appeals Court of Concepción. Amounts involved: Undetermined

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26. Commitments and contingencies, continued:

vi. 19th Tribunal of Santiago
Process number: 2487-2005
Plaintiff: Empresa Eléctrica Guacolda S.A.
Defendant: Endesa Chile, Pangue, Pehuenche and San Isidro
Cause: Guacolda is suing for the right to receive payment from each of the Defendants, in its condition as owner of the transmission line between the Maitencillo and Cardones Substations within the Central Interconnected System, for basic tolls related to electricity sent through the transmission lines by the Defendants during the period from October 9, 2003 to March 12, 2004.
Process Status: The parties have been notified that the court is ready to announce judgement
Amounts involved: ThCh\$ 423,594.

vii. Court: 16th Civil Tribunal of Santiago
Process number: 14234-2007
Plaintiff: Enrique Herrera Brondi along with 10 other people
Defendant: Endesa Chile and Pangue S.A.
Cause: The Plaintiffs, former shareholders of Pangue S.A., seek annulment of a contract signed on September 25, 2000, between Pangue S.A. and Endesa Chile. to establish a voluntary easement on Pangue's water rights, allowing the point of return of the Ralco Power Plant, located up river, to be located in the final part of the tailwaters of the Pangue reservoir. The Plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangue S.A. lost value and they are seeking ThCh\$ 1,036,809 to compensate for damages arising from the signing of this contract.
Process status: The parties answered the claim and the discussion period is finished. The Tribunal called the parties to a reconciliatory hearing, although not all parties have been notified yet.
Amounts involved: ThCh\$ 1,036,809.

viii. Court: Court of Letters of Nacimiento
Process number: 16.757-2007
Plaintiff: Municipality of Nacimiento
Defendant: Pangue S.A.
Cause: In this lawsuit, based on Law 19,300 about General Environmental Standards, the Municipality of Nacimiento seeks restitution and monetary compensation for environmental damage allegedly caused by the operation of the Pangue Power Plant, particularly from spills occurring during July 2006. The value of these damages is estimated at ThCh\$ 13,194. The Plaintiff is also specifically demanding that the Defendant be obligated to adopt protective and mitigative measures, such as construction of a containment wall and a bridge that connects Nacimiento to other nearby towns for a cost of ThCh\$ 4,914,000.
Process status: The proceedings are in the evidence stage, but the parties have not been notified.
Amounts involved: ThCh\$ 4,927,194.

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26. Commitments and contingencies, continued:

Pehuenche S.A.

i. Court: 20th Civil Court of Santiago
Process number: 5863-2001
Plaintiff: Empresa Eléctrica Pehuenche S.A.
Defendant: Empresa Eléctrica Colbún S.A.
Cause: Pehuenche S.A. seeks fulfillment of contract with an indemnity for damages related to services rendered by Pehuenche S.A. to Colbún S.A. during the last drought period of ThCh\$ 3,923,503, plus interests. Colbún S.A. responded with a countersuit against Pehuenche S.A. seeking payment for losses caused by not being able to operate the dam below a specific level (422.30) from April and May 2001 related to the sentence dictated by the Appeals Court of Talca, in a suit related to obligation of supply to the Maule Norte Bajo canal, that was later reversed by the Supreme Court.

Process status: The Appeals Court ruled in favor of Pehuenche S.A., against which Colbún filed an appeal for annulment, which is still pending. At Pehuenche's request, the Appeals Court ordered the first instance Court to carry out the Appeals Court's ruling, for which reason Colbún gave the amount payable in consignment to Pehuenche. The interest payments on this amount were calculated by the Tribunal and objected to by Colbún, which was rejected. The Defendant filed an appeal against this last decision.

Amounts involved: ThCh\$ 3,932,503 plus interest.

ii. Court: Court of Appeals of Santiago
Process number: 5784-04
Plaintiff: Empresa Eléctrica Pehuenche S.A.
Defendant: Superintendencia of Electricity and Fuel
Claim Resolution number: 1429 from August 14, 2003.
Fine: 1,500 UTA
Cause: Fine for general black-out on September 23, 2002

Process status: The Court is waiting to examine several claims, derived from the same circumstances, which are being examined together. Prior to hearing the claims, the Court ordered the reception of evidence, which occurred in November 2007.

Amounts involved: 1,500 UTA.

iii. Ninth Civil Tribunal of Santiago
Process number: 13084-04
Plaintiff: Endesa Chile, Pangué S.A. and Pehuenche S.A.
Defendant: Chilean Treasury

Cause: The Plaintiffs are suing to nullify Resolution No. 35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, because this resolution includes pronouncements on issues that were not originally matters of divergence, by instructing the CDEC-SIC to define the time period of greatest probability of load loss..

Process Status: The Tribunal ruled in favor of the Defendant in the first instance. The Plaintiffs filed an appeal before the Appeals Court of Santiago.

Amounts involved: Undetermined.

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26. Commitments and contingencies, continued:

iv. 19th Tribunal of Santiago
Process number: 2487-2005
Plaintiff: Empresa Eléctrica Guacolda S.A.
Defendant: Endesa Chile, Pangué, Pehuenche and San Isidro
Cause: Guacolda is suing for the right to receive payment, in its condition as owner of the transmission line between the Maitencillo and Cardones Substations within the Central Interconnected System, for basic tolls related to electricity sent through the transmission lines by the Defendants during the period from October 9, 2003 to March 12, 2004.
Process Status: The parties have been notified that the court is ready to announce judgement
Amounts involved: ThCh\$ 423,594.

v. Court: Court of Appeals of Santiago
Process number: 10801-05
Claim Resolution number: No. 806 from April 27, 2004 and No. 1836 from November 3, 2005.
Cause: Fine for general black-out on January 13, 2003
Process status: The Court is waiting to examine other claims derived from the same circumstances, which are being examined together, starting with the oldest.
Amounts involved: Fine of 350 UTA

San Isidro S.A.

i. Court: Court of Appeals of Santiago
Process number: 5782-04
Claim Resolution number: 1428 from August 14, 2003.
Cause: Fine for general black-out on September 23, 2002
Process status: The Court is waiting to examine other claims derived from the same circumstances, which are being examined together. Before examining the claims, the Court ordered reception of evidence, which occurred in November 2007.
Amounts involved: Fine of 500 UTA.

ii. 19th Tribunal of Santiago
Process number: 2487-2005
Plaintiff: Empresa Eléctrica Guacolda S.A.
Defendant: Endesa Chile, Pangué, Pehuenche and San Isidro
Cause: Guacolda is suing for the right to receive payment, in its condition as owner of the transmission line between the Maitencillo and Cardones Substations within the Central Interconnected System, for basic tolls related to electricity sent through the transmission lines by the Defendants during the period from October 9, 2003 to March 12, 2004.
Process Status: The parties have been notified that the court is ready to announce judgement.
Amounts involved: ThCh\$ 423,594.

iii. Court: Court of Appeals of Santiago
Process number: 10799-05
Claim Resolution number: No. 819 from April 27, 2004 and No. 1830 from November 3, 2005.
Cause: Fine for general black-out on January 13, 2003
Process status: The Court is waiting to examine other claims derived from the same circumstances, which are being examined together, starting with the oldest.
Amounts involved: Fine of 350 UTA

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26. Commitments and contingencies, continued:

Edegel S.A.A.

i. Court: National Superintendence of Tax Administration (SUNAT)

Process number: NA

Plaintiff: SUNAT

Defendant: Edegel

Cause: On July 10, 2003, Edegel was notified of a resolution from the SUNAT by which this entity objected to the depreciation recorded on assets reappraised after a division.

Process Status: Upon selecting the Special System of Updates and Payment of Tax Obligations (SEAP) in January 2006 and upon paying all of the taxes omitted in Management's calculation for fiscal years 1996 to 1998 and corresponding interests, as well as a portion of the omitted taxes from fiscal year 1999, the claim that is still pending resolution by the court is related to fiscal year 1999 and refers solely to the objection for the 15% "financing interest" in the appraisal.

Amounts involved: ThS\$ 25,157

ii. Court: National Superintendence of Tax Administration (SUNAT)

Process number: 0150340004124

Plaintiff: SUNAT

Defendant: Edegel S.A.A.

Cause: Tax comment – audit of fiscal year 2000 (General sales tax – Fiscal year 2000 – Disregard of economic reality for consulting services invoiced by Generandes).

Process Status: On October 18, 2007, Edegel filed a motion to appeal Intendency Claim No. 0150140006637. On October 19, 2007, Edegel partially withdrew this motion to appeal. Consequently, the appeal against certain Claims of Determination and Fine are still in effect, amounting to S 11,976,447 new soles.

Amounts involved: ThS\$ 41,716

iii. Court: National Superintendence of Tax Administration (SUNAT)

Process number: NA

Plaintiff: SUNAT

Defendant: Talleres Mayopampa/Edegel S.A.A.

Cause: Tax comment (Liability in solidum of Edegel with Talleres Moyopampa – Payment of income taxes – Regularize Tax Year 1994 – Legal Entities. Period from May 1994 to June 1994).

Process Status: Pending ruling.

Amounts involved: ThS\$ 5,844

iv. Court: ESSALUD

Process number: 603-REC-GCC-GCR-IPSS-97

Plaintiff: ESSALUD

Defendant: Edegel S.A.A.

Cause: Payment of contributions for Decree Laws 22482 (Health), 19990 (Pensions) and 18846 (Work-related accidents) for period from April 1994 to March 1996.

Process Status: Pending ruling.

Amounts involved: ThS\$ 8,204 plus interest

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26. Commitments and contingencies, continued:

v. Court: ESSALUD

Process number: NA

Plaintiff: ESSALUD

Defendant: Edegel S.A.A.

Cause: Payment orders issued for alleged omission of social security contributions during period from April 1997 to December 1998.

Process Status: Pending ruling.

Amounts involved: ThS\$ 2,881 plus interest

vi. Court: District Municipality of San Ramón

Process number: NA

Plaintiff: District Municipality of San Ramón

Defendant: Edegel S.A.A.

Cause: Comment on municipal taxes (Property tax and fine – Fiscal years 2000 to 2004).

Process Status: The Municipality of San Ramón continues to not comply with the Government Tribunal's order and has not sent the records to said entity for it to rule on the matter. In accordance with Resolution No. 02637, the Public Prosecutor of the Ministry of Economy and Finance initiated criminal actions against the employees of the Municipality of San Ramón for the crimes of resisting and disobeying authorities. The First Public Prosecutor of La Merced – Chanchamayo summoned Edegel's legal representative give a statement, which occurred in June of this year.

Amounts involved: ThS\$ 4,867 plus interest

vii. Court: National Superintendence of Tax Administration (SUNAT)

Process number: NA

Plaintiff: SUNAT

Defendant: Edegel S.A.A.

Cause: Tax comment – Income Taxes (Fiscal Year 2000) - Income taxes – Third Category – Payments to Account – Fiscal Year 2001.

Process Status: Pending ruling.

Amounts involved: ThS\$ 64,907.

viii. Court: District Municipality of San Ramón

Process number: 027-2006-UEC-MDSR

Plaintiff: District Municipality of San Ramón

Defendant: Edegel S.A.A.

Cause: Fine levied by municipality alleging that Edegel has not regularized some buildings in the Yanango Power Plant.

Process Status: The Superior Court of La Merced – Chanchamayo confirmed the first instance ruling and has ordered that the municipality rule on the principle of the matter.

Amounts involved: ThS\$ 4,729 plus interest

ix. Court: Labor Court of Lima (Third)

Process number: 254-2001

Plaintiff: José Carlos de la Flor Arizaga, Sergio E.Palomino, Rigoberto Mendieta Vedia, Luis Ampuero Salas, Manuel Salazar López y Oscar Curay Rivera

Defendant: Edegel S.A.A. (ETEVENSA)

Cause: Payment of labor benefits: a) profits 1994-1995, b) bonuses from 1995-1996, c) compensation for not buying shares due to privatization, d) double vacations for 1994-1995, e) CTS for the period January 1995-June 1996, f) recalculation of the incentives paid at termination, g) benefits agreed upon with Electropetu

Process status: A date for the hearing is still pending.

Amounts involved: Peruvian soles \$ 7,198,025

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26. Commitments and contingencies, continued:

x. Court: Council of National and International Arbitration of the Chamber of Commerce of Lima. Arbitrators: Lorenzo Zolezzi Ibárcena (President), Shoshanna Zusman and Delia Revoredo.
Process number: 1236-009-2007
Plaintiff: Proinversion
Defendant: Edegel (Etevensa)
Cause: Proinversion believes that the former entity Etevensa complied with the investment commitment, but was late with the first and second stages.
Process status: By way of Resolution No. 04, on November 5, 2007, the Court of Arbitration granted Proinversion 15 days to present its suit. By way of Resolution No. 05, on December 12, 2007, the Court accepted the suit presented by Proinversion and informed Edegel that they had 15 days to respond.
Amounts involved: ThUS\$ 900.

xi. Court: OSINERGMIN (the Supervising Organization of Investments in Energy and Mining of Peru)
Process number: CC-33-2007, CC-35-2007 and CC-38-2007
Plaintiff: Electroandes, Duke Energy and Enersur Electroperu
Defendant: Edegel
Cause: Edegel is being sued so that it pays the reimbursement for being found responsible for certain events in agreement with the Technical Standards of the Quality of Electrical Services (NTCSE).
Process status: The appeals filed by Edegel (in the cases of Duke Energy, Electroandes and Enersur) have been found groundless and OSINERGMIN stated that administrative procedures have been exhausted. The suit filed before the courts of law is pending resolution of a strike by court employees. In the case of Electroperu, a reconciliatory hearing was held before the Tribunal that is hearing the appeal filed by Edegel.
Amounts involved: US\$ 1,804,926.54

xii. Court: National Superintendence of the Tributary Administration of Peru (SUNAT)
Process number: 0150340008058
Plaintiff: SUNAT
Defendant: Edegel S.A.
Cause: Tax Limit - Audit from 2002 and 2003 (Income Taxes)
Process Status: On July 5, 2007, SUNAT notified Edegel as to the decision of the Assessment and Settling of Fines related to income taxes determined for 2002 and 2003. On August 2, 2007, a Partial Claim was issued against SUNAT for an amount of S/ 5,839,804 and Edegel paid the uncontested amount of S/ 4,384,041.
Amounts involved: 4,737,647 Peruvian soles

Generandes Perú S.A.

i. Court: National Superintendence of the Tributary Administration of Peru (SUNAT)
Process number: 0260340031172
Plaintiff: SUNAT
Defendant: Generandes Perú S.A.
Cause: Fiscal Boundaries against Assessment and Settling of Fines by the General Sales Tax and Income Taxes - Audit 2000.
Process Status: The process is awaiting resolution by the SUNAT.
Amounts involved: \$ 45,290,186 Peruvian soles.

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26. Commitments and contingencies, continued:

Emgesa S.A ESP. (Colombia)

i. Neiva Administrative Court
Identification: 2004-645
Plaintiff: Consultoría Colombiana S.A. and Consultores Regionales Asociados Ltda
Defendant: ICEL – Electrificadora del Huila S.A. and Central Hidroeléctrica de Betania S.A. E.S.P.
Cause: Damages for not awarding the contract to the plaintiffs, after performing preliminary study of feasibility in 1992, relating to the El Quimbo project.
Process Status: The evidence stage has been concluded.
Amounts involved: \$ 2,230,000,000 Colombian pesos.

ii. Various Courts in the Huila and Tolima Jurisdictions
Identification: Various
Plaintiff: 381 individuals in various jurisdictions
Defendant: Central Hidroeléctrica de Betania S.A. E.S.P.
Cause: The Defendant is being sued for liability for the flooding during 1986, 1989, 1994 and 1999, which allegedly damaged the crops and property of the Plaintiffs.
Process Status: First instance rulings have already been handed down for some suits, with unfavorable sentences for the Company, which have been appealed. The remaining cases are either in the evidence stage or are being answered (i.e. in initial stage).
Amounts involved: \$ 12,207,452,211 Colombian pesos

iii. 3rd and 4th Circuit Courts of Neiva
Identification: 2004-0084 y 2004-00056 (respectively)
Plaintiff: Fariel San Juan
Defendant: Central Hidroeléctrica de Betania S.A. E.S.P. (now Emgesa S.A. ESP)
Cause: Class action referred to the impact of the construction of the dam on the regional economy. The lawsuit relates to the construction of a system that would allow fish to pass through during migration season. The water would be maintained at a fair and equitable level, and the Defendant would be ordered to develop compensatory plans such as the construction of a fish processing and packing plant.
Process Status: On April 18, 2006, a proposal of a fulfillment agreement was presented to the 3rd Court. This agreement was approved by the judge, by means of a ruling on September 25, 2006. This agreement is already being executed by the Company's Environmental Division. Once the commitments have been fulfilled, this case will be closed and archived.
In the 4th Court, the fulfillment agreement hearing took place on August 30, 2006. This fulfillment agreement was approved by means of a ruling on September 8, 2006. The agreement obliged the Company to perform two studies for developing tourism projects in the region, which should be developed by the Municipality of Yaguará and/or the Government of Huila. On August 29, 2007, Betania provided the Court with the two studies. On December 10, 2007, the Court determined that the obligations stated in the agreement were met and archived the file.
Amounts involved: Undetermined.

iv. 1st Circuit Court of Neiva
Process number: 2003-123
Plaintiff: Empresa Antioqueña de Energía (EADE)
Defendant: Central Hidroeléctrica de Betania S.A. ESP (now Emgesa S.A. ESP)
Cause: The Plaintiff is suing the Defendant for indemnities for noncompliance with energy supply obligations between 1997 and 1999.
Process Status: The reconciliatory hearing was postponed until the Plaintiff can determine who was in charge of the rights originating the suit, which will occur after the dissolution of EADE.
Amounts involved: \$ 7,805,000,000 Colombian pesos.

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26. Commitments and contingencies, continued:

v. Court: Municipality of Yaguará
Process number: 2004-1328
Plaintiff: Central Hidroeléctrica de Betania S.A. ESP (now Emgesa S.A. ESP)
Defendant: Municipality of Yaguará
Cause: The Municipality is seeking to sanction the company for not presenting its declaration of ICA (Industrial and Commerce Tax), ignoring the payments made by Betania in application of a special law, that regulates the generation companies. The Plaintiff presented a request to nullify the acts that imposed the sanction.
Process Status: This case is in the evidence stage.
Amounts Involved: \$ 98,437,537,000 Colombian pesos.

vi. Court: Municipality of Yaguará
Process number: 2005-1743
Plaintiff: Central Hidroeléctrica de Betania S.A. ESP (now Emgesa S.A. ESP)
Defendant: Tribunal of Huila
Cause: The Municipality incorrectly applied an Industry and Commerce Tax to the Plaintiff by taxing the Plaintiff on their revenue instead of the installed capacity of their plant.
The company has objected to taxes imposed between 1998 and 2002.
Process Status: This case is in the evidence stage.
Amounts Involved: \$ 4,160,175,903 Colombian pesos.

vii. Court: Administrative Court of Huila
Process number: 2006-1024
Plaintiff: Central Hidroeléctrica de Betania S.A. ESP (now Emgesa S.A. ESP)
Defendant: Municipality of Yaguará
Cause: Summons to declare the Industry and Commerce Tax in 2003. The Defendant was unaware of the statement made by Betania and penalized the company for applying an additional sanction over their reported revenues. Additionally, Betania had a higher tax because it was subjected to a standard that did not apply to the generation companies.
Process Status: This case is in the evidence stage.
Amounts Involved: \$ 30,195,408,000 Colombian pesos.

viii. Court: 4th Section of the Administrative Court of Cundinamarca
Process number: 2004-238
Plaintiff: Emgesa S.A. ESP
Defendant: Municipality of Ubalá
Cause: The Municipality incorrectly applied an Industry and Commerce Tax to the Plaintiff by taxing the Plaintiff on their revenue instead of the installed capacity of their plant.
Process Status: On October 18, 2007, the Tribunal nullified the claims, absolving Emgesa from paying the taxes to the Municipality.
Amounts Involved: \$ 40,218,918,000 Colombian pesos.

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26. Commitments and contingencies, continued:

ix. Court: 4th Section of the Administrative Court of Cauca
Process number: 2007-125
Plaintiff: Emgesa S.A. ESP
Defendant: Municipality of Caloto
Cause: The Municipality incorrectly applied an Industry and Commerce Tax to the Plaintiff by taxing the Plaintiff on their revenue instead of the installed capacity of their plant.
Process Status: The case is in the process of notifying of the claim.
Amounts Involved: \$ 673,777,182 Colombian pesos.

x. Court: 4th Section of the Administrative Court of Cauca
Process number: 2007-00127
Plaintiff: Emgesa S.A. ESP
Defendant: Municipality of Puerto Tejada
Cause: The Municipality incorrectly applied an Industry and Commerce Tax to the Plaintiff by taxing the Plaintiff on their revenue instead of the installed capacity of their plant.
Process Status: The case is in the process of notifying of the claim.
Amounts Involved: \$ 1,187,546,066 Colombian pesos.

xi. Court: Administrative Court of Bolívar
Process number: 2007-424
Plaintiff: Emgesa S.A. ESP
Defendant: Bolívar Department
Cause: The Bolívar Department wrongly charged the company for Pro-Development and Pro-Culture Seals related to the purchase of Cartagena Power Plant.
Process Status: On August 27, 2007, the counterparty was notified of the lawsuit so that it can answer the suit within the period of time determined by law.
Amounts Involved: \$ 276,577,677 Colombian pesos.

xii. Administrative Court of Cundinamarca, First Section
Process number: 2001-016
Plaintiff: Orlando Enrique Guaqueta and Sibaté residents
Defendant: Emgesa S.A. ESP., Empresa de Energía de Bogotá S.A. ESP (EEB) and Corporación Autónoma Regional (CAR)
Cause: The Plaintiffs pursue the liability in solidum of the Defendants related to the damage allegedly produced in the Muña reservoir due to contaminated water from the Bogota River pumped in by Emgesa.
Process Status: On August 9, 2006, the Administrative Court of Cundinamarca ruled that this case be carried out in conjunction with a related case of Miguel Angel Chávez.
On May 16, 2007, the case was sent to the State Council to resolve the motions presented by the companies (among others, Encomables, Hospital Juan N Corpas, Agrinal S.A., Líquido Carbónico Colombiana S.A., Tinzuque, Refisal, Peldar, Incollantas), companies that do not believe they can be considered direct Defendants, since that would presume that they contributed to the contamination. Once these motions are ruled on, the first instance evidence stage should begin.
Amounts involved: \$ 3,000,000,000 Colombian pesos.

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26. Commitments and contingencies, continued:

xiii. Administrative Court of Cundinamarca, Fourth Section

Process number: 2001-479

Plaintiff: Gustavo Moya

Defendant: Emgesa S.A. ESP., Empresa de Energía de Bogotá S.A. ESP (EEB), la Empresa de Acueducto y Alcantarillado de Bogotá, the Municipality of Sibaté and other industries and government entities that contribute to the pollution of the Bogotá River.

Cause: The Defendants are faced with a class action suit for indemnifying damage allegedly produced by storing contaminated water in the Muña reservoir.

Process Status: The first instance sentence, which accepted the proposed fulfillment agreement presented by EEB and EMGESA in which EMGESA is exonerated of responsibility, is being appealed

Amounts Involved: Undetermined

xiv. Administrative Court of the Circuit (10)

Process number: 2004-1348

Plaintiff: José Edgar Bejarano and Others

Defendant: Emgesa S.A. ESP. and Chivo S.A. ESP.

Cause: The Plaintiffs are requesting that the Defendants pay the damages caused by the flooding of the Upia River in 2002, arguing negligence in operating the Guavio dam's floodgates.

Process Status: Motions have been filed by parties indicated as additional Defendants by the original Defendants and are pending resolution.

Amounts Involved: \$ 2,100,000,000 Colombian pesos.

xv. Court: Administrative Court of Cundinamarca

Process Number: 2005-1476

Plaintiff: EMGESA S.A. ESP.

Defendant: Corporación Autónoma Regional de Cundinamarca - CAR-

Cause: The Plaintiffs seeks that the court declare null CAR's administrative rulings (Resolutions 506 from March 29, 2005 and 1189 from July 8, 2005) and reestablish the rights of EMGESA that were violated by these Resolutions because they impose execution of works at the Muña reservoir as a condition of the maintenance of the water concession.

Process status: Pending the evidence solicited by each party.

Amounts involved: \$ 167.638.260.736 Colombian pesos.

xvi. Court: Administrative Court the Circuit (40)

Process Number: 2005-1990

Plaintiff: Juan Andrés Cano García et al

Defendant: Emgesa and 18 other entities, including the Ministries of Mining and Environment, Corporación Autónoma Regional de Cundinamarca - CAR, National Institute of Mines and various municipalities in the influential zone.

Cause: Class action suing Emgesa as the party responsible for ecological damage at the Tominé reservoir and for the reduction of water at the reservoir since 1997 and an abundance of non-native vegetation, thus neglecting to comply with its function of guaranteeing the public assets that it uses to conduct business. The Plaintiff argues that Emgesa has not invested in the recovery and conservation of the reservoir and to date has not performed any type of work to get dispose of the non-native vegetation.

Process status: On September 4, 2007, the Court notified new parties of their involvement in this suit and released the flower-growers from the suit. The Court will set a new date for a fulfillment agreement hearing, once each party involved has been notified and has answered the suit.

Amounts involved: \$ 12,711,000,000 Colombian pesos

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26. Commitments and contingencies, continued:

Hidroeléctrica El Chocón S.A. (Argentina)

i. Court: National Fiscal Court

Process number: 19399-I

Plaintiff: AFIP -DGI

Defendant: Hidroeléctrica El Chocón S.A.

Cause: The Federal Public Revenues Administration (AFIP) notified the Company that it owed 1,754,938 Argentine Pesos for failure to withhold taxes on certain payments made abroad for a bank loan obtained in 1994. The Company did not make these payments as it considered them related to foreign source income and therefore not subject to taxes. The Company presented an appeal to the National Fiscal Court.

Process status: On March 20, 2007 the Court partially reversed the decision of AFIP, with costs to the Company. The Company appealed this ruling.

Amounts involved: \$ 614,288 Argentine pesos in taxes plus (\$ 2,551,921 Argentine pesos) in interest and \$ 307,144 Argentine pesos in fines.

ii. Court: Supreme Court of Argentina

Process number: 114/99

Plaintiff: Province of Neuquén

Defendant: Hidroeléctrica El Chocón S.A.

Cause: On June 26, 2000, Hidroeléctrica El Chocón S.A. was notified of a lawsuit for interest to be paid related to royalties, initiated by the province of Neuquén before the Supreme Court of Argentina. The lawsuit includes an initial amounting of approximately 1,574,000 Argentine Pesos. The province of Neuquén presented calculations from an accounting expert that determined the amount owed by the Company in accordance with national regulations to be ThCh\$ 900,537. The expert testimony was refuted.

Process status: On August 28, 2007, the Supreme Court of Argentina ruled in favor of the Province of Neuquén and ordered that HECSA pay \$ 5,179,366 Argentine pesos plus the accrued amount accumulated between the periods considered in the expert testimony and their effective payment, plus incidents. On December 4, 2007, the Supreme Court of Argentina rejected the explanation requested by HECSA. On December 28, 2007, HECSA presented the settlement and accredited the total payment of \$ 12,657,890.90 Argentine pesos. On the same date, the Court ordered the transfer of the money to the Province of Neuquén and provided public notice of this event. While the main issue has been resolved, the court costs of approximately \$ 3,164,000 Argentine pesos are still pending.

Amounts involved: \$ 3,614,000 Argentine pesos.

iii. Court: Supreme Court of Argentina

Process number: N 164/99

Plaintiff: Province of Neuquén

Defendant: Hidroeléctrica El Chocón S.A.

Cause: On September 27, 2000, the Company was notified of a new complaint from the province of Neuquén against the State and hydroelectric generators of Comahue to obtain royalties earned on accumulated funds in the Salex Account. The complaint seeks charges from each generator equal to 12% of the funds contributed to the account. In 2004, an accounting expert determined the amounts supposedly accumulated by the Company and the respective percentages and, with this base, estimated the total amount of royalties owed. The expert testimony was refuted.

Process status: The evidence stage has been closed. The case is awaiting sentencing.

Amounts involved: \$ 1,612,862.16 Argentine pesos.

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26. Commitments and contingencies, continued:

iv. Court: Administrative Branch
Process number: NA
Plaintiff: Province of Río Negro
Defendant: Hidroeléctrica El Chocón S.A.
Cause: Hidroeléctrica El Chocón S.A. received notification from the Provincial Revenue Services of the Río Negro Province about a real estate tax payment from May 2004, which established a property value of \$ 294,997,709 Argentine pesos and taxes payable of \$ 393,328.40 Argentine pesos. On October 25, 2004 the Company responded with a claim that questioned the Revenue Service's appraisal of the property value. The General Revenue Service sent the company invoices to pay installments 5 and 6 from 2004 and 1 through 6 from 2005. The Company presented a note rejecting each of these installment invoices.
Process status: Pending administrative proceedings.
Amounts involved: \$ 5,578,531 Argentine pesos

Hidroinvest S.A. (Argentina)

i. Court: National Tax Court
Process number: 19366-I
Plaintiff: Hidroinvest S.A.
Defendant: AFIP -DGI
Cause: Hidroinvest S.A. was notified that it owed tax of \$ 3,898,929 Argentine pesos to AFIP for gains realized in 1993 on the difference between the acquisition costs and transfer price of bonds given to the Argentine State for having benefited economically from said operation. Hidroinvest appealed this ruling before the National Fiscal Court, which, in turn, upheld the AFIP's ruling on May 26, 2004 with respect to the taxes and interest owed, but revoked the imposed fine. In order to avoid further fines should the IRS's ruling be upheld, Hidroinvest paid the IRS \$ 3,898,929 Argentine pesos for capital and \$ 13,645,159 Argentine pesos for interest on July 30, 2004, leaving record that Hidroinvest was not in conformity with the payment and that this payment was subject to the decision of the Appeals Chamber. Both the IRS and Hidroinvest appealed the decision before the National Appeals Chamber.
Process status: Against the ruling of the National Tax Court, the Company and the IRS filed an appeal before the National Administrative Court of Appeals. Said Court rejected the filed appeals and upheld the sentence of the National Tax Court. Against this decision they filed ordinary and extraordinary appeals before the Supreme Court of Argentina.
Amounts proceeds: \$ 17,544,088 Argentine pesos

Endesa Costanera S.A. (Argentina)

On July 25, 1990, the Italian Government authorized a loan to the Argentine Government of up to ThUS\$ 93,996 to be used to finance purchases of goods and services of Italian origin, utilized in rehabilitating four groups of thermoelectric plants owned by Servicios Eléctricos del Gran Buenos Aires ("SEGBA"). This loan financed the acquisition of goods and services included in Work Order No. 4322 (the "Order"), issued by SEGBA in favor of an Italian consortium lead by Ansaldo S.p.A.

In accordance with the terms of the "Contract relative to work order no. 4322": (i) SEGBA bestowed upon Endesa Costanera S.A. power to manage items related to the work order; and (ii) Endesa Costanera was obligated to pay the National Energy Secretary (the "Energy Secretary") capital and interest payments derived from the loan from the Italian Government, at an annual interest rate of 1.75 % (the "Contract").

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26. Commitments and contingencies, continued:

A pledge was constituted on the class "A" shares of Endesa Costanera S.A. In case of noncompliance with the Contract, the Energy Secretary can immediately proceed to sell the pledged shares and their corresponding political rights by public tender offer.

In accordance with Law No. 25.561, decree No. 214/02, the obligations contained in the Contract have been "pesofied" at the rate of one peso to one U.S. dollar, plus a special stabilization coefficient ("CER"), with the original interest rate stated in the Contract.

On January 10, 2003, decree No. 53/03 modified decree No. 410/02 by including exceptions to the "pesofication" of obligations of provinces, municipalities, public and private sector companies that are denominated in foreign currency and were originally financed by multilateral credit organizations or originated in liabilities assumed by the National Treasury and refinanced with external creditors.

Endesa Costanera considers that this exception does not apply to their loan and that decree No. 53/03 is unconstitutional because it violates principles of equality and property rights established in the National Constitution. If the loan is determined to comply with the exception, Endesa Costanera would present a US\$ 19 million decrease in shareholders' equity as of December 31, 2007. To date, the Secretary of Energy has presented no complaint against payments made by Endesa Costanera S.A. at the US\$ 1.00 to Arg\$ 1.00 exchange rate.

As of December 31, 2007, Endesa Costanera's debt related to the Contract, including accrued interest, amounted to US\$ 14,049,868.

On September 29, 2005, Endesa Costanera S.A. formalized a loan for ThUS\$ 30,000 with Credit Suisse First Boston International, to replace the syndicated loan and the loan with JP Morgan Chase Bank, for a period of 54 months. The loan is payable in seven equal quarterly installments, the first of which is due on September 30, 2008 and the last on March 31, 2010.

The loan accrues interest at 90-day LIBOR plus 575 basic points. Additionally, a guarantee is maintained on the Siemens Combined Cycle in favor of the creditor.

On September 30, 2005, the banks that participate in the syndicated loan and the JP Morgan Chase Bank loan transferred the entire remaining balance to Credit Suisse First Boston International.

As of December 31, 2007, the debt (capital and interest) amounts to US\$ 30,040,132.

In virtue of the arrangement in Annex VI-A of the "Concurso Público Internacional para la Venta de las Acciones de Endesa Costanera Sociedad Anónima" (International Public Tender for the Sale of Shares of Endesa Costanera Sociedad Anónima), the domain of Endesa Costanera S.A.'s land was transferred subject to the condition that it used as the location for an electric power plant for a term of twenty five years as of the date of possession.

If under any circumstance whatsoever the land ceases to be used for that purpose during the indicated period, its domain shall be considered revoked due to this cause, returning such title effective immediately, and as a matter of law, to SEGBA S.A. or, as applicable, to the National State.

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26. Commitments and contingencies, continued:

As of December 31, 2004, Endesa Costanera S.A. maintained a guarantee on the Siemens Combined Cycle for approximately US\$ 52,000,000 in favor of the following banks: Bilbao Vizcaya Argentaria S.A., Bank Boston N.A., Bank of América N.A., HSBC Bank plc, Banco Latinoamericano de Exportaciones S.A., Banco Comafi (previously Scotiabank Quilmes S.A.) and JP Morgan Chase Bank (the "Banks"). To refinance the loan mentioned in Note 5.b), as of December 31, 2007, Credit Suisse First Boston International is the beneficiary of this guarantee, which was reduced to ThUS\$ 40,000.

Endesa Costanera S.A. has a pledge on the financed asset in favor of Mitsubishi Corporation. On December 3, 2007, the two companies agreed that Endesa Costanera would promise to increase its pledge to US\$ 68,504,291.

d. Restrictions:

The Company is in compliance with all financial ratios and covenants as of December 31, 2007 and 2006, detailed as follows:

Endesa Chile (Parent company)

On a consolidated basis, the Company must comply with financial covenants and requirements derived from loan agreements with financial institutions. Some of the more restrictive covenants are summarized as follows:

- Ratio of debt to cash flows for four quarters for Endesa Chile and its Chilean subsidiaries does not exceed 8.40x for 2007, which decreases to 7.50 in 2010;
- The ratio of consolidated debt to EBITDA for four consolidated quarters, does not exceed 5.00 for 2007, decreasing to 4.20 in 2010;
- The ratio of Endesa Chile and its Chilean subsidiaries' cash flows to financial expenses for four quarters, no less than 1.70 for 2007, increasing to 2.00 in 2010;
- The consolidated debt to shareholders' equity plus minority interest does not exceed 102.0% for 2007, decreasing to 100% in 2010;
- No less than 50% of the total consolidated assets of Endesa Chile should belong to companies involved in generation, transmission and trade of electric energy;
- Minimum shareholders' equity at least equal to UF 45,000,000.

The financial covenants of the loan taken out in January and December of 2006 are less stringent than those detailed above.

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26. Commitments and contingencies, continued:

Endesa Costanera S.A.

In virtue of the arrangement in Annex VI-A of the "Concurso Público Internacional para la Venta de las Acciones de Endesa Costanera Sociedad Anónima" (International Public Tender for the Sale of Shares of Endesa Costanera Sociedad Anónima), the domain of Endesa Costanera S.A.'s land was transferred subject to the condition that it used as the location for an electric power plant for a term of twenty five years as of the date of possession.

If under any circumstance whatsoever the land ceases to be used for that purpose during the indicated period, its domain shall be considered revoked due to this cause, returning such title effective immediately, and as a matter of law, to SEGBA S.A. or, as applicable, to the National State.

The most significant requirements in respect to financial covenants are those contained in the Syndicated loan, the Agent of which is BBVA Banco Francés, and in the bilateral with JP Morgan, which are the following:

- The long-term debt with third parties cannot exceed US\$ 215 million (excluding short-term debt, commercial debt, intercompany loans, and debt with Italian Government (see above)); short term debt of less than 180 days cannot exceed US\$ 10 million;
- Clauses that restrict change of control of the Company;
- Clauses that restrict payments to shareholders, including subordination of the debt associated with certain financial indicators.

El Chocón

The credit agreement from September 7, 2006 imposes certain obligations to comply with the following financial ratios:

- Ratio of EBITDA to financial expenses no less than 3.5;
- Ratio of debt to EBITDA no greater than 3.0;
- Net shareholders' equity no less than 690 million Argentine pesos.

Edegel S.A.

Financial indicators originated by Bonds Program:
Indebtedness ratio shall not be greater than 1.50.

The credit entitled "Operative Contract of Simplicity", as consequence of the merger with Entevensa, has the following indicators: interest coverage no less than 1.25, equity to long-term debt ratio no less than 0.67 and debt service coverage ratio no less than 1.10.

Bank credits made in 2006 should have a debt to Ebitda ratio less than 4.0; interest coverage no less than 3.25 and an indebtedness ratio less than 1.50.

Emgesa S.A. ESP

Limitations on changing the controller, in certain circumstances.

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26. Commitments and contingencies, continued:

Cross-Default Provisions:

As is customary for certain credit and capital market debt facilities, a substantial portion of Endesa Chile's financial indebtedness is subject to cross-default provisions. Certain events including payment defaults and bankruptcy by Endesa Chile or any of its subsidiaries, left uncured over time (in those specific provisions which allow for a cure period), could result in a cross-default at the Endesa Chile level and if a cross-default were to occur, part of Endesa Chile's consolidated liabilities would immediately become due and payable.

The non-payment – after any applicable grace period – of debt pertaining to this company or any of its relevant subsidiaries for an amount greater than the equivalent of US\$ 30 million could give rise to the advance payment of the syndicated credit subscribed in 2004. In the credits subscribed in January and December, 2006 the threshold is US\$ 50 million. Similarly, the non-payment – after any applicable grace period – of debt pertaining to this company or any of its subsidiaries for an individual amount greater than the equivalent of US\$ 30 million could give rise to the advance payment of Yankee bonds. Furthermore, some credit agreements contain provisions such that certain non-payment events, in this company or any of its relevant subsidiaries, such as bankruptcy, insolvency, adverse judicial settlements and expropriations of assets greater than US\$ 50 million, could cause the loan payment schedule to be accelerated.

The credit agreements do not contain clauses such that changes in the debt rating of these companies would create an obligation to prepay the debt. However, a change in Standard & Poor's (S&P) risk classification for debt denominated in foreign currency would produce a change in the applicable margin of syndicated credits subscribed in 2004 and 2006.

27. Collaterals obtained from third parties:

Endesa Chile

The Company has received certified guarantees from contractors and third parties to guarantee performance and construction to the amount of ThCh\$ 36,387,567 as of December 31, 2007 (ThCh\$ 1,711,237 in 2006).

Enigesa S.A.

The Company has received documents in guarantee amounting to ThCh\$ 28,000 as of December 31, 2007 (ThCh\$ 68,331 in 2006).

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28. Foreign currencies:

As of December 31, 2005 and 2006, foreign currency denominated assets and liabilities are as follows:

The note details in which currency assets and liabilities are denominated. Assets and liabilities held by foreign subsidiaries are remeasured in US dollar, which in accordance with BT 64 is the functional currency of foreign subsidiaries. (See note 2 c) and 2 k))

a. Assets:

Account	Currency	As of December 31,	
		2006 ThCh\$	2007 ThCh\$
Cash	Ch\$	422,401	712,450
	US\$	2,352,543	6,939,394
	\$ Col	13,731,419	9,056,685
	Soles	5,468,727	2,237,065
	\$ Arg Reales	867,091 94,323	377,938 73,680
Time deposits	US\$	34,792,043	37,825,054
	\$ Col	43,949,825	1,040,985
	Soles	9,031,979	-
	\$ Arg	11,241,786	5,175,789
	Reales	120,973	230,807
Marketable securities	Ch\$	4,189	5,498
	US\$	266	248
	\$ Col	4,720,100	10,299,039
	Soles	894,255	-
Accounts receivables, net	Ch\$	63,046,997	109,891,826
	US\$	1,855,102	4,636,660
	\$ Col	38,075,287	44,826,931
	Soles	23,856,317	9,528,092
	\$ Arg	30,887,925	42,326,083
Other accounts receivable, net	UF	-	2,801,441
	Ch\$	42,144,096	31,786,228
	US\$	282,805	11,112,226
	\$ Col	6,395,522	7,291,860
	Soles	3,185,283	919,137
	\$ Arg	1,714	2,485
	Reales	5,845,742	6,131,885
Accounts receivables from related companies	Ch\$	17,995,512	62,113,670
	US\$	1,333,075	91,278,992
	\$ Col	14,888,520	19,134,507
	Soles	119,110	2,617,745
	Reales	989,726	805,747

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28. Foreign currencies, continued:

a. Assets, continued:

Account	Currency	As of December 31,	
		2006	2007
		ThCh\$	ThCh\$
Inventory, net	Ch\$	6,766,660	37,683,271
	US\$	1,956,158	-
	\$ Col	2,440,387	3,294,908
	Soles	9,098,956	9,433,580
	\$ Arg	1,655,323	1,876,257
Income taxes recoverable	Ch\$	5,263,915	48,879,317
	US\$	657,664	6,378
	Reales	19,021	3,561,195
	Soles	4,370	10,361,647
	\$ Arg		2,072,952
Prepayments	UF		
	Ch\$	675,371	550,185
	US\$	679,560	703,947
	\$ Col	639,258	798,999
	Soles	1,706,772	1,586,886
	\$ Arg	697,161	941,110
	Reales		
Deferred income tax	Ch\$	2,183,307	2,268,919
	\$ Col	101,292	615,647
Other current assets	Ch\$	39,510,672	27,218,526
	\$ Col	-	517,262
	Soles	1,175	
	\$ Arg	57,025	86,956
	Reales	419	236
Total current assets		452,709,119	673,638,325

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28. Foreign currencies, continued:

a. Assets, continued

Fixed assets	Currency	As of December 31,	
		2006	2007
		ThCh\$	ThCh\$
Land	Ch\$	33,651,680	33,622,675
	\$ Col	12,386,047	10,758,663
	Soles	4,379,570	3,805,902
	\$ Arg	5,472,000	4,755,237
Construction in progress	Ch\$	3,570,375,758	3,728,336,748
	\$ Col	1,607,654,814	1,411,615,803
	Soles	569,165,208	503,584,275
	\$ Arg	269,445,409	234,151,462
Machinery and equipment	Ch\$	14,075,244	14,763,817
	\$ Col	14,248,356	12,353,183
	Soles	582,628,085	534,431,247
	\$ Arg	651,264,662	583,306,625
	Reales	47,153	41,908
Other fixed assets	Ch\$	79,140,945	90,579,477
	\$ Col	8,700,309	8,696,569
	Soles	98,579,706	62,859,305
	\$ Arg	7,711,118	6,909,752
	Reales	5,577	7,410

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28. Foreign currencies, continued:

a. Assets, continued

		As of December 31,	
<u>Fixed assets</u>	<u>Currency</u>	2006 ThCh\$	2007 ThCh\$
Technical appraisal	Ch\$	12,803,027	12,833,487
Accumulated depreciation	Ch\$	(1,661,803,395)	(1,755,977,687)
	\$ Col	(451,676,740)	(423,550,528)
	Soles	(491,237,425)	(459,402,266)
	\$ Arg	(479,281,467)	(453,034,985)
	Reales	(16,725)	(20,007)
Total fixed assets		<u>4,457,718,916</u>	<u>4,165,428,072</u>

		As of December 31,	
<u>Other assets</u>	<u>Currency</u>	2006 ThCh\$	2007 ThCh\$
Investments in related companies	Ch\$	118,261,838	54,741,906
	US\$	443,374,678	389,290,260
Investments in other companies	Ch\$	2,651,806	2,795,686
	\$ Col	1,510,100	1,312,286
	Soles	26,962	23,431
Goodwill	Ch\$	3,133,697	2,868,698
	US\$	353,587	281,305
	\$ Col	8,427,566	6,704,537
Negative goodwill	Ch\$	(15,472,330)	(11,941,411)
	US\$	-	(5,958,890)
	Soles	(23,802,403)	(19,103,601)

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28. Foreign currencies, continued:

a. Assets, continued

		As of December 31,	
<u>Other assets</u>	<u>Currency</u>	2006 ThCh\$	2007 ThCh\$
Long-term receivables	UF	7,297,870	4,933,806
	Ch\$	953,209	732,467
	US\$	2,200,940	-
	Soles	28,948	-
	\$ Arg	<u>63,697,628</u>	<u>77,619,684</u>
Receivables from Related companies	Ch\$	396	369
	US\$	<u>97,222,765</u>	<u>-</u>
Other long-term assets	Ch\$	24,288,325	18,311,938
	US\$	27,617	1,349,967
	\$ Col	14,490,829	12,104,301
	\$ Arg	18,503,595	11,881,635
	Soles	<u>1,224,101</u>	<u>363,041</u>
Total other assets		<u>768,401,724</u>	<u>548,311,415</u>

		As of December 31,	
<u>Total assets by currency</u>	<u>Currency</u>	2006 ThCh\$	2007 ThCh\$
	UF	7,297,870	7,735,247
	Ch\$	2,360,073,321	2,512,778,060
	US\$	587,088,802	537,459,163
	\$ Col	1,340,682,891	1,147,233,284
	Soles	794,359,697	656,445,034
	\$ Arg	582,220,970	518,448,980
	Reales	<u>7,106,209</u>	<u>7,278,044</u>
Total assets		<u>5,678,829,760</u>	<u>5,387,377,812</u>

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28. Foreign currencies, continued:

b. Current liabilities:

Account	Currency	Within 90 days				91 days to 1 year			
		As of December 31, 2006		As of December 31, 2007		As of December 31, 2006		As of December 31, 2007	
		Amount	Average Rate						
		ThCh\$		ThCh\$		ThCh\$		ThCh\$	
Short-term debt due to banks and financial institutions	Ch \$	-	-	1	0.30%	-	-	-	-
	US\$	4,110,634	6.94%	7,434,418	6.18%	1,522,497	6.94%	3,334,132	6.90%
	\$ Col.	47,391,410	8.24%	15,666,942	11.95%	-	-	-	-
	Soles	5,444,632	5.01%	-	-	-	-	-	-
	\$ Arg.	17,321	8.72%	-	-	2,240,837	8.72%	-	-
Current portion of long-term debt due to banks and financial institutions	UF	-	-	-	-	415,497	9.00%	-	-
	US\$	11,311,016	4.76%	12,508,475	7.15%	21,290,401	7.60%	15,205,612	8.35%
	Soles	10,665,834	5.00%	28,211,708	5.96%	-	-	-	-
	\$ Arg.	-	-	-	-	2,178,467	1.75%	2,003,678	1.75%
	\$ Col.	19,365,278	9.85%	9,069,236	12.19%	-	-	-	-
Current portion of bonds payable	UF	-	-	-	-	2,532,320	5.61%	2,951,811	5.70%
	US\$	35,282,428	5.00%	408,860	7.79%	33,606,593	8.22%	228,001,588	7.79%
	\$ Col.	3,729,765	10.31%	7,957,723	10.97%	-	-	-	-
	Soles	553,230	5.00%	17,305,269	10.20%	-	-	-	-
Current portion of long term payables	US\$	21,914,304	7.42%	12,224,280	7.42%	11,662,164	7.42%	7,205,899	7.42%
	\$ Arg.	-	-	1,063,998	-	-	-	2,920,274	-
Dividends payable	Ch \$	1,331,986	-	3,010,638	-	-	-	-	-
	\$ Col.	26,453,233	-	20,172,336	-	-	-	-	-
	Soles	89,726	-	73,170	-	-	-	-	-
	\$ Arg.	680	-	269,293	-	-	-	-	-
Miscellaneous payables	Ch \$	2,668,321	-	4,603,951	-	-	-	-	-
	US\$	14,870,475	-	239,089	-	837,358	-	6,981,468	-
	\$ Col.	2,937,269	-	9,153,709	-	-	-	-	-
	Soles	16,733,158	-	4,187,298	-	-	-	-	-
	\$ Arg.	56	-	-	-	-	-	-	-
	Reales	4,322	-	1,694	-	-	-	-	-
Accounts payable	Ch\$	45,054,410	-	114,109,747	-	-	-	-	-
	US\$	6,361,655	-	27,919,379	-	-	-	7,078,003	-
	Euro	548,289	-	415,113	-	-	-	-	-
	\$ Col.	3,419,285	-	10,516,677	-	-	-	-	-
	Soles	13,904,369	-	10,835,728	-	-	-	-	-
	\$ Arg.	24,944,769	-	22,078,930	-	-	-	-	-
	Reales	12,223	-	646	-	-	-	-	-
Accounts payable to related companies	US\$	-	-	11,030,763	-	-	-	-	-
	Ch\$	2,223,804	-	1,368,144	-	-	-	-	-
	Reales	906,978	-	-	-	-	-	-	-
	\$ Col.	4,264,721	-	3,096,357	-	-	-	-	-
	Soles	1,429,492	-	167,864	-	-	-	-	-
	\$ Arg.	-	-	79,980	-	-	-	-	-
	Reales	14,623	-	-	-	-	-	-	-

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28. Foreign currencies, continued:

b. Current liabilities, continued:

Account	Currency	Scheduled Maturities							
		Within 90 days				91 days to 1 year			
		As of December 31, 2006		As of December 31, 2007		As of December 31, 2006		As of December 31, 2007	
		Amount	Average Rate						
		ThCh\$		ThCh\$		ThCh\$		ThCh\$	
Accrued income	Ch\$	-	-	-	-	445,552	-	628,056	-
Accrued liabilities	Ch\$	2,095,592	-	1,493,760	-	12,218,349	-	13,129,840	-
	US\$	3,716	-	6,630	-	-	-	-	-
	\$ Col.	9,219,491	-	12,622,228	-	-	-	-	-
	Soles	1,982,816	-	464,511	-	-	-	605,186	-
	\$ Arg.	1,082,964	-	1,207,939	-	-	-	-	-
	Reales	-	-	-	-	5,402	-	4,248	-
Withholdings	Ch\$	3,921,443	-	10,954,314	-	-	-	-	-
	\$ Col.	782,205	-	854,125	-	-	-	-	-
	Soles	3,450,286	-	1,798,266	-	-	-	-	-
	\$ Arg.	4,832,048	-	6,386,066	-	-	-	-	-
	Reales	5,678	-	9,742	-	-	-	-	-
Income tax payables	Ch \$	11,875	-	-	-	38,409,554	-	-	-
	\$ Col.	11,610,407	-	-	-	-	-	-	-
	\$ Arg.	3,372,755	-	8,155,456	-	759,904	-	91,243	-
	Reales	-	-	-	-	6,482	-	-	-
Other current liabilities	UF	-	-	-	-	65,846	-	-	-
	Ch \$	-	-	-	-	52,278	-	58,061	-
	US\$	-	-	-	-	-	-	4,309,486	-
	Soles	506,412	-	960,856	-	-	-	-	-
	\$ Arg.	118,359	-	86,956	-	-	-	-	-
Total current liabilities per currency	UF	-	-	-	-	3,013,663	-	2,951,811	-
	Ch\$	57,307,431	-	135,540,556	-	51,125,733	-	13,815,957	-
	US\$	93,854,228	-	71,771,894	-	68,919,013	-	272,116,188	-
	Euro	548,289	-	415,113	-	-	-	-	-
	\$ Col.	129,173,064	-	89,109,333	-	-	-	-	-
	Soles	54,759,955	-	64,004,670	-	-	-	605,186	-
	\$ Arg.	34,368,952	-	39,286,549	-	5,179,208	-	5,015,195	-
	Reales	943,824	-	12,082	-	11,884	-	4,248	-
Total current liabilities		<u>370,955,743</u>		<u>400,140,197</u>		<u>128,249,501</u>		<u>294,508,585</u>	

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28. Foreign currencies, continued:

c. Long-term liabilities, December 31, 2006:

Account	Currency	Schedule Maturities							
		1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
	ThCh\$		ThCh\$		ThCh\$		ThCh\$		ThCh\$
Debt due to banks and financial institutions	UF	-	-	-	-	-	-	-	-
	US\$	78,777,896	7.62%	110,013,668	6.86%	6,197,826	6.23%	-	-
	Soles	27,189,832	5.58%	-	-	-	-	-	-
	\$ Arg	4,343,391	1.75%	3,257,944	1.75%	-	-	-	-
	\$ Col.	77,899,098	9.07%	-	-	-	-	-	-
Bonds payable	UF	-	-	78,773,087	4.80%	-	-	108,312,997	6.20%
	US\$	468,865,225	8.08%	-	-	354,507,853	8.29%	266,622,498	7.64%
	\$ Col	-	-	80,717,694	10.23%	166,010,052	10.56%	-	-
	Soles	30,059,498	6.41%	6,259,788	6.72%	14,308,086	6.23%	-	-
Notes payable	US\$	32,008,628	7.42%	25,191,665	7.42%	-	-	-	-
	\$ Arg	4,171,878	-	-	-	-	-	-	-
Miscellaneous	UF	-	-	-	-	-	-	140,456	-
	Ch\$	8,245,954	-	39,107,921	-	6,532,048	-	15,159,777	-
	US\$	32,967,048	-	-	-	-	-	-	-
Accrued liabilities	Ch\$	975,837	-	868,709	-	9,092,573	-	-	-
	\$ Col	-	-	-	-	21,284,766	-	-	-
Deferred Taxes	Ch\$	29,439,788	-	4,345,739	-	25,093,145	-	39,264,011	-
	\$ Arg.	-	-	47,503,322	-	-	-	-	-
	Soles	1,024,071	-	-	-	-	-	-	-
Other long-term liabilities	UF	2,480,143	-	1,653,872	-	3,652,284	-	-	-
	Ch\$	11,391	-	-	-	-	-	-	-
	US\$	238,756	-	636,341	-	-	-	-	-
	\$ Col	5,920,854	-	-	-	-	-	-	-
	\$ Arg	9,015,936	-	-	-	-	-	-	-
Total long-term liabilities per currency	UF	2,480,143	-	80,426,959	-	3,652,284	-	108,453,453	-
	Ch\$	38,672,970	-	44,322,369	-	40,717,766	-	54,423,788	-
	US\$	612,857,553	-	135,841,674	-	360,705,679	-	266,622,498	-
	\$ Col	83,819,952	-	80,717,694	-	187,294,818	-	-	-
	Soles	57,249,330	-	53,763,110	-	14,308,086	-	-	-
	\$ Arg	18,555,276	-	3,257,944	-	-	-	-	-
Total long-term liabilities		<u>813,635,224</u>		<u>398,329,750</u>		<u>606,678,633</u>		<u>429,499,739</u>	

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28. Foreign currencies, continued:

d. Long-term liabilities as of December 31, 2007:

Account	Currency	Scheduled maturity							
		1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Average Rate						
	ThCh\$		ThCh\$		ThCh\$		ThCh\$		ThCh\$
Long-term debt due to banks and financial institutions	US\$	117,906,986	7.08%	88,845,200	6.47%	3,861,643	5.75%	-	-
	Soles	-	-	-	-	-	-	-	-
	\$ Arg	3,981,984	1.75%	995,577	1.75%	-	-	-	-
	\$ Col.	-	-	75,222,686	12.19%	-	-	-	-
Bonds payable	UF	-	-	-	-	-	-	185,826,590	5.19%
	US\$	322,978,500	8.21%	13,912,918	4.36%	298,134,000	8.44%	117,413,616	7.71%
	\$ Col.	78,296,651	11.25%	98,650,075	11.29%	103,582,461	10.53%	-	-
	Soles	21,553,454	6.70%	4,973,874	6.16%	28,185,286	6.43%	8,289,790	6.30%
Long-term notes payable	US\$	29,099,369	-	27,888,796	-	-	-	-	-
	\$Arg.	6,059,723	-	-	-	-	-	-	-
Miscellaneous	UF	-	-	-	-	-	-	157,111	-
	Ch\$	9,575,013	-	2,832,747	-	-	-	-	-
	US\$	12,862,368	-	29,595,608	-	6,045,401	-	11,808,090	-
Accrued expenses	Ch\$	1,004,344	-	797,296	-	1,896,275	-	6,723,310	-
	\$ Col	17,437,103	-	-	-	-	-	-	-
Deferred Taxes	Ch\$	28,938,362	-	5,746,970	-	29,378,736	-	31,533,441	-
	Soles	-	-	59,371,474	-	-	-	-	-
	\$ Arg.	3,972,636	-	-	-	-	-	-	-
Other long-term liabilities	UF	-	-	-	-	7,063,927	-	-	-
	Ch\$	-	-	-	-	-	-	-	-
	US\$	689,877	-	718,987	-	-	-	-	-
	\$Col	4,663,840	-	-	-	-	-	-	-
	\$ Arg.	13,147,709	-	-	-	-	-	-	-
Total long-term liabilities per currency	UF	-	-	-	-	7,063,927	-	185,983,701	-
	Ch\$	39,517,719	-	9,377,013	-	31,275,011	-	38,256,751	-
	US\$	483,537,100	-	160,961,509	-	308,041,044	-	129,221,706	-
	\$ Col	100,397,594	-	173,872,761	-	103,582,461	-	-	-
	Soles	21,553,454	-	64,345,348	-	28,185,286	-	8,289,790	-
	\$ Arg.	27,162,052	-	995,577	-	-	-	-	-
Total long-term liabilities		<u>672,167,919</u>		<u>409,552,208</u>		<u>478,147,729</u>		<u>361,751,948</u>	

29. Sanctions:

The Company and its directors have not been the subject of sanctions by the S/VS nor by any other administrative authorities.

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30. Subsequent events:

On April 29, 2008, Gas Atacama Generación ("GAG") a subsidiary of the Company's equity method investee Inversiones Gas Atacama Holding Ltda. ("GAT") signed a memorandum of understanding ("MOU") with several important northern mining companies and its owners, Endesa Chile and Southern Cross, allowing GAG to continue operations while seeking a definite solution to the company's situation.

The MOU called for a definitive contract covering a substantial part of the EMEL deficit, which has been growing over time. This back-up contract was signed on April 29, 2008, with the participation of mining companies representing 85.93% of the 1,554 MW (maximum demand at peak hour in the SING, excluding demand arising from distribution companies). Among the principal objectives of the contract, are the following: (1) continuity of electricity supply in the SING, with a back-up of up to 600 MW operating continuously through December 31, 2013, with diesel if necessary, so as to minimize the risk of electricity rationing, and the concurrent losses to production for the copper mines; and (2) the achievement of a generation capacity cushion until 2013 which would permit failure of other operating units or delays in the beginning of operations of new coal-burning plants. The mining companies that were signatories to the agreement include BHP Billiton (Escondida, Spence, Cerro Colorado) Codelco (Chuquibambilla, Radomiro Tomic and Gabriela Mistral), Collahuasi, Freeport (El Abra) Barrick (Zaldívar), Anglo American (Mantos Blancos) Xstrata (Lomas Bayas), SQM, Antofagasta Minerals (El Tesoro), Teck-Cominco (Quebrada Blanca) and Yamana (Meridian Gold). In a parallel manner, GAT entered into a long-term contract with Compañía de Petróleos de Chile Copec S.A., a large Chilean distributor of petroleum-derived hydrocarbons, in order to secure the availability of diesel through the end of 2013, for a daily consumption of up to 3,400 cubic meters.

The recent contract with the mining companies requires that the latter pay a price for the back-up service that accounts for approximately 71% of the EMEL deficit and the remaining 29% is to be financed by GAT, Southern Cross and Endesa Chile, with caps of US\$ 50 million each for the latter two owners. The mining companies cap their price at US\$ 650 million, and if oil prices exceed US\$ 120/barrel during the period, or for any other reason, this capped amount should be reached, they have a right to an early termination of the contract. This solution, although reducing significantly the probability of bankruptcy at GAG, implies certain risks and costs to GAT and its owners. In addition, the price of diesel, as of the time of this report, has shown an upward trend, already exceeding the US\$ 120/barrel reference level, making the operating monthly cost exceed the amount which allows the cap to be extended beyond December 2011. Therefore, there is no reason, as of the date of this report, to expect a reversal of the investment impairment provision taken in the 2007 financial statements, in connection with GAT, our affiliate.

Management is not aware of other significant events that have occurred after year-end and which could affect the presentation of these financial statements.

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31. Environment:

During the year ended December 31, 2005, 2006 and 2007, the Company and its domestic and foreign subsidiaries made expenditures of ThCh\$ 1,946,206, ThCh\$ 2,753,052 and ThCh\$ 2,689,343 respectively, related to environmental activities corresponding primarily to the following:

Operating expenses during the years ended December 31, 2005, 2006 and 2007, included costs of studies, monitoring, follow-up, and laboratory analysis which amounted to ThCh\$ 1,760,592, ThCh\$ 2,512,533 and ThCh\$ 2,344,963 respectively. Environmental protection expenses for Hidroeléctrica el Chocón and Endesa Costanera (including the cleaning of hydrocarbon chamber screens, measurement of gas emissions, measurement of Nox and SO₂, ISO 14001) was equivalent to ThCh\$ 51,141, ThCh\$ 90,828 and ThCh\$ 184,949 during the years ended December 31, 2005, 2006 and 2007, respectively.

The Company capitalizes expenditures related to environmental activities as part of property, plant and equipment when those expenditures are deemed to provide additional future economic benefit. During the years ended December 31, 2005, 2006 and 2007 capitalized environmental expenditures amounted to ThCh\$ 124,196, ThCh\$ 149,691 and ThCh\$ 344,380 respectively and primarily related to the following activities:

During 2005 and 2006:

- Central El Toro – Investments related with certification under ISO 14.001
- San Isidro – Certification of CO₂ cylinders and maintenance,
- Tarapacá – Repair and modification of area of acid and leach tanks, as well as modification of water neutralization system.
- Central Bocamina - Design and implementation of an environment management system
- Huasco – Construction of anti-leak system for fuel

During 2007:

- Tarapacá Environment related works pursuant to environment management system under ISO 14,001.
- Los Molles – Settlement of environmental liabilities
- Cipreses - Implementation of environmental protection procedures related to protection of the Maule River
- Sauzal - Implementation of environmental protection procedures related to protection of the Cachapoal River and studies related to the environment management system
- San Isidro - Expenses related to its environment management system under ISO 14.001
- Central Bocamina – Development and implementation of a project to contain noise levels
- Rapel - Settlement of environmental liabilities and replacement of polychlorinated biphenyl containing condenser
- Sauzalito – Replacement and disposal of polychlorinated biphenyl containing condenser
- Isla - Replacement and disposal of polychlorinated biphenyl containing condenser
- Pehuenche - Settlement of environmental liabilities and landscape recuperation
- Abanico – Implementation of works to contain contaminated waters
- El Toro - Implementation of works to contain contaminated waters and studies related to the environmental impact of the plant's operation
- Pangue – Construction of contention ponds for transformer oil
- Ralco - Construction of contention ponds for transformer oil
- Tal Tal - Environment related works pursuant to environment management system under ISO 14,001
- Diego de Almagro - Environment related works pursuant to environment management system under ISO 14,001

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32. Differences between Chilean and United States Generally Accepted Accounting Principles:

Chilean GAAP differs in certain important respects from US GAAP. Such differences involve certain methods for measuring the amounts shown in the financial statements.

I. Differences in Measurement Methods

The principal differences between Chilean GAAP and US GAAP are described below together with an explanation, where appropriate, of the method used in the determination of the adjustments that affect net income and total shareholders' equity. References below to "SFAS" are to Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board in the United States.

a) Inflation accounting

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three-years ended December 31, 2007 was approximately 13.1%. Pursuant to Chilean GAAP, the Company's financial statements recognize certain effects of inflation. The inclusion of price-level adjustments in the accompanying consolidated financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. As allowed pursuant to Form 20-F the reconciliation included herein of consolidated net income, comprehensive income and shareholders' equity, as determined in accordance with US GAAP, does not include adjustments to eliminate the effect of inflation accounting under Chilean GAAP.

b) Reversal of revaluation of property, plant and equipment

In accordance with standards issued by the SVS, certain property, plant and equipment are recorded in the financial statements at amounts determined in accordance with a technical appraisal. Under Chilean GAAP, the difference between the carrying value and the revalued amount is included in shareholders' equity, beginning in 1989, in "Other reserves", and is subject to adjustments for price-level restatement and depreciation. Revaluation of property, plant and equipment is an accounting principle not generally accepted under US GAAP, therefore, the effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation expense is included in paragraph (w) below.

c) Deferred income taxes

c-1) Under Chilean GAAP, until December 31, 1999, deferred income taxes were recorded based on non-recurring timing differences between the recognition of income and expense items for financial statement and tax purposes. Accordingly, there was an orientation toward the income statement focusing on differences in the timing of recognition of revenues and expenses in pre-tax accounting income and taxable income. At the time, Chilean GAAP also permitted not providing for deferred income taxes where a deferred tax asset or liability was either offsetting or not expected to be realized.

Starting January 1, 2000, the Company recorded income taxes in accordance with Technical Bulletin No. 60 and its related amendments issued by the Chilean Association of Accountants, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision, a contra (referred to as "complementary") asset or liability was recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such complementary asset or liability is being amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

c-2) Under US GAAP, companies must account for deferred taxes in accordance with SFAS 109, which requires an asset and liability approach for financial accounting and reporting of income taxes, under the following basic principles:

- a. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carry forwards.
- b. The measurement of deferred tax liabilities and assets is based on the provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated.
- c. The measurement of deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

Taxable temporary differences are defined as any difference between the financial reporting basis and the tax basis of an asset and liability that at some future date will reverse, thereby resulting in taxable income or expense. Temporary differences ordinarily become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of future deductible expenses for tax purposes or non-deductible expenses for tax purposes, respectively as a result of temporary differences at the end of the current year.

The principal effect on the Company due to the difference in the accounting for deferred income taxes between Chilean and US GAAP relates to:

- (i.) Net operating loss-carry forwards
- (ii.) Accelerated depreciation methods for accounting purposes under Chilean GAAP
- (iii.) The reversal of the complementary assets and liabilities recorded as a transitional provision for unrecorded deferred taxes as of January 1, 2000 and their corresponding amortization into income, and
- (iv.) Accounting for deferred tax differences related to US GAAP adjustments.

The effect of these differences on the net income and shareholders' equity of the Company is included in paragraph (w) below.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

In addition, During 2007, the Company adopted FASB Interpretation No. 48: "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109: "Accounting for Income Taxes" ("FAS 109"). The Interpretation prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. For each tax position, the enterprise must determine whether it is more likely than not that the position will be sustained upon examination by taxing authorities, based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is then measured to determine the amount of benefit to be recognized within the financial statements. No benefits may be recognized for tax positions that do not meet the more likely than not threshold. For tax positions that meet the more likely than not threshold, the benefit to be recognized is the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

As a result of implementing FIN 48, there was no impact on the Company's financial statements from the adoption of this interpretation. In addition, as of the date of the adoption of FIN 48, the Company did not have any accrued interest and penalties related to unrecognized tax benefits. The Company and its subsidiary will recognize interest and penalties related to unrecognized tax benefits in financial expense and other operating expense, respectively. We are potentially subject to income tax audits in numerous jurisdictions in Chile and internationally until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete.

d) Staff severance indemnities

As described in Note 2 (q), under the Company's employment contracts, it has committed to provide a lump sum payment to each employee at the end of their employment, whether due to death, termination, resignation or retirement. Until December 31, 2003, under Chilean GAAP, those obligations were calculated based on the present value of the liability determined at each year-end based on the current salary and average service life of each employee. The Company, and certain of its subsidiaries, used a real discount rate of 9.5% for the year ended December 31, 2003. Starting January 1, 2004 the Company changed its accounting policy for staff severance indemnities by applying actuarial valuation of the future obligation.

Under US GAAP EITF 88-1 severance indemnities described above may be recorded based on the vested benefits to which the employees are entitled if their employment terminated immediately (settlement basis). Under US GAAP, the Company used this accounting treatment up to December 31, 2003. Since January 1, 2004 the Company applied accounting for staff severance indemnities in accordance with SFAS 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" using the actuarial method to measure liabilities related to staff severance indemnities, the same method as applied under Chilean GAAP.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

e) Pension and post-retirement benefits

During 2006, the Company adopted FAS 158 "Employer's Accounting for Defined Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)". This statement required the recognition of the funded status of a benefit plan in the statement of financial position. It also requires the recognition as a component of other comprehensive income (OCI), net of tax, of the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant SFAS 87 or SFAS 106.

The adoption resulted in the recognition of prior service costs and related plan assets in the balance sheet of the Company's equity method investee Endesa Brasil. The effects of the adoption of FAS 158 are presented in paragraph (w) below.

f) Investments in related companies

Under Chilean GAAP, until December 31, 2003 for all investments accounted for by the equity method, the proportionate net book value of the investee company was recorded as an investment and the difference between the cost of investment and the proportionate net book value of the investee was recorded as goodwill. Generally, goodwill is amortized into income over a maximum period of twenty years. The investment account is adjusted to recognize the investor's share of the earnings or losses of the investee determined under Chilean GAAP subsequent to the date of the purchase. Technical Bulletin No. 72 issued by Chilean Association of Accountants requires goodwill to be determined based on the allocation of the acquisition price to fair values of acquired assets and liabilities assumed for the accounting for all acquisitions after January 1, 2004.

Under US GAAP, in accordance with Accounting Principles Board Opinion No. 18, "the Equity Method for accounting for Investment in Common Stock" ("APB No. 18"), the carrying amount of an investment accounted for under the equity method is initially recorded at cost and shown as a single amount in the balance sheet of the investor. It is adjusted to recognize the investor's share of the earnings or losses of the investee determined under US GAAP subsequent to the date of investment. The investment reflects adjustments similar to those made in preparing consolidated financial statements, including adjustments to eliminate inter-company gains and losses and to account for the differences, if any, between the investor's cost and the underlying equity in net assets of the investee at the date of investment. The investment is also adjusted to reflect the investor's share of change in the investee capital accounts. Furthermore, under Chilean GAAP, the excess of purchase price consideration over the fair value of net assets of equity method investees acquired is recorded as goodwill. Under US GAAP, as investments in equity method investees are initially recorded at cost, goodwill is not shown separately in the income statement.

The Company's equity share of the effect of the adjustments from Chilean GAAP to US GAAP of equity accounted investees is included in paragraph (w) below. The principal US GAAP adjustments affecting the Company's equity investees are as follows:

- (i) The recording of deferred taxes in accordance with SFAS 109 (see paragraph c).
- (ii) Adjustment related to pensions and other post-retirement benefits (see paragraph d).
- (iii) Adjustment related to negative goodwill (see paragraph h).
- (iv) Adjustment related to capitalized foreign currency exchange differences (see paragraph i).
- (v) Adjustment related to capitalized general and administration expenses (see paragraph l).
- (vi) The recording of derivative instruments in accordance with SFAS 133 (see paragraph p).
- (vii) Adjustment related to capitalized interests. (A)
- (viii) Adjustment related to regulated assets and liabilities.(B)
- (ix) Adjustment related to changes in accounting principles (C)
- (x) The deferred income tax effects of adjustments (i) to (ix).

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(A) Under US GAAP, investments accounted for under the equity method are qualifying assets of the investor, if the investee is undergoing activities in preparation for its planned principal operations provided that the investments activities include the use of funds to acquire qualifying assets.

(B) As a result of changes in Brazilian Electricity Laws and Regulations, Endesa Brasil's subsidiaries ,Ampla Energia e Serviços S.A. (AMPLA, ex CERJ) and Companhia Energética do Ceará (Coelce), are subject to the provisions of SFAS No. 71 beginning on January 1, 2001. With the new regulations issued by the National Agency of Electric Energy (ANEEL), the rate-setting structure in Brazil is now designed to provide recovery for allowable costs incurred, which will be recovered through future increases in energy tariffs in order to recover losses experienced during the period of Brazilian Federal Government mandated energy rationing from June 1, 2001 to December 31, 2001. The Company estimates remaining costs will be recovered over a period of three years, from the balance date. Accordingly, the Company capitalizes incurred costs as deferred regulatory assets when it is probable that future revenue equal to the costs incurred will be billed and collected as a direct result of the inclusion of the costs in an increased tariff set by the regulator. Endesa Brasil has recorded deferred regulatory assets, which it expects to pass on to its customers in accordance with and subject to regulatory provisions.

At the end of 2006, the Brazilian National Electric Power Agency ("Agencia Nacional de Energia Eléctrica" – ANEEL) published the Normative Resolution N°234 that established general concepts, methodologies and procedures to carry out the second round of the periodic Tariff review for public concessionaires engaged in the electric distribution sector services. These modifications were incorporated into the regulation issued by ANEEL during the year 2007, which contain the provisional parameters of the fix Tariff model for the following years. According to this, for US GAAP purposes a regulatory liability has been recorded during 2007 in accordance to the provisions of FAS No. 71, "Accounting for the Effects of Certain Types Regulation".

g) Goodwill

(i) Under Chilean GAAP, for acquisitions that occurred until December 31, 2003 assets acquired and liabilities assumed were recorded at their carrying value and the excess of the purchase price over the carrying value is recorded as goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of goodwill to 20 years from the previous 10 years.

Under US GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchase price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. Prior to January 1, 2002 under US GAAP, the Company amortized goodwill on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years.

On January 1, 2002, the Company adopted SFAS 142 and thus ceased amortizing goodwill under US GAAP. Instead, impairment tests are performed at least annually on the level of reporting units.

Technical Bulletin No. 72 issued by Chilean Association of Accountants requires using fair value of acquired assets and liabilities for the accounting for all acquisitions after January 1, 2004, and consequently after that date difference in accounting treatment related to the recognition of assets acquired and liabilities assumed between Chilean GAAP and US GAAP no longer exists.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(ii) Under Chilean GAAP, the Company evaluates the carrying amount of goodwill for impairment on the level of cash-generating units. The Company determines the impairment losses using a discounted cash flow approach and recent comparable transactions in the market. In order to estimate recoverable value, the Company makes assumptions about future events that are highly uncertain at the time of estimation. The results of this analysis showed no impairment of goodwill for the years ended December 31, 2006 and 2007, apart from the impairment of goodwill over the Company's equity method investee Gas Atacama Holding (see Note 10(g)).

Under US GAAP, goodwill is tested for impairment at least annually on the level of reporting units, which the Company defined to be as operation units. In addition, goodwill is evaluated for impairment between these annual tests if events or changes in circumstances indicate that goodwill might be impaired. The impairment test is performed based on a two-step approach:

1. The first step is to compare each reporting unit's fair value with its carrying amount including goodwill. If a reporting units carrying amount (including goodwill) exceeds its fair value, goodwill might be impaired and the second step is required
2. The second step is to compare the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill. The implied fair value is computed by allocating the reporting unit's fair value to all of its assets and liabilities in a manner that is similar to a purchase price allocation in a business combination accounted for in accordance with SFAS 141. The difference between the fair value of the reporting unit and the fair value of its net assets is the implied fair value of goodwill. If the implied fair value of goodwill is less than its carrying amount, the carrying amount is written-down against income to the implied fair value of goodwill.

The Company carried out the required annual impairment test of goodwill in the fourth quarter of each year.

The following effects are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (w) below:

- (i) differences in the amount of goodwill under US GAAP related to basis differences in the original determination and subsequent amortization methodology between Chilean GAAP and US GAAP;
- (ii) the reversal of negative goodwill impairment under Chilean GAAP, as under US GAAP negative goodwill is treated as an adjustment to the net book value of the related fixed assets to their fair value;
- (iii) the reversal of goodwill amortization recorded under Chilean GAAP.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

A summary of the changes in the Company's goodwill under US GAAP during the years ended December 31, 2006 and 2007, by segment of operation is as follows:

	Goodwill under US GAAP				
	January 1, 2006	Acquisitions	Currency Translation Adjustment	Reclassification (1)	December 31, 2006
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile.....	5,684,445	-	-	-	5,684,445
Peru.....	16,634,710	3,430,721	290,168	-	20,355,599
Colombia.....	22,642,518	-	394,964	(9,100,166)	13,937,316
Total.....	44,961,673	3,430,721	685,132	(9,100,166)	39,977,360

	Goodwill under US GAAP			
	January 1, 2007	Impairment(2)	Currency Translation Adjustment	December 31, 2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile.....	5,684,445	(96,353)	-	5,588,092
Peru.....	20,355,599	-	(2,666,720)	17,688,879
Colombia.....	13,937,316	-	(1,825,455)	12,111,861
Total.....	39,977,360	(96,353)	(4,492,175)	35,388,832

(1) See Note 10 (e) (iv.)

(2) See Note 10 (g)

To perform goodwill impairment tests, the Company determines the fair value of its reporting units based on a valuation model which draws on medium-term planning data that the Company uses for internal reporting and planning purposes. The model uses the discounted cash flow approach and market comparables. The fair value of each reporting unit exceeded its carrying amount as of December 31, 2006 and 2007. During the year ended, due to the impairment recorded in the equity's investee Gas Atacama Holding (see note 10 (g)), a goodwill impairment test was carried out, testing the goodwill recorded over the investment. As a result of the impairment test, the goodwill recorded over Gas Atacama Holding was impaired during the year ended December 31, 2007.

h) Negative goodwill

Under Chilean GAAP, until December 31, 2003 the excess of the carrying value of the assets assumed in a business combination over the purchase price was recorded as negative goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of negative goodwill to 20 years from the previous 5 years. Technical Bulletin No. 72 issued by Chilean Association of Accountants requires using fair value of acquired assets and liabilities for the accounting for all acquisitions after January 1, 2004. Subsequent to the adoption of Technical Bulletin No. 72 issued by Chilean Association of Accountants, any excess of the fair value of net assets acquired over the purchase price consideration is recorded as negative goodwill and amortized against income over the remaining weighted average useful life of the assets acquired.

Under US GAAP, the fair values of the assets acquired less the fair values of the liabilities assumed in excess of the purchase price are allocated proportionately to reduce the values assigned to non-monetary assets. If the allocation reduces the non-current assets to zero, the remainder of the excess is recorded as an extraordinary gain to income.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Adjustments related to negative goodwill necessary to make the consolidated financial statements conform to US GAAP are included in paragraph (w) below and are as follows:

- h-1: The reversal of negative goodwill amortization recorded under Chilean GAAP;
- h-2: The effects of reducing depreciation expense, due to the proportionate allocation of the excess fair value to property, plant and equipment and other effects on income.

i) Capitalized exchange differences

In accordance with Chilean GAAP, the Company has capitalized both interest on debt directly related to property, plant and equipment under construction as well as finance costs corresponding to exchange differences generated by the loans associated with such assets. The capitalization of interest costs associated with projects under construction is optional when incurred on debt that is not directly related to such projects.

Under US GAAP, the capitalization of interest on qualifying assets under construction is required, regardless of whether interest is associated with debt directly related to a project. In addition, under US GAAP, foreign currency translation exchange differences may not be capitalized. The adjustment to reverse out the foreign currency translation adjustments relating to the loans financing the constructions in progress is shown in paragraph (w) below as follows:

- i-1: Adjustment to net income related to foreign currency exchange differences;
- i-2: Adjustment to depreciation of property, plant and equipment.

j) Accumulated deficit during the development stage

Prior to the adoption of Circular 1819 issued by the SVS on January 1, 2007, under Chilean GAAP, the net income (loss) incurred during the development stage of subsidiary companies are recorded directly in the parent company's equity, rather than in income. Furthermore, companies in the development stage were not consolidated even if the Company owned the majority of voting rights.

Under US GAAP, such results must be included in the consolidated statement of income. As of December 31, 2004 and 2005 and for the years then ended, no company was classified as development stage company. For the year ended December 31, 2006, the effects of the adjustment are included in paragraph (w) below.

On January 1, 2007 the Company adopted Circular 1819 issued by the SVS (see note 3), requiring consolidation of subsidiaries in development stage and recording income derived from development stage companies in accordance with accounting principles for consolidation or investments in related companies, respectively. Thus, subsequent to the adoption of Circular 1819, the accounting treatment under Chilean GAAP is the same as under US GAAP.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

k) Minimum dividend

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of the holders of issued and subscribed shares, the Company must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Company has unabsorbed prior year losses or interim dividends have been paid to shareholders. Net income related to the amortization of negative goodwill can only be distributed as an additional dividend by the approval of the shareholders, and accordingly, is not included in the calculation of the minimum dividend to be distributed. Since the payment of the 30% dividend out of each year's income is required by Chilean law, an accrual has been made in the reconciliation in paragraph (w) below to reflect the unrecorded dividend liability, whenever and to the extent the recorded interim dividends do not reach the 30% minimum dividend.

l) Capitalized general and administrative expenses

Until 1993 under Chilean GAAP, Endesa Chile capitalized a portion of its administrative and selling expenses as part of the cost of constructions-in-progress because a substantial portion of the efforts of management were involved in the administration of major projects. Under US GAAP, general and administrative expenses are charged to expense unless they can be directly identified with the supervision of the constructions of specific projects. Under Chilean GAAP the Company has also capitalized other administrative expenses into other long-term assets, which under US GAAP would not be allowed.

The effects of eliminating capitalized general and administrative expenses are detailed in paragraph (w) below as follows:

- I-1: The elimination of the capitalized administrative and selling expenses from property, plant and equipment and the effect on depreciation expense for the year;
- I-2: The elimination of the capitalized administrative and selling expenses from other assets and the effect on income for the year.

m) Involuntary employee termination benefits

Under Chilean GAAP, the Argentine subsidiary, Endesa Argentina, recorded an accrual of certain involuntary employees termination benefits related to the restructuring plan announced in 1997. Additionally, during 2003 the Company increased the amount of the accrual recorded under Chilean GAAP. In accordance with US GAAP, in order to recognize a liability at the balance sheet date for the cost to terminate employees involuntarily, the following conditions have to be met:

- Management, having the authority to approve the action, commits to a plan of termination
- The plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date
- The plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination (including but not limited to cash payments), in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated, and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

. As of December 31, 2005, 2006 and 2007, respectively, this requirement had not been met. The effect of eliminating the accrued liability recognized is presented in paragraph (w) below.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

n) Creation of Endesa Brasil

As of September 30, 2005 the Brazilian investments of Endesa, S.A. (Spain), the ultimate parent company of Endesa Chile, were reorganized. As a result of this reorganization of entities under common control, a new entity, Endesa Brasil S.A., was created and the total participation of Endesa Chile held in its subsidiary Centrais Electricas Cachoeira Dourada S.A. (CDSA) and in its equity method investee Companhia de Interconexao Energetica S.A. (CIEN) were transferred to this entity in exchange for 38.75% participation in the newly formed company. As of September 30, 2005, the Company deconsolidated CDSA, stopped accounting for CIEN under the equity method and began to account for its participation in Endesa Brasil S.A. under the equity method. The difference between net assets contributed and received generated a difference presented as reserve in equity, as the mentioned transaction represents a reorganization under common control. Although the transaction received the same accounting treatment under both Chilean GAAP and US GAAP, as a result of the existing adjustments to US GAAP in the subsidiaries which were the subject of the reorganization, an incremental adjustment to equity of Endesa Chile was recorded. For the year ended December 31, 2005 the effects of the adjustment are included in paragraph (w) below.

o) Translation of financial statements of investments outside of Chile

Under Chilean GAAP, in accordance with Technical Bulletin 64 ("BT 64") the financial statements of foreign subsidiaries and equity method investees that operate in countries exposed to significant risks ("unstable" countries), and that are not considered to be an extension of the parent company's operations, are re-measured into US dollars. The Company's foreign subsidiaries and investees domiciled in Argentina, Peru, Brazil, and Colombia all meet the criteria of foreign subsidiaries that operate in countries exposed to significant risks under BT 64, and are re-measured into US dollars. The Company has re-measured its foreign subsidiaries into US dollars under this requirement as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the US dollar and the local currency;
- All non-monetary assets and liabilities and shareholder's equity are translated at historical rates of exchange between the US dollar and the local currency;
- Income and expense accounts are translated at average rates of exchange between the US dollar and local currency;
- The effects of any exchange rate fluctuations between the local currency and the US dollar are included in the results of operations for the period.

Under BT 64, the investment in the foreign subsidiary is price-level restated, the effects of which are reflected in income, while the effects of the foreign exchange gains or losses between the Chilean Peso and the US dollar on the foreign investment measured in US dollars, are reflected in equity in the account "Cumulative Translation Adjustment" which amounted to net losses of ThCh\$ 10,136,079, a net gain of ThCh\$ 1,815,523 and a net loss of ThCh\$ 12,842,584 for the years ended December 31, 2005, 2006 and 2007, respectively.

Under US GAAP, the functional currency is determined based on criteria provided by SFAS 52, resulting in the functional currency of an entity being the currency of the primary economic environment of operations of the entity. Differences resulting from fluctuation of exchange rates between foreign currencies and functional currency are recorded in income, whereas translation differences from converting the financial statements from functional currency to the group's presentation currency are recorded in other comprehensive income.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

However, in the opinion of the Company, the foreign currency translation procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Although under US GAAP, certain of the Company's subsidiaries and equity method investees might have functional currencies different to the measurement currency determined under Chilean GAAP, inclusion of inflation and translation effects in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy, and accordingly, are not eliminated in the reconciliation to US GAAP as permitted by Form 20-F.

p) Derivative instruments

The Company engages in derivative activity for hedging purposes. These derivatives are considered accounting hedges under Chilean GAAP. Under Chilean GAAP the accounting treatment of hedging activity is similar to the accounting treatment of fair value hedges and cash flow hedges under SFAS 133. The documentation and hedge effectiveness requirements under Chilean GAAP though are not as burdensome as under SFAS 133.

Under US GAAP, if the derivative is designated as a fair value hedge, changes in fair value of the derivative and of the hedged item attributable to the hedged risk are recognized directly in earnings. If the derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative are recorded in Other Comprehensive Income ("OCI") and are reclassified into earnings in the same period during which the hedged item affects earnings. Ineffectiveness, if any, is reflected directly in earnings. Finally, the gain or loss on a hedging derivative instrument that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation shall be reported in the same manner as a translation adjustment to the extent it is effective as a hedge. The ineffective portion of net investment hedges shall be reported in earnings. If the derivative is not designated as a hedge, or if it does not meet the requirements for hedge accounting under SFAS 133, changes in fair value of the derivative instrument are recorded directly in earnings.

Until December 31, 2004 the Company did not apply hedge accounting to its derivative instruments under US GAAP. Therefore, all derivative instruments have been accounted at fair value with changes in fair value recognized directly in earnings. As of and for the years ended December 31, 2005 2006 and 2007, the Company applied hedge accounting to a portfolio of derivative instruments executed in those years. These instruments were designated as cash flow hedges of variable interest-bearing liabilities with changes in fair value recorded in OCI. Derivative instruments not assigned as hedging instruments were accounted at fair value with changes in fair value recognized directly in earnings. The Company considers hedging instruments to be non-operating derivative financial instruments, whereas commodity and embedded derivative instruments are considered to be operating derivative instruments.

The Company has designated under Chilean GAAP certain non-derivative financial instruments as hedges of the foreign currency exposure of net investments in foreign operations. The gain or loss on the non-derivative financial instrument that is designated as a hedge is reported as a translation adjustment to the extent it is effective as a hedge, any ineffectiveness is recorded in earnings. This accounting treatment is consistent with SFAS 52 and SFAS 133.

The effects of the adjustment with respect to financial derivatives, commodity derivatives, and embedded derivatives for the years ended December 31, 2005, 2006 and 2007 are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (w) below.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

q) Reorganization of subsidiaries

This adjustment corresponds to the reorganization of the Company's subsidiaries Endesa Costanera S.A. and Central Buenos Aires (CBA) during 2001, in which Endesa Costanera acquired the minority interest in CBA from third parties and exchanged shares with Endesa Argentina S.A. Under Chilean GAAP, this purchase of minority interest was accounted for at book values. Under US GAAP, a purchase of minority interest shall be accounted for under the purchase method, resulting in measuring assets acquired and liabilities assumed at fair values.

During 2006, the Company's subsidiary Edegel was merged with Etevensa, an entity which was controlled by Endesa Internacional S.A., the Company's parent company. This reorganization included a purchase of a minority interest portion in exchange for shares of Edegel and cash.

Under Chilean GAAP, the Company recorded this transactions under the pooling of interests method, using the book values of the net assets acquired under merger accounting as proscribed by Technical Bulletin 72 for reorganizations under common control.

Under US GAAP the exchange of shares between entities under common control is recorded at book values. However, to the extent that shares in CBA and Etevensa were acquired from third parties, the identifiable assets acquired and liabilities assumed are recorded at fair value using purchase accounting together with the shares issued by the subsidiaries Endesa Costanera S.A. and Edegel S.A.. The difference in property, plant and equipment basis between Chilean GAAP and US GAAP results in a greater depreciation expense to be recorded under US GAAP over the remaining estimated useful life. The effect of this adjustment is included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (w) below.

During 2007, the Company's subsidiaries Betania and Emgesa were merged into a new entity Emgesa (merged entity). (See note 10 (d) (iv.) and note 10 (c) (v)). The merger was materialized through a stock exchange where the Company exchanged the shares it owned in Betania and Emgesa for shares issued by the new entity Emgesa (merged entity). In addition, as a result of the share-exchange, the Company purchased a portion of minority interest from a third party.

Under Chilean GAAP, the transaction was accounted for under the pooling-of-interest method pursuant BT 72, using book values of the entities and shares involved, as the transaction is considered to be a transaction under common control.

Under US GAAP, To the extent that shares of the Company's former fully owned subsidiary Betania were exchanged, the exchange represents an exchange of monetary assets, which shall be accounted for at fair values.

In addition, the purchase of minority interest to the extent that this minority interest was purchased from an unrelated party shall be accounted for under the purchase method pursuant to SFAS 141, measuring the proportion assets acquired and proportional liabilities assumed at fair values.

To the extent minority interest was acquired from a related party, the transaction under US GAAP shall be accounted for as common control transaction, using the pooling-of-interest method and thus book values to reflect the increase in participation, with any difference between purchase price consideration and book value of net assets acquired being recorded in shareholders' equity.

The effects of:

- Application of the purchase method for the purchase of minority interest from unrelated parties
- Differences resulting from different book values under US GAAP of the assets and liabilities involved, are recorded in paragraph (w) below.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

- r) Amortization of bond discount and deferred debt issuance costs

Under Chilean GAAP the Company amortizes bond discounts and deferred debt issuance costs using the straight-line method over the remaining maturity of the related debt.

Under US GAAP, deferred debt issuance costs and bond discounts have to be amortized using the effective interest method. The effect of this adjustment is included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (w) below.

- s) Accounting for asset retirement obligations

In June 2001 the FASB issued Statement of Financial Accounting Standard No. 143 "Accounting for Asset Retirement Obligations" ("SFAS 143"), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company adopted SFAS 143 effective January 1, 2003. This standard requires the Company to record the fair value of the legal obligation it has to make certain environmental restorations upon closure of its facilities. The fair value of the liability is estimated by discounting the future estimated expenditures related to the restoration. The Company then measures changes in the liability due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change is the credit-adjusted risk-free rate that existed when the liability, or portion thereof, was initially measured. The interest rate for existing liabilities will not be changed in future years. For new liabilities, as well as for increases in fair value due to changes in estimates that are treated like new liabilities, the interest rate used for subsequent valuations is the interest rate that was valid at the time the new liability was incurred or when the change in estimate occurred. The change in fair value of the liability due to the passage of time is recognized as an increase in the carrying amount of the liability and the expense is classified as an operating item in the statement of income, referred to as accretion expense. At the same time the standard requires the Company to capitalize the new costs arising as the result of additional liabilities incurred, such as the activation of a new generation facility, and subsequently allocate that asset retirement cost to expense over the life of the plant based on the useful life of the plant.

The Company is subject to certain assets retirement obligations related to contractually agreed or legal dismantlement obligations of power plant and transmission lines, as well as the removal of environmental damage once it discontinues usage of certain power plants. Consequently, costs arising from the asset retirement obligations have been capitalized to power-plant and transmission lines included in property, plant and equipment.

The effects on US GAAP income and Shareholders equity are shown in paragraph (w) below as follows:

- s-1: The effects of amortizing the deferred costs of the asset retirement obligation are reflected as depreciation expense;
s-2: The effects of re-measuring the liability due to the passage of time during the year ended December 31, 2005, 2006 and 2007 are reflected as accretion expense.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The following table shows reconciliation of the liability for the years ended December 31, 2005, 2006 and 2007 as recorded by the Company:

	Year ended December 31,		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Balance as of January 1	1,208,228	1,027,980	2,272,671
Cumulative translation adjustment	(58,080)	8,691	(191,576)
Liabilities incurred in the period	-	879,946	458,696
Accretion expense	(122,168)	356,054	11,359
Balance as of December 31	<u>1,027,980</u>	<u>2,272,671</u>	<u>2,551,150</u>

- t) Effects of minority interest on the US GAAP adjustments

The Company calculated effects of the participation of the non-controlling shareholders, referred to as minority interest, related to the US GAAP adjustments in the subsidiaries in which it is not the sole shareholder.

- u) Accounting for the Impairment or Disposal of Long-Lived Assets

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company evaluates the carrying amount of property, plant and equipment and other long-lived assets, in relation to the operating performance and future undiscounted cash flows of the underlying business. This standard requires that an impairment loss be recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable, when compared to the estimated future undiscounted cash flows. Impairment is recorded based on estimates of future discounted cash flows, as compared to carrying amounts. For the years ended December 31, 2005, 2006, and 2007 no additional amounts were recorded for impairment under US GAAP.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

- (v) Exchange of non-financial assets and acquisition of minority interest

As stated in Note 10 (c) (v.), during 2007, the Company's subsidiaries in Colombia were subject to a reorganization which involved the purchase of a minority interest portion. Under Chilean GAAP, the transaction was accounted for as a transaction under common control using book value of the involved assets and liabilities, with any differences between net assets given up and net assets received being recorded in other reserves within shareholders' equity. Under US GAAP, the several steps to materialize the transaction were accounted for as follows:

- a. The exchange of the participation in Betania against participation of Emgesa (merged entity) was accounted for as an exchange of financial assets, realizing a loss to the extent the transaction did not represent a common control transaction
- b. To the extent that minority interest was purchased from third parties, the transaction was accounted for under the purchase method pursuant to SFAS 141, with any excess of the purchase price consideration over the fair value of identifiable net assets acquired being accounted for as goodwill.
- c. To the extent third parties were involved, the disposal of a portion of participation of Emgesa (merged entity) was accounted for as a partial disposal of investments, affecting net income of the period to the extent the fair value of consideration received exceeded the book value of the investment together with the pro-rata portion of goodwill, fair value increment to net assets and accumulated other comprehensive income previously accounted for.

To the extent the transaction was carried out among parties under common control, book values were used and differences between consideration given (step a. and b.) and consideration received (step c.) over the book value of net assets received (step a. and b.) and book value of net assets given up (step c.) being recorded in other reserves of shareholders' equity.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

- (w) Effects of conforming to US GAAP:

(i) The reconciliation of reported net income required to conform to US GAAP is as follows:

	Years Ended December 31,		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Net income in accordance with Chilean GAAP	121,304,086	203,567,376	192,439,270
Reversal of revaluation of Property, plant and equipment (paragraph b)	398,582	343,473	421,920
Effect of application of FAS 109 (paragraph c-1)	3,487,128	9,762,791	9,745,330
Deferred income taxes on US GAAP adjustments (paragraph c-2)	(12,028,168)	(18,414,868)	(13,634,342)
Investments in related companies (paragraph f)	(31,323,897)	4,878,495	(22,984,920)
Goodwill (paragraph g)	1,498,305	1,012,592	813,501
Negative goodwill (paragraph h):			
h-1: Amortization of negative goodwill	(16,788,712)	(6,484,232)	(4,382,076)
h-2: Depreciation of Property, plant and equipment	11,356,606	18,954,860	11,779,556
Capitalized exchange differences (paragraph i):			
i-2: Depreciation of Property, plant and equipment	530,125	532,415	514,936
Accumulated deficit during the development stage (paragraph j)	-	(325,438)	-
Capitalized general and administrative expenses (paragraph l):			
l-1: Depreciation of Property, plant and equipment	538,942	(242,437)	400,720
l-2: Other operating results	1,038,612	1,042,998	787,149
Involuntary employee termination benefits (paragraph m)	(18,667)	(22,872)	(18,385)
Derivative instruments (paragraph p)			
Operating	29,717,323	4,933,348	6,174,276
Non-operating	738,610	147,875	-
Reorganization of subsidiaries (paragraph q)	(250,084)	(254,445)	(303,931)
Amortization of bond discount and deferred debt issuance costs (paragraph r)	-	1,865,279	(482,644)
Accounting for asset retirement obligations (paragraph s)			
s-1: Depreciation expense	(42,092)	(15,543)	(24,166)
s-2: Accretion expense	122,168	(1,236,000)	(11,359)
Effects of minority interest on the US GAAP adjustments (paragraph t)	(320,789)	7,528,365	207,465
Net income in accordance with US GAAP	109,958,078	227,574,032	181,442,300
Other comprehensive income (loss):			
(Loss)/gain on hedge of the foreign currency exposure of net investment in foreign operations, net of income tax of ThCh\$ 0	(16,593,126)	3,231,768	(14,945,898)
Fair value change of hedging instruments used in cash flow hedges (paragraph p), net of tax (ThCh\$ 25,139, ThCh\$ 4,695 and ThCh\$ 256,552 as of December 31, 2005 2006 and 2007, respectively)	(147,876)	(22,922)	(895,316)
Amortization of FAS 158 adjustment	-	-	(294,660)
Cumulative translation adjustment, net of income tax (ThCh\$ 0)	15,635,734	(3,128,220)	10,541,273
Comprehensive income in accordance with US GAAP	108,852,810	227,654,658	175,847,699

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(w) Effects of conforming to US GAAP:

(ii) The reconciliation to conform shareholders' equity amounts to US GAAP is as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Shareholders' equity in accordance with Chilean GAAP	1,927,088,781	1,884,226,640
Reversal of revaluation of Property, plant and equipment (paragraph b):		
Property, plant and equipment	(12,803,027)	(12,803,027)
Accumulated depreciation	7,747,130	8,169,050
Effect of application of FAS 109 (paragraph c-1)	(140,750,654)	(129,868,674)
Deferred income taxes on US GAAP adjustments (paragraph c-2)	29,664,112	13,436,488
Investments in related companies (paragraph f)	(14,305,705)	(35,883,267)
Goodwill (paragraph g):		
Goodwill, gross	24,088,420	21,410,817
Accumulated amortization	3,974,090	4,123,475
Negative goodwill (paragraph h):		
h-1: Negative goodwill	393,330,784	347,374,966
h-1 Accumulated amortization of negative goodwill	(354,056,051)	(310,371,064)
h-2: Property, plant and equipment	(553,087,194)	(490,716,429)
h-2: Accumulated depreciation of Property, plant and equipment	211,881,669	199,898,847
Capitalized exchange differences (paragraph i):		
Property, plant and equipment	(22,631,002)	(21,757,054)
Accumulated depreciation of Property, plant and equipment	1,798,300	2,199,623
Minimum dividend (paragraph k)	(36,486,624)	(38,433,991)
Capitalized general and administrative expenses (paragraph l):		
l-1: Property, plant and equipment	(32,242,216)	(33,723,846)
l-1: Accumulated depreciation of Property, plant and equipment	10,840,495	11,779,937
l-2: Other assets	(1,583,849)	1,198,002
Involuntary employee termination benefits (paragraph m)	41,740	17,888
Derivative instruments (paragraph p)	13,045,568	18,329,221
Reorganization of subsidiaries (paragraph q), (paragraph v)	4,955,677	21,025,852
Amortization of bond discount and deferred debt issuance costs (paragraph r)	1,865,279	1,382,635
Accounting for asset retirement obligations, net (paragraph s)	(1,704,341)	(1,548,635)
Effects of minority interest on the US GAAP adjustments (paragraph t) and v)	90,167,763	137,370,814
Shareholders' equity in accordance with US GAAP	<u>1,550,839,145</u>	<u>1,596,838,268</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(w) The changes in shareholders' equity in US GAAP as of each year-end are as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Shareholders' equity in accordance with US GAAP – January 1,	1,355,111,848	1,406,038,345	1,550,839,144
Dividends paid during the year	(37,143,843)	(73,904,865)	(112,990,526)
Reversal of minimum dividends as of previous balance sheet date	23,068,401	31,354,612	36,486,624
Minimum dividend current period(paragraph k)	(31,354,612)	(36,486,624)	(38,433,991)
Cumulative translation adjustment	15,635,734	(3,128,220)	10,541,273
Reorganization under common control	(12,496,259)	(6,900,956)	(14,910,682)
Gain (loss) on hedge of the foreign currency exposure of net investment in foreign operations	(16,593,126)	3,231,768	(14,945,898)
Fair value change of hedging instruments used in cash flow hedges	(147,876)	(22,922)	(895,316)
Amortization of FAS 158 adjustment Endesa Brasil	-	3,083,974	(294,660)
Net income in accordance with US GAAP for the year	109,958,078	227,574,032	181,442,300
Shareholders' equity in accordance with US GAAP – December 31,	<u>1,406,038,345</u>	<u>1,550,839,144</u>	<u>1,596,838,268</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

II. Additional Disclosure Requirements:

a) Basic and diluted earnings per share:

	Year ended December 31,		
	2005 Ch\$	2006 Ch\$	2007 Ch\$
Chilean GAAP earnings per share	14.49	24.82	23.46
US GAAP basic and diluted earnings per share	13.14	27.74	22.12
Weighted average number of common shares outstanding (000's)	8,201,755	8,201,755	8,201,755

There are no requirements to provide earnings per share disclosures under Chilean GAAP. The earnings per share figures disclosed above for both US GAAP and Chilean GAAP purposes have been calculated by dividing the respective consolidated net income in accordance with US GAAP and Chilean GAAP, respectively, by the weighted average number of common shares outstanding during the year. The Company has not issued convertible debt or equity securities nor does it have other common stock equivalent securities or stock options outstanding. Consequently, there are no potentially dilutive effects on the earnings per share of the Company.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

b) Income taxes:

The (provision) benefit for income taxes (charged)/credited to the results of operations determined in accordance with US GAAP is as follows:

	Year ended December 31, 2005					
	Chile	Argentina	Brazil	Peru	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income tax provision under Chilean GAAP:						
Current income tax as determined under Chilean GAAP	(1,957,416)	-	(3,046,556)	(18,550,471)	(42,392,696)	(65,947,139)
Deferred income taxes as determined under Chilean GAAP	(30,944,753)	(6,175,079)	-	1,725,425	508,596	(34,885,811)
Total income tax provision under Chilean GAAP	(32,902,169)	(6,175,079)	(3,046,556)	(16,825,046)	(41,884,100)	(100,832,950)
US GAAP adjustments.....						
Deferred tax effect of applying SFAS 109	227,258	-	-	3,259,870	-	3,487,128
Deferred tax effect of adjustment to US GAAP	(10,095,548)	(312,360)	(311,194)	(1,374,553)	65,487	(12,028,168)
Total US GAAP adjustments	(9,868,290)	(312,360)	(311,194)	1,885,317	65,487	(8,541,040)
Total income tax provision under US GAAP	(42,770,459)	(6,487,439)	(3,357,750)	(14,939,729)	(41,818,613)	(109,373,990)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	Year ended December 31, 2006				
	Chile	Argentina	Peru	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income tax provision under Chilean GAAP:					
Current income tax as determined under Chilean GAAP	(43,086,339)	(4,355,301)	(17,847,773)	(41,481,421)	(106,770,834)
Deferred income taxes as determined under Chilean GAAP	(25,527,932)	(10,121,199)	(12,146,689)	14,026,503	(33,769,317)
Total income tax provision under Chilean GAAP	(68,614,271)	(14,476,500)	(29,994,462)	(27,454,918)	(140,540,151)
US GAAP adjustments:					
Deferred tax effect of applying SFAS 109	6,204,332	-	3,558,459	-	9,762,791
Deferred tax effect of adjustment to US GAAP	(6,768,413)	(3,008,476)	(6,913,736)	(1,724,243)	(18,414,868)
Total US GAAP adjustments	(564,081)	(3,008,476)	(3,355,277)	(1,724,243)	(8,652,077)
Total income tax provision under US GAAP	(69,178,352)	(17,484,976)	(33,349,739)	(29,179,161)	(149,192,228)
	Year ended December 31, 2007				
	Chile	Argentina	Peru	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income tax provision under Chilean GAAP:					
Current income tax as determined under Chilean GAAP	(33,226,760)	(10,141,525)	(15,072,403)	(21,564,529)	(80,005,217)
Deferred income taxes as determined under Chilean GAAP	(25,845,576)	(2,574,884)	(4,969,686)	(218,135)	(33,408,281)
Total income tax provision under Chilean GAAP	(58,872,336)	(12,716,409)	(20,042,089)	(21,782,664)	(113,413,498)
US GAAP adjustments:					
Deferred tax effect of applying SFAS 109	6,359,214	-	3,386,116	-	9,745,330
Deferred tax effect of adjustment to US GAAP	(7,282,557)	(81,375)	(6,350,425)	80,015	(13,634,342)
Total US GAAP adjustments	(923,343)	(81,375)	(2,964,309)	80,015	(3,889,012)
Total income tax provision under US GAAP	(59,795,679)	(12,797,784)	(23,006,398)	(21,702,649)	(117,302,510)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Deferred tax assets and liabilities in accordance with US GAAP as of each balance sheet date are as follows:

	As of December 31,			
	2006		2007	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
	Short-term	Long-term	Short-term	Long-term
Deferred income tax assets				
Property, plant and equipment	-	121,091,977	-	104,098,773
Prepaid income	74,281	989,257	104,558	903,656
Derivative contracts	-	-	-	221,130
Vacation accrual	521,481	-	548,114	-
Tax losses (1)	-	48,568,311	-	23,506,004
Contingencies	1,071,131	1,414,357	1,132,214	2,730,346
Allowance for doubtful accounts	1,345	9,484,435	395	7,271,529
Provision for employee obligations	515,069	992,332	483,608	890,494
Provision for obsolete materials	-	1,741,792	-	1,445,992
Other	101,292	627,676	615,677	730,207
Valuation allowance	-	(31,427,599)	-	(6,539,366)
Total deferred income tax assets...	2,284,599	153,482,538	2,884,566	135,258,765
Deferred income tax liabilities				
Property, plant and equipment	-	(374,072,708)	-	(373,797,413)
Severance indemnities	-	(1,105,858)	-	(985,660)
Derivative contracts	-	(2,217,747)	-	(3,228,182)
Finance costs	-	(14,754,749)	-	(14,099,991)
Capitalized interest on construction	-	(4,034,502)	-	(3,959,224)
Capitalized cost of studies	-	(9,043,752)	-	(8,960,610)
Capitalized spare parts used	-	(871,574)	-	(806,387)
Bonds discount	-	(676,017)	-	(470,678)
Leasing	-	(498,992)	-	(1,058,920)
Investment in Argentina	-	(450,082)	-	(332,280)
Other	-	(3,513,175)	-	(2,933,225)
Total deferred income tax liabilities	-	(411,239,156)	-	(410,632,570)
Net deferred tax balance	2,284,599	(257,756,618)	2,884,566	(275,373,805)

Changes in the amount of deferred tax asset valuation allowance are as follows:

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Balance as of January 1,	(31,497,470)	(31,427,599)
Cumulative translation adjustment	356,984	2,367,033
Decrease of valuation allowance	-	26,017,535
Increase of valuation allowance	(287,113)	(3,496,335)
Balance as of December 31,	(31,427,599)	(6,539,366)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(1) Accumulated tax losses by country as of December 31, 2006 and 2007, are as follows:

	December 31, 2006		December 31, 2007	
	Amount	Year of expiration	Amount	Year of expiration
	ThCh\$		ThCh\$	
Chile	113,983,360	Do not expire	138,132,386	Do not expire
Argentina	8,389,340	2007	4,715,978	2012
Colombia (A)	77,220,205	2007	-	-
Total	199,592,905		142,848,364	

(A) During the years ended December 31, 2005 and 2006, management did not expect that the subsidiaries in Colombia will be able to recover deferred tax assets related to tax loss carry forwards. Thus, as of December 31, 2006, a valuation allowance has been recorded, which covered the whole amount of the deferred tax asset related to tax loss carryforwards. However, due to the merger of the Company's Colombian Subsidiaries, the tax loss carryforwards were applied against income during the year ended December 31, 2007.

Tax losses applied against taxable income in the years ended December 31, 2005, 2006 and 2007 are as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Chile	60,358,782	1,580,886	7,726,488
Argentina	44,083,625	30,108,315	2,373,046
Colombia	-	1,245,390	74,567,069
Total	104,442,407	32,934,591	84,666,603

Income tax audits:

We are potentially subject to income tax audits in numerous jurisdictions in Chile and internationally until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete. The following is a summary of tax years, potentially subject to examination, in the significant tax and business jurisdictions in which we operate.

Tax jurisdiction	Tax Years Subject to Examination
Chile	2005-2007
Argentina	2003-2007
Colombia	2003-2007
Peru	2004-2007

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

A reconciliation of the Chilean Statutory income tax rate to the Company's effective tax rate on net income calculated in accordance with US GAAP is as follows:

	2005					Total
	Chile	Argentina	Peru	Brazil	Colombia	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
At Chilean statutory income tax rate (17%)	(23,482,930)	4,765,408	(9,874,611)	(5,075,567)	(13,454,171)	(47,121,871)
Effect of differences in foreign tax rates	-	5,045,725	(9,584,181)	(5,075,567)	(14,245,594)	(23,859,617)
Increase (decrease) in rates resulting from:						
Price-level restatement not accepted for tax purposes	5,190,285	(7,175,270)	-	-	-	(1,984,985)
Non-taxable items	6,464,693	-	7,030,589	6,793,384	-	20,288,666
Non-deductible items	(31,471,373)	(7,524,527)	(1,071,060)	-	(11,705,219)	(51,772,179)
Effect of change in valuation allowance	(673,630)	-	-	-	1,447,967	774,337
Other	1,202,496	(1,598,775)	(1,440,466)	-	(3,861,596)	(5,698,341)
Total income tax under US GAAP	(42,770,459)	(6,487,439)	(14,939,729)	(3,357,750)	(41,818,613)	(109,373,990)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	2006				
	Chile	Argentina	Peru	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
At Chilean statutory income tax rate (17%)...	(48,687,876)	(5,299,648)	(7,142,283)	(13,674,449)	(74,804,256)
Effect of differences in foreign tax rates	-	(5,611,392)	(6,932,216)	(17,294,156)	(29,837,764)
Increase (decrease) in rates resulting from:					
Price-level restatement not accepted for tax purposes	(3,864,885)	(6,541,127)	-	13,667,135	3,261,123
Non-taxable items	15,870,030	2,951,689	1,723,074	734,094	21,278,887
Non-deductible items	(37,177,307)	(2,077,407)	(19,316,484)	(13,582,144)	(72,153,342)
Prior year income tax	4,526,691	-	-	-	4,526,691
Effect of change in valuation allowance	(224,655)	-	-	(62,458)	(287,113)
Other	379,650	(907,091)	(1,681,830)	1,032,817	(1,176,454)
Tax benefit (expense) at effective tax rate	(69,178,352)	(17,484,976)	(33,349,739)	(29,179,161)	(149,192,228)
Total income tax under US GAAP	(69,178,352)	(17,484,976)	(33,349,739)	(29,179,161)	(149,192,228)

	2007				
	Chile	Argentina	Peru	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
At Chilean statutory income tax rate (17%)...	(34,276,952)	(9,424,122)	(4,293,336)	(12,530,379)	(60,524,789)
Effect of differences in foreign tax rates	-	(9,978,482)	(3,338,607)	(12,530,379)	(25,847,468)
Increase (decrease) in rates resulting from:					
Price-level restatement not accepted for tax purposes	(13,483,486)	1,097,453	(14,337)	-	(12,400,370)
Non-taxable items	28,202,165	18,685,974	1,381,810	6,828,497	55,098,446
Non-deductible items	(37,688,868)	(13,178,607)	(15,960,425)	(29,232,860)	(96,060,760)
Prior year income tax	749,004	-	-	-	749,004
Effect of change in valuation allowance	(2,831,604)	-	-	25,352,804	22,521,200
Other	(465,938)	-	(781,503)	409,668	(837,773)
Tax benefit (expense) at effective tax rate	(59,795,679)	(12,797,784)	(23,006,398)	(21,702,649)	(117,302,510)
Total income tax under US GAAP	(59,795,679)	(12,797,784)	(23,006,398)	(21,702,649)	(117,302,510)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The following table breaks down income before income taxes by country as of December 31, 2005, 2006 and 2007, respectively.

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Chile	179,852,458	305,362,736	163,827,488
Argentina	(19,056,822)	11,626,953	37,409,872
Peru	16,244,728	42,857,580	23,799,334
Brazil (1)	29,088,690	-	-
Colombia	13,203,014	16,918,991	73,708,116
Total	219,332,068	376,766,260	298,744,810

(1) As described in note 10 c. (i), as a result of the reorganization of the Brazilian subsidiaries, the Company discontinued the consolidation of its former subsidiaries Cachoeira Dourada and CIEN during 2005.

c) Segment disclosure

The Company provides disclosures in accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), which establishes standards for reporting information about operating segments in annual financial statements as well as related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise for which separate financial statement information is available and evaluated regularly by the chief operating decision maker in making decisions about allocating resources and assessing performance. In accordance with SFAS 131, the Company has four segments, which are split into: Chile, Argentina, Peru and Colombia. The chief operating decision maker evaluates the performance of the segment by reviewing the segment's operating income as determined under Chilean GAAP. The operating segments Chile, Argentina, Peru and Colombia include power generation activities. In addition, the operating segment Chile includes the Company's engineering services activities and the public concession activity, which are reviewed by the Chief Operating Decision maker together with the Chilean power generating activities. These other services are carried out in Chile only. The Chief Operating Decision maker reviews revenues including intersegment revenues.

The accounting policies of each segment are the same as those described in Note 2.

Consistent with US GAAP reporting requirements of financial information reviewed by the chief operating decision maker, the following segment information presented has been determined in accordance with Chilean GAAP:

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Consistent with US GAAP reporting requirements of financial information reviewed by the chief operating decision maker, the following segment information presented has been determined in accordance with Chilean GAAP.

The Company's reportable segments as of December 31, 2005, 2006 and 2007 and for the years then ended are as follows:

	Chile	Argentina	Peru	Brazil (2)	Colombia	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
2005						
Total revenues	600,942,427	171,933,926	129,024,151	45,830,648	283,741,612	1,231,472,764
Depreciation and amortization	84,463,076	35,835,468	20,029,435	12,523,376	35,395,997	188,247,352
Operating income	<u>207,256,178</u>	<u>14,160,840</u>	<u>59,020,249</u>	<u>20,362,601</u>	<u>132,187,605</u>	<u>432,987,473</u>
2006						
Total revenues	708,515,756	252,836,716	180,627,696	-	294,087,707	1,436,067,875
Depreciation and amortization	85,258,947	37,096,389	30,990,471	-	36,123,207	189,469,014
Operating income	<u>313,383,057</u>	<u>38,470,676</u>	<u>59,644,601</u>	<u>-</u>	<u>130,307,940</u>	<u>541,806,274</u>
Long lived assets (net) (1) ..	<u>2,552,377,063</u>	<u>462,617,729</u>	<u>785,170,582</u>	<u>-</u>	<u>1,214,339,784</u>	<u>5,014,505,158</u>
2007						
Total revenues	976,559,273	264,940,755	167,378,800	-	318,085,097	1,726,963,925
Depreciation and amortization	92,853,502	36,963,151	32,653,396	-	31,727,450	194,197,499
Operating income	<u>342,047,212</u>	<u>22,518,334</u>	<u>46,010,341</u>	<u>-</u>	<u>160,254,214</u>	<u>570,830,101</u>
Long lived assets (net) (1) ..	<u>2,513,864,707</u>	<u>382,560,854</u>	<u>666,236,213</u>	<u>-</u>	<u>1,039,142,118</u>	<u>4,601,803,892</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

A summary of activities presented in accordance with Chilean GAAP by geographic area is as follows:

	Revenues			Long-lived assets	
	Year ended December 31,			As of December 31,	
	2005	2006	2007	2006	2007
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile (1)	600,942,427	708,515,756	976,559,273	2,552,377,063	2,513,864,707
Argentina	171,933,926	252,836,716	264,940,755	462,617,729	382,560,854
Brazil (2)	45,830,648	-	-	-	-
Colombia	283,741,612	294,087,707	318,085,097	1,214,339,784	1,039,142,118
Peru	129,024,151	180,627,696	167,378,800	785,170,582	666,236,213
Total	<u>1,231,472,764</u>	<u>1,436,067,875</u>	<u>1,726,963,925</u>	<u>5,014,505,158</u>	<u>4,601,803,892</u>

(1) The Chile segment includes assets not assigned to specific segments (such as corporate headquarter)

(2) With the deconsolidation of Brazilian subsidiary Cachoeira Dourada, the equity method in CIEN and the change in accounting methods for Endesa Brasil (Note 10 (c) (ii.)) as of October 1, 2005, the Company no longer consolidates the long-lived assets of these subsidiaries.

During the years ended December 31, 2005, 2006 and 2007, revenues from Chile include revenues from energy sales to Chilectra, a related company (see Note 6), which exceeded 10% of total consolidated revenues. The revenues derived from energy sales to Chilectra amounted to ThCh\$ 155,523,040, ThCh\$ 162,938,076 and ThCh\$ 186,478,941, respectively.

d) Concentration of risk:

The Company does not believe that it is exposed to any unusual credit risk from any single financial institution. The Company's debtors are dependent on the economy in Latin America, which could make them vulnerable to downturns in the economic activity in the countries in which the Company operates.

The only customer which accounted for more than 10% of revenues for the years ending December 31, 2005, 2006 and 2007, respectively was Chilectra S.A., subsidiary of the Company's parent company Enersis S.A., transactions with which represented a participation in consolidated revenues amounted to 12.6%, 11.3% and 10.8% for the years ended December 31, 2005, 2006 and 2007, respectively.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

e) Schedule of debt maturity:

Following is a schedule of debt maturity in each of the next five years and thereafter:

	As of December 31, 2007
	ThCh\$
2008	373,473,904
2009	359,822,622
2010	97,998,928
2011	227,492,108
2012	109,511,589
2013 and thereafter	840,833,932
Total	<u>2,009,133,083</u>

f) Disclosure regarding interest capitalization under US GAAP:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Interest cost incurred	196,057,317	172,179,554	170,655,235
Interest capitalized	-	5,941,629	3,634,620

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

g) Cash flow information

The statement of cash flows under Chile GAAP differs in certain respects from the presentation of a statement of cash flows under US GAAP as marketable securities under Chile GAAP qualify as cash equivalents, whereas under US GAAP they are classified as available-for-sale securities (see Note 32 q)):

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Operating cash flow Chile GAAP and US GAAP	297,086,746	451,188,230	419,844,996
Cash flow investing activities Chile GAAP	(60,439,451)	(219,636,276)	(316,194,485)
Differences between Chilean GAAP and US GAAP:			
Purchase of marketable securities during period	(2,051,639)	(5,614,355)	(10,299,039)
Sale of marketable securities during period	774,406	2,051,639	5,614,355
Cash flow investing activities US GAAP	(61,716,684)	(223,198,992)	(320,879,169)
Cash flow financing activities Chile GAAP and US GAAP	(402,505,082)	(146,242,800)	(146,924,246)
Net cash flow	(167,135,020)	81,746,438	(47,958,419)
Effect of inflation and foreign exchange differences (1)	(6,069,724)	(7,508,827)	(22,762,635)
Total change of cash and cash equivalent	(173,204,744)	74,237,611	(70,721,054)
Cash equivalent at the beginning of the period	260,373,960	87,169,216	161,406,827
Cash equivalent at the end of the period	87,169,216	161,406,827	90,685,773

The reconciliation of cash and cash equivalents from Chilean GAAP to US GAAP as of December 31, 2005, 2006 and 2007 is as follows:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Cash and cash equivalents under Chilean GAAP	89,220,855	167,021,182	100,984,812
Elimination of marketable securities	(2,051,639)	(5,614,355)	(10,299,039)
Cash and cash equivalents under US GAAP	<u>87,169,216</u>	<u>161,406,827</u>	<u>90,685,773</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Under US GAAP, cash and cash equivalents includes all highly liquid debt instruments purchased with a maturity of three months or less:

	As of December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Cash.....	10,990,894	22,936,504	19,397,212
Time deposits and repurchase agreements.....	76,178,322	138,470,323	71,288,561
Total cash and cash equivalents under US GAAP.....	<u>87,169,216</u>	<u>161,406,827</u>	<u>90,685,773</u>

Additional disclosures required under US GAAP are as follows:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Interest paid during the year, net of amount capitalized	180,652,297	166,237,925	170,655,235
Income taxes paid during the year	63,892,142	81,639,141	86,254,037
Assets acquired under leasing	-	-	-

(1) Under Chilean GAAP in accordance with Technical Bulletin No. 50 "Cash flow statement" of the Chilean Association of Accountants, the effects of foreign exchange changes on cash and cash equivalents are not required to be disclosed separately in the statement of cash flows. Pursuant to the comprehensive basis of preparation of price-level adjusted financial statements under US GAAP the effects of foreign exchange gains or losses and effects of inflation on cash and cash equivalents are separately disclosed as presented in the table below:

	Year ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Foreign exchange losses	(11,355,893)	(9,675,982)	(23,628,818)
Effects of inflation	5,286,169	2,167,155	866,183
Effect of inflation and foreign exchange differences	<u>(6,069,724)</u>	<u>(7,508,827)</u>	<u>(22,762,635)</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

h) Disclosures about fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2006 and 2007 for which it is practicable to estimate that value:

• **Cash**

The fair value of the Company's cash is equal to its carrying value.

• **Time deposits, repurchase agreements and marketable securities, short-term receivables and payables**

The fair value of time deposits approximates carrying value due to their relatively short-term nature.

• **Long-term accounts receivable**

The fair value of long-term accounts receivable was estimated using the interest rates that are currently offered for loans with similar terms and remaining maturities.

Long-term debt

The fair value of long-term debt was based on rates currently available to the Company for debt with similar terms, risks and remaining maturities.

• **Derivative instruments**

Estimates of fair values of derivative instruments for which no quoted prices or secondary market exists have been made using valuation techniques such as forward pricing models, present value of estimated future cash flows, and other modeling techniques. These estimates of fair value include assumptions made by the Company about market variables that may change in the future. Changes in assumptions could have a significant impact on the estimate of fair values disclosed. As a result such fair value amounts are subject to significant volatility and are highly dependent on the quality of the assumptions used.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The estimated fair values of the Company's financial instruments compared to US GAAP carrying amounts are as follows:

	As of December 31,			
	2006		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cash	22,936,504	22,936,504	19,397,212	19,397,212
Time deposits.....	99,136,606	99,136,606	44,272,635	44,272,635
Marketable securities	5,618,810	5,618,810	10,304,785	10,304,785
Repurchase agreements	39,333,717	39,333,717	27,015,929	27,015,929
Current receivables, net	157,721,629	157,721,629	211,209,592	211,209,592
Other receivables, net	57,855,162	57,855,162	60,045,262	60,045,262
Amounts due from related companies	35,325,944	35,325,944	175,950,661	175,950,661
Long term receivables	74,178,594	74,178,594	83,285,957	83,285,957
Long term amounts due from related companies	97,223,162	97,223,162	369	369
Derivative contracts (Assets).....	38,920,789	38,920,789	39,432,777	39,432,777
Accounts payable.....	(94,245,000)	(94,245,000)	(192,954,223)	(192,954,223)
Short term amounts payables to related companies.....	(8,839,618)	(8,839,618)	(15,743,108)	(15,743,108)
Debt, notes payable and bonds payable	(2,247,299,969)	(2,491,796,529)	(2,009,133,083)	(2,225,731,009)
Derivative contracts (Liabilities).....	(25,875,221)	(25,875,221)	(21,103,556)	(21,103,556)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

i) Derivative instruments

The Company is exposed to the impact of market fluctuations in the price of electricity, natural gas, petroleum, coal, and other energy-related products, interest rates, and foreign exchange rates. The Company has policies and procedures in place to manage the risks associated with these market fluctuations on a global basis through strategic contract selection, fixed-rate and variable-rate portfolio targets, net investment hedges, and financial derivatives. The Company has chosen to apply hedge accounting under US GAAP for derivatives and non-derivative instruments that meet the criteria for hedge accounting under SFAS 133, the accounting treatment for these instruments depends on whether they qualify as fair value, cash flow or net investment hedges. Derivatives that do not meet hedge criteria are accounted at fair value with changes in fair value recorded in earnings.

The Company has a number of contracts denominated in US dollars or with indexation features linked to the US dollar. According to SFAS 133, a contract with payments expressed in: the functional currency of any substantial party to the contract; the currency in which the price of the related good or service is routinely denominated in international commerce; the local currency of any substantial party to the contract; or the currency used by a substantial party to the contract as if it were the functional currency because the primary economic environment in which the party operates is highly inflationary, could be excluded from the normal purchase and sale exception. For purposes of evaluating the functional currency of the Company's subsidiaries in Argentina, Peru, Brazil, and Colombia, the Company applied BT 64, consistent with the methodology described in paragraph I o), thus the functional currency of these subsidiaries was considered to be the US dollar as these subsidiaries' financial statements were re-measured into US dollars because they are foreign subsidiaries that operate in countries exposed to significant risks as determined under BT 64.

The following is a summary of the Company's adjustments in consolidated companies to other assets and liabilities related to the fair values for all identified derivative contracts as of December 31, 2006 and 2007.

	As of December 31,	
	2006	2007
	ThCh\$	ThCh\$
Commodity derivatives- liabilities.....	(8,303,771)	-
Embedded derivatives - assets	38,920,789	39,432,777
Embedded derivatives - liabilities	(17,543,832)	(20,185,318)
Financial derivatives - liabilities	(27,618)	(918,238)
Total derivative adjustment (paragraph I p)	13,045,568	18,329,221
Effects of minority interest (paragraph I t)....	135,386	141,537
Deferred tax effects (paragraph I c).....	(2,222,441)	(3,007,053)
Net effect of adjustment.....	10,958,513	15,463,705

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32. Differences between and United States Generally Accepted Accounting Principles, continued:

Commodity derivatives

The Company has generation and distribution commodity contracts that meet the definition of a derivative under SFAS 133 and are required to be accounted for at fair value. These derivative contracts were evaluated for qualification under the normal purchase and sale exception. A number of contracts could not qualify under such exemption because they had prices tied to an unrelated underlying such as a local and/or foreign inflationary index.

The Company has commodity contracts that are unique, due to their long-term nature and complexity. In establishing the fair value of contracts management makes assumptions using available market data and pricing models. Factors such as commodity price risk are also included in the fair value calculation. Inputs to pricing models include estimated forward prices of electricity and natural gas, interest rates, foreign exchange rates, inflation indices, transmission costs, and others. These inputs become more difficult to predict and the estimates are less precise, the further out in time these estimates are made. As a result, fair values are highly sensitive to the assumptions being used.

Until December 31, 2005 the Company's Argentine generation entities had access to the Brazilian energy market through an interconnection system between those two countries. Due to action taken by Argentine Regulation Authorities, the exportations of energy from Argentina to Brazil were limited, resulting in a default of most energy supply contracts the Company had entered into. However, during 2006 the Brazilian regulator issued a statement that allowed these interconnection contracts to reduce their amounts of power and energy to be delivered, and to accelerate their maturity date to December 2007. As a result of action taken by Argentine and Brazilian regulation authorities, the contracts the Argentine subsidiaries had entered into, ceased to exist as of the December 31, 2006.

Embedded Derivative Contracts

The Company enters into certain contracts that have embedded features that require bifurcation and fair value accounting with changes in fair value recorded in earnings, as mandated by SFAS 133. Embedded derivatives that were held as of December 31, 2005, 2006 and 2007 corresponded to foreign currency and indexation features embedded in leases, service type contracts and notes payable.

Net Investment Hedges

The Company is also exposed to foreign currency risk arising from long-term debt denominated in foreign currencies. The Company has designated certain non-derivative instruments as hedges of net investments in foreign operations. Accounting classification for such operations is the same under Chilean GAAP and under US GAAP. The changes in the cumulative translation adjustment are shown net of foreign currency gains or losses of debt designated as hedges for foreign net investments. Gains, (losses) related to debt designated as hedges of Ch\$ 105.4 billion, Ch\$ (14.5) billion and Ch\$ 112.7 billion were included in the cumulative translation adjustment for the years ended December 31, 2005, 2006 and 2007, respectively

The Company also uses short duration forward foreign currency contracts, swaps, and cross-currency swaps, where possible, to manage its risk related to foreign currency fluctuations.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

"Derivative instruments"

The use of derivative instruments is one of the Company's tools to mitigate these risks. Hedging strategies applicable according to the terms established by our Board of Directors are as follows:

(a) Exchange rate risk hedging policy

The exchange rate risk hedging policy for the Endesa Chile Group is based on cash flow. Its objective is to balance foreign currency indexed flows and the assets and liability structure in such currency. In order to mitigate the exchange rate risk, the company has entered into financial derivative contracts, such as cross currency swaps ("CCS") and currency forwards, which have reduced the impact of fluctuations of the exchange rate applicable to assets and liabilities subject to foreign currency volatility.

(b) Interest rate risk hedging policy

The interest rate risk hedging policy for the Endesa Chile Group is based on maintaining a significant level of debt not subject to interest rate variations. We have set the desired level of fixed interest rate debt (which includes both variable rate instruments that have been swapped to fixed rate, as well as variable rate instruments with a hedging option which limits the interest variability around a desired minimum and maximum band) at approximately 75% of total debt. When the level of variable debt increases significantly above a 25% threshold, the Company uses derivative instruments, typically interest rate swaps and interest rate collars, as a tool to remain close to the desired level of maximum unhedged variable debt.

As a result of the foregoing hedging policies, the Company uses cash flow hedges primarily. The exchange and interest rate hedging policies convert variable cash flows into fixed cash flows. As of December 31, 2007, the maximum amount of time over which future cash flows are hedged is 5 years approximately, which corresponds to a interest rate swaps with a notional value of US\$ 84,1 million and a negative fair value of US\$ 1,4 million.

Under US GAAP, for the years ended December 31, 2005, 2006 and 2007, the derivative portfolio for the Endesa Chile Group is the following:

Accounting Classification	Risk Hedged	Derivative Instrument	Year ended December 31,					
			(in thousands of Ch\$)					
			2005		2006		2007	
		Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	
	Exchange	CCS	-	-	71,473,358	171,536	62,111,250	(3,875,742)
	Int. Rate	Collar	56,198,393	(168,595)	57,178,686	-	49,689,000	(695,646)
Cash Flow Hedge	Int. Rate	Swap	-	-	51,460,817	571,787	41,788,449	(695,646)
Investment	Exchange	CCS	28,099,196	(14,218,193)	-	-	-	-
		Total	84,297,589	(14,386,788)	180,112,861	743,323	153,588,699	(5,267,034)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

In order to allow hedge accounting classification under SFAS 133, it was necessary to fulfill strict documentation and effectiveness requirements. Hedge accounting cannot be applied to derivatives that do not satisfy documentation requirements, and accordingly, such operations are registered according to the general treatment of derivatives ("investment contracts"). As a result, fair value adjustments to investment contracts have a direct effect on the income statement. This is a significant difference when compared to Chilean GAAP, which is more flexible in its documentation requirements.

The Company performs tests on a quarterly basis in order to measure the effectiveness level of its accounting hedge, which may be either a cash flow or fair value hedge. Test results for 2005, 2006 and 2007 revealed that the ineffective portion of our hedging contracts were immaterial.

j) Reclassifications under US GAAP

Certain reclassifications would be made to the Chilean GAAP income statement in order to present Chilean GAAP amounts in accordance with presentation requirements under US GAAP. Amortization of negative goodwill, amortization of goodwill, and certain other non-operating income and expense, would be included in operating income under US GAAP. Recoverable taxes included in other non-operating revenues would be recorded as part of income taxes under US GAAP. Equity participation in income or losses of related companies included in non-operating income would be presented after income taxes and minority interest in accordance with US GAAP.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

- (i) The most significant reclassifications from other operating income under Chilean GAAP to operating income under US GAAP are presented as follow:

	Years ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Other operating income under Chilean GAAP	36,493,470	32,185,253	17,916,307
Gain on sale of fixed assets	4,466,597	3,570,995	449,283
Reversal of contingency provision	1,164,232	9,335,150	878,818
Energy and power settlement	8,264,845	5,458,821	6,460,185
Indemnities and commissions	2,015,507	8,572,200	2,152,944
Recovery of expenses and clients' portfolio	3,682,375	943,260	2,371,522
Gains on service and other contracts.....	846,397	585,843	212,788
Total reclassifications.....	20,439,953	28,466,269	12,525,540
Total other operating income as classified under US GAAP but calculated in accordance with Chilean GAAP	<u>16,053,517</u>	<u>3,718,984</u>	<u>5,390,767</u>

- (ii) The most significant reclassifications from other operating expenses under Chilean GAAP to operating expenses under US GAAP are presented as follow:

	Years ended December 31,		
	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Other operating expenses under Chilean GAAP	58,760,333	46,791,732	85,250,850
Loss on sale of fixed assets	428,712	186,442	70,319
Retirement benefits and severance indemnities	931,913	1,153,881	780,756
Board of directors compensation	250,748	258,793	271,434
Contingencies and litigation	17,541,387	8,823,290	12,128,496
Energy and power settlement	9,329,382	7,052,490	8,503,789
Costs of sales of materials and fixed assets	244,979	599,107	-
Total reclassifications	28,727,121	18,074,003	21,754,794
Total other operating expenses as classified under US GAAP but calculated in accordance with Chilean GAAP	<u>30,033,212</u>	<u>28,717,729</u>	<u>63,496,056</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(iii) The condensed consolidated statements of income for the years ended December 31 under US GAAP and classified in accordance with US GAAP are presented as follows:

	Years ended December 31,		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Sales.....	1,231,472,764	1,436,067,876	1,726,963,925
Costs of sales.....	(730,300,570)	(836,165,783)	(1,093,500,021)
Administrative and selling expenses	(71,029,320)	(59,841,916)	(58,320,502)
Other operating income.....	20,439,953	28,466,269	12,525,540
Operating income.....	450,582,827	568,526,446	587,668,942
Non-operating income and expenses, net.....	(156,951,143)	(178,531,902)	(193,819,704)
Income taxes.....	(109,373,990)	(149,192,228)	(117,302,510)
Minority interest.....	(57,855,411)	(63,259,825)	(61,666,706)
Equity participation in income of related companies, net.....	(16,444,205)	50,031,541	(33,437,722)
Income from continuing operations before cumulative effect of change in accounting principle.....	109,958,078	227,574,032	181,442,300
Net income	109,958,078	227,574,032	181,442,300
Other comprehensive income (loss):			
Gain (loss) on hedge of the foreign currency exposure of net investment in foreign operations	(16,593,126)	3,231,768	(14,945,898)
Cumulative translation adjustment	15,635,734	(3,128,220)	10,897,348
Amortization of FAS 158 adjustment Endesa Brasil	-	-	(650,735)
Fair value change in hedging instruments	(147,876)	(22,922)	(895,316)
Comprehensive income.....	108,852,810	227,654,658	175,847,699

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

(iv) Certain reclassifications would be made to the Chilean GAAP balance sheet in order to present Chilean GAAP amounts in accordance with presentation requirements under US GAAP. Deferred taxes from depreciation differences that are recorded as short-term under Chilean GAAP would be recorded as long-term under US GAAP. Debt discounts are included in other assets in Chilean GAAP while the discount would be offset against the debt under US GAAP. The amounts receivable and payable related to financial derivatives have been recorded in the balance sheet at their gross amounts, whereas, these amounts would have been recorded at their net amounts by financial institution under US GAAP, provided the contracts have net settlement provisions. Negative goodwill would be presented as a deduction to property, plant, and equipment instead of a separate line-item in other assets. Goodwill related to investments accounted for under the equity method under US GAAP would be shown as part of investments in related companies, rather than being recorded under goodwill under Chilean GAAP. Until December 31, 2006, investments in subsidiaries in the development stage would be consolidated under US GAAP, as opposed to being presented as equity method investees, under Chilean GAAP (see also Note 3).

The following are summarized balance sheets of the Company using a US GAAP presentation and amounts determined in accordance with US GAAP:

	As of December 31,	
	2006 ThCh\$	2007 ThCh\$
Current assets	449,280,959	673,638,325
Property, plant, and equipment	6,924,911,386	6,720,441,556
Accumulated depreciation of property, plant and equipment	(2,851,748,156)	(2,869,938,016)
Property, plant, and equipment, net	4,073,163,230	3,850,503,540
Goodwill, net	39,977,360	35,388,832
Other assets.....	802,463,367	567,015,965
Total assets.....	5,364,884,916	5,126,546,662
Current liabilities	532,221,971	733,064,885
Long-term liabilities	2,367,599,177	2,047,131,737
Minority interest.....	914,224,624	749,511,772
Shareholders' equity	1,550,839,144	1,596,838,268
Total liabilities and shareholders' equity.....	5,364,884,916	5,126,546,662

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

k) Employee Benefit Plans

Endesa Chile and its subsidiaries sponsor various benefit plans for its current and retired employees. A description of such benefits follows:

Severance indemnities

The provision for severance indemnities, included in the account "Accrued liabilities" short and long-term is calculated in accordance with the policy set forth in Note 2 (q), using the current salary levels of all employees covered under the severance indemnities agreement, an assumed discount rate of 6.5% for the years ended December 31, 2005, 2006 and 2007, respectively, and an estimated average service period based on the years of services for the Company.

Benefits for Retired Personnel

Other benefits provided to certain retired personnel of Endesa Chile include electrical service rate subsidies, additional medical insurance and additional post-retirement benefits. Descriptions of these benefits for retired personnel are as follows:

i) Electrical rate service

This benefit is extended only to certain retired personnel of Endesa Chile. These electric rate subsidies result in the eligible retired employees paying a percentage of their total monthly electricity costs, with Endesa Chile paying the difference.

ii) Medical benefits

This benefit provides supplementary health insurance, which covers a portion of health benefits not covered under the institutional health benefits maintained by employees of Endesa Chile. This benefit expires at the time of death of the pensioner.

iii) Supplementary pension benefits

Eligible employees are entitled to receive a monthly amount designed to cover a portion of the difference between their salary at the point of retirement and the theoretical pension that would have been received had the employee reached the legal retirement age of the *Institución de Previsión Social* (Institute of Social Welfare). This benefit expires upon the death of the pensioner for the Endesa Chile employee, however, continues to cover the surviving-spouse in the case of employees of Endesa Chile (individual entity).

iv) Worker's compensation benefits

Employees that were entitled to Worker's compensation insurance in prior years for work related accidents receive benefits from the Company as such insurance has expired. This benefit continues at the time of death of the pensioner, to cover the surviving-spouse.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The Company has recognized liabilities related to complementary pension plan benefits and other post-retirement benefits as stipulated in collective bargaining agreements. Under US GAAP pension and post-retirement employee benefits have been accounted for in accordance with SFAS 87 and SFAS 106. The effects of accounting for post-retirement benefits under US GAAP have been presented in paragraph I (v), above. The following data are presented in accordance with US GAAP for the Company's post-retirement benefit plans.

	Pensions Benefits		Other Benefits			
	Foreign		Chilean		Foreign	
	2006 ThCh\$	2007 ThCh\$	2006 ThCh\$	2007 ThCh\$	2006 ThCh\$	2007 ThCh\$
Changes in benefit obligations						
Obligations as of January 1	(18,661,369)	(19,620,129)	(10,371,267)	(10,832,882)	(2,002,078)	(1,832,134)
Foreign exchange effect	(1,111,303)	848,339	-	-	125,892	79,162
Net periodic expense	(2,053,395)	(1,633,782)	(1,644,516)	(1,480,715)	(135,221)	(28,375)
Benefits paid	2,205,938	2,123,243	1,182,901	2,391,563	179,273	169,678
Projected benefit obligation as of December 31	(19,620,129)	(18,282,329)	(10,832,882)	(9,922,034)	(1,832,134)	(1,611,669)
Funded Status of the Plans						
Projected Benefit Obligation	(19,620,129)	(18,282,329)	(10,832,882)	(9,922,034)	(1,832,134)	(1,611,669)
Fair value of plan assets	-	-	-	-	-	-
Funded status	(19,620,129)	(18,282,329)	(10,832,882)	(9,922,034)	(1,832,134)	(1,611,669)
Unrecognized net loss						
Net amount recognized	(19,620,129)	(18,282,329)	(10,832,882)	(9,922,034)	(1,832,134)	(1,611,669)
Accumulated benefit obligation	(19,620,129)	(18,282,329)	(10,832,882)	(9,922,034)	(1,832,134)	(1,611,669)

	Pension Benefits		
	Foreign		
Assumptions as of December 31	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Weighted-average discount rate	11.20%	10.4%	9.8%
Weighted-average salary increase	6.10%	5.3%	4.8%
Weighted-average return on plan assets...	-	-	-
Components of net periodic Benefits expenses			
Service cost	(101,671)	(58,537)	(62,376)
Interest cost	(2,109,250)	(2,088,656)	(1,813,555)
Expected return on assets	-	-	-
Actuarial gain (loss)	(100,123)	93,798	242,149
Net periodic expenses	(2,311,044)	(2,053,395)	(1,633,782)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Assumptions as of December 31	Other Benefits					
	Chilean			Foreign		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Weighted-average discount rate	6.50%	6.50%	6.50%	12.00%	10.40%	9.8%
Weighted-average salary increase.....	4.00%	3.50%	3.50%	6.90%	5.30%	4.8%
Components of net periodic Benefits expenses						
Service cost.....	75,629	(133,431)	(7,436)	(13,575)	(5,155)	(5,354)
Interest cost.....	(548,632)	(887,240)	(306,026)	(418,416)	(199,816)	(173,704)
Expected return on assets.....	-	-	-	-	-	-
Actuarial gain (loss).....	(1,379,264)	(623,845)	(1,167,253)	1,738,832	69,750	150,683
Net periodic expenses.....	(1,852,267)	(1,644,516)	(1,480,715)	1,306,841	(135,221)	(28,375)

The following is a schedule of the estimated pay-out of pension benefits in each of the next five years:

	As of December 31, 2007 ThCh\$
2008	2,494,387
2009	2,944,506
2010	2,755,998
2011	2,450,091
2012	2,018,122
Thereafter	17,152,929
Total	29,816,033

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

l) Comprehensive income (loss)

In accordance with US GAAP, the Company reports a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total of net income and other non-owner equity transactions that result in changes in net shareholders' equity.

The following represents accumulated other comprehensive income balances as of December 31, 2005, 2006 and 2007 (in thousands of constant Chilean pesos as of December 31, 2007).

	2005				
	Foreign currency translation adjustment related to Chilean entities	Chilean GAAP cumulative translation adjustment related to foreign subsidiaries	Effect of US GAAP adjustments on cumulative translation adjustment	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive (Loss)
Beginning balance	(21,452,965)	(22,249,573)	28,725,905	-	(14,976,633)
Credit (charge) for the period	(16,593,126)	(10,136,079)	25,771,813	(147,876)	(1,105,268)
Ending balance	(38,046,091)	(32,385,652)	54,497,718	(147,876)	(16,081,901)

	2006					
	Foreign currency translation adjustment related to Chilean entities	Chilean GAAP cumulative translation adjustment related to foreign subsidiaries	Effect of US GAAP adjustments on cumulative translation adjustment	Application of FAS 158 Endesa Brasil (See note 32 l f)	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance	(38,046,091)	(32,385,652)	54,497,718	-	(147,876)	(16,081,901)
Credit (charge) for the period	3,231,768	1,815,523	(4,943,743)	3,083,974	(22,922)	3,164,600
Ending balance	(34,814,323)	(30,570,129)	49,553,975	3,083,974	(170,798)	(12,917,301)

	2007					
	Foreign currency translation adjustment related to Chilean entities	Chilean GAAP cumulative translation adjustment related to foreign subsidiaries	Effect of US GAAP adjustments on cumulative translation adjustment	FAS 158 Endesa Brasil (See note 32 l f)	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance	(34,814,323)	(30,570,129)	49,553,975	3,083,974	(170,798)	(12,917,301)
Credit (charge) for the period	(14,945,898)	(12,842,584)	23,762,854	(650,735)	(895,316)	(5,571,679)
Ending balance	(49,760,221)	(43,412,713)	73,316,829	2,433,239	(1,066,114)	(18,488,980)

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

m) Intangible assets

The Company's intangible assets were ThCh\$ 27,585,462 and ThCh\$ 25,257,477 and the related accumulated amortization was ThCh\$ (9,616,732) and ThCh\$ (9,895,864) as of December 31, 2006 and 2007, respectively. All of the Company's intangible assets are subject to amortization and there is no difference between Chilean and US GAAP in their carrying amount or amortization method. The Company expects to amortize approximately ThCh\$ 939,831, ThCh\$ 924,130, ThCh\$ 904,264, ThCh\$ 849,944 and ThCh\$ 831,640 of intangible assets in 2008, 2009, 2010, 2011 and 2012, respectively.

As acquisitions and disposals, as well as fluctuations of exchange rates occur in the future, actual amounts to be recorded as amortization in future years may vary.

n) Investments in related companies

The following tables show combined summarized financial information prepared in accordance with Chilean GAAP of the related companies accounted for using the equity method for the purpose of complying with disclosure requirement for significant equity investees pursuant to Rule S-X 4.08 (g). All amounts are in thousands of constant Chilean pesos of December 31, 2006 purchasing power.

	As of December 31,		
	2005 ThCh\$	2006 ThCh\$	2007 ThCh\$
Current assets	663,589,338	830,816,480	1,067,461,864
Non-current assets	<u>2,820,294,877</u>	<u>2,986,634,314</u>	<u>3,063,009,328</u>
Total assets	<u>3,483,884,215</u>	<u>3,817,450,794</u>	<u>4,130,471,192</u>
Current liabilities	715,793,443	761,029,375	1,012,686,896
Non-current liabilities	<u>1,104,340,743</u>	<u>1,728,133,139</u>	<u>1,697,249,247</u>
Total liabilities	<u>1,820,134,186</u>	<u>2,489,162,514</u>	<u>2,709,936,143</u>
Net sales	<u>376,982,897</u>	<u>1,455,289,830</u>	<u>1,631,673,481</u>
Gross profit	<u>114,584,166</u>	<u>402,612,624</u>	<u>147,883,953</u>
Net income	<u>67,404,121</u>	<u>111,375,353</u>	<u>109,292,626</u>
Endesa Chile's participation in net income	<u>29,434,697</u>	<u>45,249,373</u>	<u>38,450,339</u>

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

o) Restrictions which limit the payment of dividends by the registrant

As stated in Note 26, the Company has subsidiaries that must abide by certain financial ratios and covenants that require minimum equity levels or that contain other characteristics that restrict the transfer of assets to the parent company. Furthermore, the Company's subsidiaries domiciled in Peru and Colombia are subject to legal equity reserve requirements pursuant to local law. The amounts of Endesa Chile's proportionate share of restricted net assets in consolidated subsidiaries as of December 31, 2007 are as follows:

Subsidiary	Proportionate Share of Restricted Net Assets ThCh\$
Pangué	41,180,301
Edegel S.A	56,694,853
El Chocón	71,093,965
Total	<u>168,969,119</u>

The amount of consolidated retained earnings which represents undistributed earnings of investees accounted for under the equity method as of December 31, 2007 is ThCh\$ 49,589,663.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

p) Capital lease obligations

Minimum lease obligations for capital lease are presented net of interest expense, and as of December 31 are summarized as follows:

	Year ended December 31,	
	2006	2007
	ThCh\$	ThCh\$
Short-term:		
Lease obligations.....	16,491,226	10,929,406
Less: interest expense.....	(10,253,751)	(3,947,938)
Net short-term lease obligations	6,237,475	6,981,468
Long-term:		
Lease obligations.....	132,415,674	72,782,298
Less interest expense.....	(43,679,563)	(16,842,559)
Net long-term lease obligations	88,736,111	55,939,739
Weighted-average interest rate	8.47%	7.00%

Future payments under capital leases (including interest) are summarized as follows:

	Year ended December 31, 2007
	ThCh\$
2008.....	10,929,406
2009.....	9,038,780
2010.....	10,375,995
2011.....	8,736,160
2012.....	21,217,481
2013 and thereafter	23,413,882
Total	83,711,704

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

q) Available for sale securities

Under US GAAP, the company classifies marketable securities as available-for-sale securities

Realized gains and losses are determined using the proceeds from sales less the cost of the investment identified to be sold. Gross gains and losses realized on the sale of available-for-sale securities for the years ended December 31, 2005, 2006 and 2007 are as follows:

	Cost	Gross unrealized gains	Fair value
	ThCh\$	ThCh\$	ThCh\$
Securities available-for-sale at December 31, 2005.....	2,051,639	-	2,051,639
Securities available-for-sale at December 31, 2006.....	5,614,355	-	5,614,355
Securities available-for-sale at December 31, 2007.....	10,299,039	-	10,299,039

Information on sales of available-for-sale securities during the three years in the period ended December 31, 2005, 2006 and 2007 is as follows:

	2005	2006	2007
	ThCh\$	ThCh\$	ThCh\$
Proceeds from sales	774,406	2,051,639	5,614,355

As of December 2005, 2006 and 2007, the Company has no securities that are considered to be trading securities or debt securities to be held to maturity. The cost of available-for-sale securities is determined using the average cost method.

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32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

r) Recent accounting pronouncements

Fair Value Measurement

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement". SFAS No. 157 which standardizes the measurement of fair value for companies who are required to use a fair value measure for recognition or disclosure purposes. The FASB defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 for financial assets and financial liabilities and November 15, 2008 for non-financial assets and non-financial-liabilities and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of the adoption of SFAS No. 157.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Options for Financial Assets and Financial Liabilities". SFAS No. 159 permits an entity, on a contract-by-contract basis, to make an irrevocable election to account for certain types of financial instruments and warranty and insurance contracts at fair value, rather than historical cost, with changes in the fair value, whether realized or unrealized, recognized in earnings. SFAS No. 159 is effective as of the beginning of the entity's first fiscal year that begins after November 15, 2007. The Company is evaluating the impact, if any, of the adoption of SFAS No. 159.

Business Combinations

In December 2007, FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). The objective of SFAS No. 141 (R) is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (2) Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is evaluating the impact, if any, of the adoption of SFAS No. 141(R).

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Notes to the Audited Consolidated Financial Statements
Translation of financial statements originally issued in Spanish-See Note 2 (a)
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2007, except as stated)

32. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Noncontrolling Interest in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements". SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. According to SFAS No. 160, "a noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent". The objective of SFAS No. 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is evaluating the impact, if any, of the adoption of SFAS No. 160.

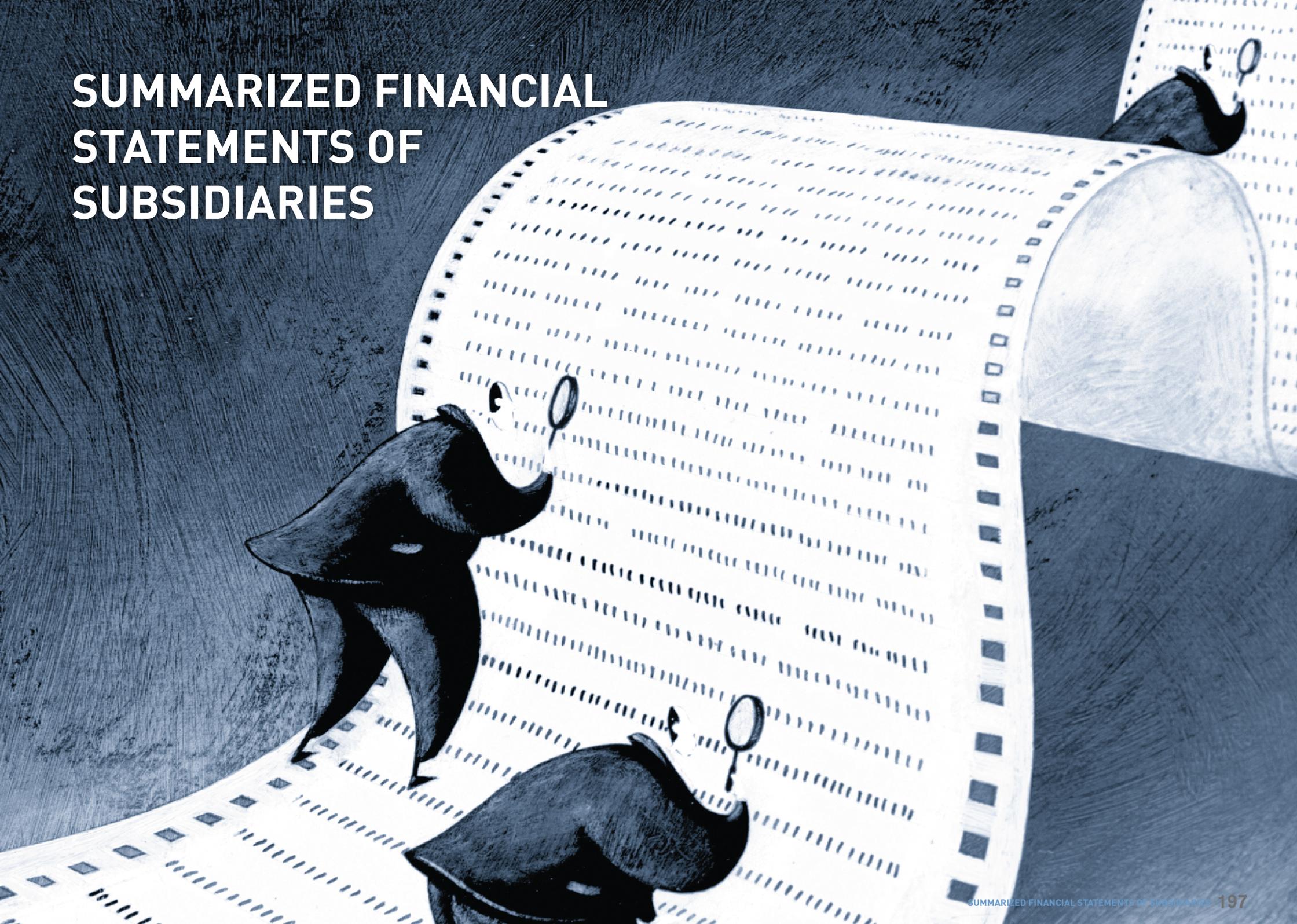
Derivative Instruments and Hedging Activities

In March 2008, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is evaluating the impact, if any, of the adoption of SFAS No. 161.

Adoption of IFRS in Chile

On August 28, 2007, the SVS issued an official announcement ruling the adoption of International Financial Reporting Standards (IFRS) in Chile, starting on January 1, 2009. The Company will have to adopt IFRS as of this date. According to the convergence plan defined by the Company, it is currently evaluating the impacts that the application of IFRS will have on the financial statements.

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES



SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

SUMMARIZED BALANCE SHEETS

(Thousand of Chilean pesos as of December 31, 2007)

	EMPRESA ELÉCTRICA PEHUENCHE S.A.		EMPRESA ELÉCTRICA PANGUE S.A.		COMPAÑÍA ELÉCTRICA CONO SUR S.A. (*)		COMPAÑÍA ELÉCTRICA TARAPACÁ S.A.		ENDESA ARGENTINA S.A. (*)		ENDESA CHILE INTERNACIONAL (**)	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
ASSETS												
Current Assets	47,595,373	77,994,995	55,166,995	45,921,079	341,139,025	258,105,717	23,409,881	12,094,101	64,344,255	71,715,792	133,306,811	-
Property, Plant and Equipment	332,837,645	319,045,481	175,536,637	170,167,022	1,954,827,930	1,665,152,153	85,305,007	84,172,518	454,611,722	376,088,091	-	-
Other Assets	213,506	221,881	545,952	528,341	649,222,037	471,220,224	251,820	299,657	86,231,022	92,949,015	114,148,170	-
TOTAL ASSETS	380,646,524	397,262,357	231,249,584	216,616,442	2,945,188,992	2,394,478,094	108,966,708	96,566,276	605,186,999	540,752,898	247,454,981	-
LIABILITIES AND SHAREHOLDERS' EQUITY												
Current Liabilities	52,902,524	60,670,430	13,248,688	5,948,644	250,828,021	185,055,917	8,915,952	8,275,060	228,709,954	102,550,562	652,762	-
Long-Term Liabilities	95,155,431	77,136,646	92,570,249	92,574,197	625,204,092	599,772,233	3,879,948	313,509	166,521,562	139,685,220	15,753,698	-
Minority Interest	-	-	-	-	850,509,500	776,661,770	-	-	167,217,591	164,123,452	-	-
Shareholders' Equity	205,488,840	205,488,840	83,683,313	83,683,313	1,165,674,579	826,690,236	94,673,684	94,673,684	28,244,030	81,536,411	420,764,602	-
Surplus (Deficit) During Development Period of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings (Losses)	(24,904)	176,628	(83,198)	272,097	90,949,558	52,972,620	(1,191,367)	1,497,125	17,086,096	14,493,861	(206,644,537)	-
Net Income (Loss)	72,668,962	138,741,293	41,830,532	34,138,191	79,312,489	(20,223,366)	2,688,491	(8,193,102)	(2,592,234)	38,363,392	16,928,456	-
Interim Dividends (less)	(45,544,329)	(84,951,480)	-	-	(117,289,427)	(26,451,316)	-	-	-	-	-	-
LIABILITIES AND SHAREHOLDERS' EQUITY	380,646,524	397,262,357	231,249,584	216,616,442	2,945,188,992	2,394,478,094	108,966,708	96,566,276	605,186,999	540,752,898	247,454,981	-

SUMMARIZED STATEMENTS OF INCOME

For the years ended December 31, 2006 and 2007 (ThCh\$)

	EMPRESA ELÉCTRICA PEHUENCHE S.A.		EMPRESA ELÉCTRICA PANGUE S.A.		COMPAÑÍA ELÉCTRICA CONO SUR S.A. (*)		COMPAÑÍA ELÉCTRICA TARAPACÁ S.A.		ENDESA ARGENTINA S.A. (*)		ENDESA CHILE INTERNACIONAL (**)	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
OPERATING RESULTS												
Revenues	122,662,444	196,188,565	66,547,303	81,122,607	474,715,403	485,463,897	31,403,837	33,350,466	252,836,716	264,940,755	-	-
Cost of Operations	(27,876,849)	(28,156,719)	(14,760,072)	(34,738,700)	(267,117,801)	(265,120,833)	(30,835,584)	(43,114,315)	(211,339,283)	(235,459,775)	-	-
Gross Profit	94,785,595	168,031,846	51,787,231	46,383,907	207,597,602	220,343,064	568,253	(9,763,849)	41,497,433	29,480,980	-	-
Administrative and Selling Expenses	(197,608)	(213,660)	(127,075)	(169,366)	(17,800,173)	(14,074,740)	(330,870)	(463,722)	(3,546,492)	(3,835,236)	-	-
OPERATING INCOME	94,587,987	167,818,186	51,660,156	46,214,541	189,797,429	206,268,324	237,383	(10,227,571)	37,950,941	25,645,744	-	-
NON-OPERATING RESULTS												
Non-Operating Incomes	1,189,626	3,852,052	1,348,171	2,865,399	79,087,991	74,812,245	3,966,549	2,530,541	1,957,257	58,141,632	16,130,474	-
Non-Operating Expenses	(5,460,324)	(4,513,585)	(2,575,255)	(6,293,553)	(88,261,735)	(181,090,050)	(766,201)	(1,356,789)	(23,913,530)	(31,384,604)	(1,822,636)	-
Price-Level Restatement and Foreign Currency Translation	18,911	4,519,822	67,314	(433,867)	10,877,384	(30,403,194)	(748,877)	(275,103)	19,479	2,738,904	2,620,618	-
NON-OPERATING INCOME	(4,251,787)	3,858,289	(1,159,770)	(3,862,021)	1,703,640	(136,680,999)	2,451,471	898,669	(21,936,794)	29,495,932	16,928,456	-
Income Taxes	(17,667,238)	(32,935,182)	(8,669,854)	(8,214,329)	(57,449,380)	(41,824,753)	(363)	1,135,800	(14,476,500)	(12,716,409)	-	-
Extraordinary Loss	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	(58,453,770)	(49,659,048)	-	-	(4,129,881)	(4,061,875)	-	-
Negative Goodwill Amortization	-	-	-	-	3,714,570	1,673,110	-	-	-	-	-	-
NET INCOME	72,668,962	138,741,293	41,830,532	34,138,191	79,312,489	(20,223,366)	2,688,491	(8,193,102)	(2,592,234)	38,363,392	16,928,456	-

(*) Consolidated Financial Statements

(**) Compañía Eléctrica Cono Sur S.A. absorbed the company Endesa Chile Internacional in August 2007

SUMMARIZED CASH FLOWS

For the years ended December 31, 2006 and 2007 (ThCh\$)

	EMPRESA ELÉCTRICA PEHUENCHE S.A.		EMPRESA ELÉCTRICA PANGUE S.A.		COMPAÑÍA ELÉCTRICA CONO SUR S.A. (*)		COMPAÑÍA ELÉCTRICA TARAPACÁ S.A.		ENDESA ARGENTINA S.A. (*)		ENDESA CHILE INTERNACIONAL (**)	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Net Positive (Negative) Cash Flow from Operating Activities	96,689,925	144,893,477	48,595,240	33,804,445	162,927,730	194,472,425	2,897,271	(5,316,048)	31,522,165	30,380,243	6,255,344	-
Net Positive (Negative) Cash Flow from Financing Activities	(95,283,172)	(143,884,209)	(24,232,507)	(43,072,232)	(147,543,238)	(303,720,400)	(7,889,662)	7,545,065	(13,181,752)	(12,058,812)	(76,997,316)	-
Net Positive (Negative) Cash Flow from Investment Activities	(1,376,806)	(1,016,542)	(24,361,108)	9,290,147	40,463,088	49,348,079	4,995,947	(2,224,141)	(16,174,134)	(17,558,105)	70,822,046	-
NET POSITIVE (NEGATIVE) CASH FLOW FOR THE PERIOD	29,947	(7,274)	1,625	22,360	55,847,580	(59,899,896)	3,556	4,876	2,166,279	763,326	80,074	-
Inflation Effect over Cash and Cash Equivalents	(1,613)	(7,008)	(1,719)	(893)	(9,250,493)	(14,047,575)	(4,542)	(2,612)	430,349	(6,843,240)	(1,452)	-
Net Increase (Decrease) in Cash and Cash Equivalent	28,334	(14,282)	(94)	21,467	46,597,087	(73,947,471)	(986)	2,264	2,596,628	(6,079,914)	78,622	-
Cash and Cash Equivalents at beginning of the year	3,174	31,508	492	398	52,774,871	99,371,958	3,455	2,469	25,007,119	27,603,747	3,305	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31,508	17,226	398	21,865	99,371,958	25,424,487	2,469	4,733	27,603,747	21,523,833	81,927	-

(*) Consolidated Cash Flows

EMPRESA DE INGENIERÍA INGENDESA S.A. (*)		ENDESA INVERSIONES GENERALES S.A.		TÚNEL EL MELÓN S.A.		INVERSIONES ENDESA NORTE S.A.		COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A.		ENDESA ECO S.A. (*)		SOUTHERN CONE POWER ARGENTINA S.A.	
2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
8,474,354	8,123,033	1,439,266	1,176,630	2,961,604	5,919,417	-	-	16,052,541	43,724,007	187,307	5,760,615	-	69,262
532,389	418,822	1,892,267	1,900,795	23,088,527	21,403,580	-	-	98,850,116	97,817,608	5,441,613	34,052,368	-	-
406,504	226,433	974,107	699,332	7,297,870	4,933,806	96,022,669	27,335,515	4,827,059	10,809,260	17,802	80,000	-	6,561,760
9,413,247	8,768,288	4,305,640	3,776,757	33,348,001	32,256,803	96,022,669	27,335,515	119,729,716	152,350,875	5,646,722	39,892,983	-	6,631,022

4,451,077	4,032,373	258,005	411,774	18,577,912	145,770	2,730,951	2,747,583	39,470,794	70,404,830	5,116,123	36,373,679	-	246,346
1,993,470	1,907,502	179,447	177,969	24,399,653	8,131,015	-	-	40,155,909	38,558,213	-	2,832,747	-	-
3,093	3,772	-	-	-	-	-	-	-	-	-	-	-	-
2,339,624	2,288,420	2,601,841	2,485,705	10,147,300	42,892,066	66,556,145	53,986,994	35,818,094	35,818,094	626,121	626,121	-	8,897,039
-	-	-	-	(16,824)	-	(76)	-	-	-	-	-	-	-
(2,268)	4,080	(4,133)	13,379	(21,656,999)	(19,776,865)	23,822,194	26,735,572	5,819,076	4,284,919	(380)	(95,523)	-	(1,955,817)
1,933,358	1,574,983	1,270,480	687,930	1,896,959	864,817	2,913,455	(56,134,634)	(1,534,157)	3,284,819	(95,142)	155,959	-	(556,546)
(1,305,107)	(1,042,842)	-	-	-	-	-	-	-	-	-	-	-	-
9,413,247	8,768,288	4,305,640	3,776,757	33,348,001	32,256,803	96,022,669	27,335,515	119,729,716	152,350,875	5,646,722	39,892,983	-	6,631,022

EMPRESA DE INGENIERÍA INGENDESA S.A. (*)		ENDESA INVERSIONES GENERALES S.A.		TÚNEL EL MELÓN S.A.		INVERSIONES ENDESA NORTE S.A.		COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A.		ENDESA ECO S.A. (*)		SOUTHERN CONE POWER ARGENTINA S.A.	
2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
21,260,430	20,148,111	4,566,770	4,729,589	4,928,366	6,023,050	-	-	88,595,589	221,770,536	-	55,000	-	-
(18,008,807)	(17,042,959)	(3,052,496)	(3,573,071)	(5,645,131)	(4,949,841)	-	-	(87,948,959)	(222,071,050)	(2,200)	(1,680)	-	-
3,251,623	3,105,152	1,514,274	1,156,518	(716,765)	1,073,209	-	-	646,630	(300,514)	(2,200)	53,320	-	-
(1,247,951)	(1,332,120)	(357)	(74)	(13,463)	(6,323)	(1,833)	(1,897)	(116,810)	(78,370)	(8,053)	(54,310)	-	(17,755)
2,003,672	1,773,032	1,513,917	1,156,444	(730,228)	1,066,886	(1,833)	(1,897)	529,820	(378,884)	(10,253)	(990)	-	(17,755)

379,826	340,249	90,090	306,320	4,559,402	554,214	3,065,412	11,052	1,793,315	2,018,838	5,657	-	-	37,510
(23,471)	(4,692)	(53,475)	(16,479)	(2,288,712)	(578,660)	(205,013)	(56,340,182)	(4,764,156)	(4,578,794)	(87,067)	(1,315,026)	-	(612,417)
(26,209)	(201,061)	(2,337)	(527,452)	356,497	(177,623)	54,889	196,393	519,731	7,161,176	(21,204)	1,501,974	-	36,116
330,146	134,496	34,278	(237,611)	2,627,187	(202,069)	2,915,288	(56,132,737)	(2,451,110)	4,601,220	(102,614)	186,948	-	(538,791)
(399,547)	(331,461)	(277,715)	(230,903)	-	-	-	-	387,133	(937,517)	17,725	(29,999)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(913)	(1,084)	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,933,358	1,574,983	1,270,480	687,930	1,896,959	864,817	2,913,455	(56,134,634)	(1,534,157)	3,284,819	(95,142)	155,959	-	(556,546)

EMPRESA DE INGENIERÍA INGENDESA S.A. (*)		ENDESA INVERSIONES GENERALES S.A.		TÚNEL EL MELÓN S.A.		INVERSIONES ENDESA NORTE S.A.		COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A.		ENDESA ECO S.A. (*)		SOUTHERN CONE POWER ARGENTINA S.A.	
2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
2,734,746	2,853,892	1,878,857	1,276,681	1,385,865	3,906,166	(190,958)	(16,711)	12,339,479	21,188,228	(71,021)	(4,376,379)	-	10,839
(2,672,932)	(2,437,724)	(1,660,394)	(1,103,291)	(1,334,851)	(3,872,530)	190,958	16,711	(8,153,301)	(15,858,149)	4,856,771	29,578,447	-	53,916
(306,880)	(230,632)	(218,763)	(171,339)	-	-	-	-	(4,107,403)	(5,408,751)	(4,782,832)	(25,200,392)	-	-
(245,066)	185,536	(300)	2,051	51,014	33,636	-	-	78,775	(78,672)	2,918	1,676	-	64,755
(13,452)	(30,570)	60	(96)	(1,355)	(6,318)	-	-	-	(59)	(2,899)	(37)	-	-
(258,518)	154,966	(240)	1,955	49,659	27,318	-	-	78,775	(78,731)	19	1,639	-	64,755
654,048	395,530	569	329	80,686	130,345	-	-	267	79,042	109	128	-	4,277
395,530	550,496	329	2,284	130,345	157,663	-	-	79,042	311	128	1,767	-	69,032

DECLARATION OF RESPONSIBILITY



The directors of Empresa Nacional de Electricidad S.A. and its chief executive officer, signatories to this declaration, swear that they are responsible for the accuracy of all the information provided in this Annual Report, in accordance with General Rule No.30 of November 10, 1989 of the Superintendency of Securities and Insurance.



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