

endesa chile 08

ANNUAL REPORT



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Endesa Chile was constituted in 1943 with the name Empresa Nacional de Electricidad S.A.

In 1994, the company's bylaws were amended, to incorporate the trading name Endesa, and in 2005 the trading name Endesa Chile was added.

Endesa Chile was registered in the Santiago Trade Register (folio 61 No.62 and folio 65 reverse of No.63) on January 17, 1944. Its legal domicile and head offices are at Santa Rosa 76, Santiago, Chile.

Its paid-in capital as of December 31, 2008 was Ch\$1,331,714,085, divided into 8,201,754,580 shares.

Its shares are quoted on the Chilean stock exchanges, the

New York Stock Exchange (NYSE) in the form of American Depositary Receipts (ADRs) and on the Madrid Stock Exchange (Latibex).

The objects of the company are the production, transport and distribution of electricity. The company also has the objects of providing consultancy services, making investments in financial assets, developing projects and carrying out activities in the energy field and in others in which electricity is an essential element, and participating in public works infrastructure concessions in the civil or hydraulic areas.

Its total assets amounted to Ch\$7,142,356 million as of

December 31, 2008. Endesa Chile is a leading company in the Chilean electricity sector and is among the principal electricity companies in the markets in which it operates.

In 2008, it produced a gross margin of Ch\$2,491,589 million, operating income of Ch\$893,360 million and net income of Ch\$442,592 million.

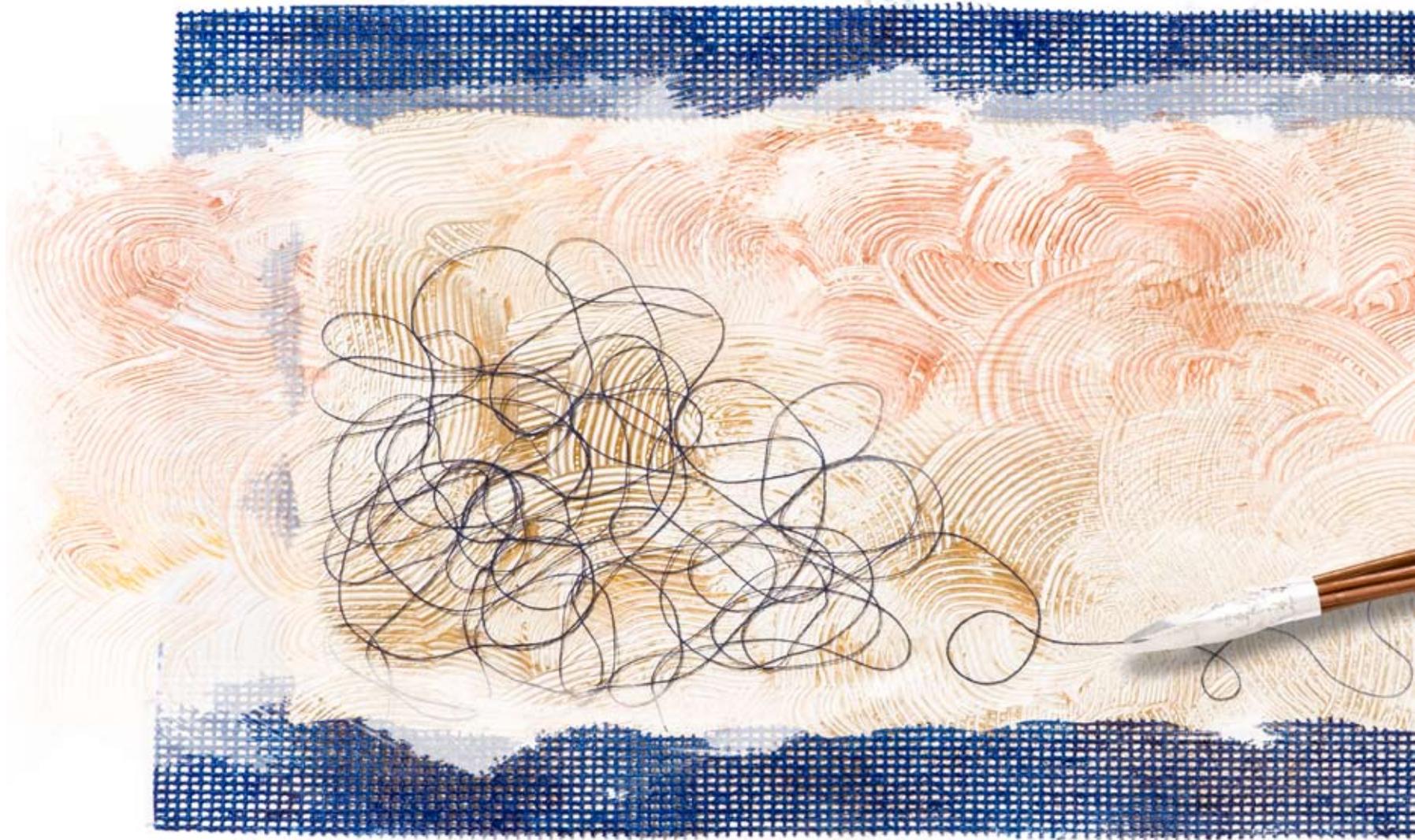
At the end of 2008, the number of permanent personnel employed by the company was 1,948, of which 1,000 worked in Chile, 325 in Argentina, 404 in Colombia and 219 in Peru.



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CHAIRMAN'S LETTER TO SHAREHOLDERS





Dear shareholders,

I have pleasure in presenting to you the Annual Report and Financial Statements of Endesa Chile for the year 2008.

I should also like to share with you some reflections on the role the company is playing today and how it remains faithful to the essence to its original mandate. This is the production of electricity using to the maximum the countries' resources to promote their energy development and independence, seeking compatibility

between growth and excellence in labor, environmental and productive standards.

That is the commitment which we have sought to fully meet during 2008, which began marked by a scenario of severe energy tightness. The company responded with various measures for facing this situation, including collaboration with the energy-sector authorities to overcome this difficult moment. The effort has continued and is shown by the range of projects committed to, in the middle of the difficulties in the global financial markets, and by achieving record economic results in these complex circumstances.

We are today building and studying projects in Chile, Colombia and Peru that will permit the company to maintain its present leadership in the region and which it has built up over its 66 years of life.

The undertakings in Chile will contribute close to 680 MW to the grid between 2009 and 2011, with an estimated investment of US\$990 million. In Peru, the entry of new capacity during the same period will reach 189 MW, with an estimated investment of US\$90 million. In the case of Colombia, the entry of new capacity will occur in 2014, with 400 MW and an investment of around US\$650 million.

Notable among these projects portfolio is the effort

of Endesa Chile to invest in non-conventional renewable energies (NCRE). Following the start of commercial operations in December 2007 of the 18 MW Canela wind farm, the subsidiary Endesa Eco acquired adjoining land where 40 wind generators are being installed to add a further 60 MW. The Canela II wind farm, which will be operative in the last quarter of 2009, received in 2008 the favorable environmental qualification resolution from the Coquimbo regional environmental authority (Corema).

Also, in June 2008, the Ojos de Agua pass-through mini-hydroelectric plant started operating, owned by the subsidiary Endesa Eco and located some 100 kilometers from the city of Talca in the valley of the Cipreses river, downstream from La Invernada lake. The investment in this 9 MW plant was US\$28 million.

In January 2008, the closing of the combined cycle of the San Isidro II plant was completed, achieving a total capacity of 353 MW. The investment in the open cycle and combined cycle amounted to US\$233 million. In 2009, once liquefied natural gas (LNG) becomes available in Chile, it will achieve its full capacity of 377 MW.

The company is also actively participating in the government's initiative to increase the diversification

of the energy matrix through the GNL Quintero project, with a 20% holding in the re-gasification terminal, its partners being Enap, Metrogas and British Gas, the latter is the gas supplier. It will be operating in fast-track mode in mid 2009, and definitively in 2010.

In response to the greater demand, Endesa Chile placed its No.1 unit of the Taltal plant in service with diesel in March, as this unit was expected to operate with Argentine gas, which has not been available. This meant an additional 120 MW of capacity.

Endesa Chile also submitted the environmental impact study for the Quintero project, consisting of an open cycle that will operate with diesel until LNG is available. The plant will have a capacity of 250 MW and will be located on a site adjoining the Quintero re-gasification plant. Its start-up is expected for the first half of 2009.

Meanwhile, the construction continues of the Bocamina II thermal plant in Coronel, Bío Bío Region. With a capacity of 370 MW, this plant will have the latest emission reduction technologies and is expected to start operating in the second half of 2010.

Regarding the development and progress of the HidroAysén hydroelectric project, in which Endesa Chile has a 51% shareholding and Colbún S.A. the remaining

49%, the environmental impact assessment of the generation project was presented on August 14, 2008 to the corresponding authority. The project consists of a total installed capacity of 2,750 MW. The preparation of this EIA by the international consortium formed by SWECO, POCH Ambiental and EPS has signified a total investment of US\$14 million to date and includes the participation of eight top-class academic centers. The Hidroaysén consortium is currently preparing the Addenda or Response to the Consolidated Report requesting clarifications, rectifications or further information to the project's EIA, whose processing will take place after August 2009.

HidroAysén has also contracted Transelec to prepare the design and routing studies for the construction and service of the direct current transmission line that will carry the plants' power and energy to the SIC (Chile's central electricity grid).

In April 2008, the Seventh Region of Maule Corema approved the EIA for the Los Cóndores pass-through hydroelectric project, with a capacity of 150 MW and an average annual generation of 560 GWh. This plant will use the waters of the Maule lake.

In Peru, a turnkey contract was signed in January with Siemens Power Generation for the installation of

a 189 MW turbine at the Santa Rosa plant which will operate with natural gas from Camisea. This initiative will permit an increase of Edegel's capacity to 1,654 MW and respond to the strong increase in demand in the Peruvian market.

In Colombia, the Ministry of Mines and Energy selected Emgesa's El Quimbo hydroelectric project, following the conclusion of the firm energy obligations assignment for projects coming into operation between December 2014 and November 2019. The plant will have an installed capacity of 400 MW, and will be located in the department of Huila on the Magdalena river, upstream from the Betania plant; it should begin compliance with its energy supply obligations in December 2014.

In Argentina, Endesa Chile, through its subsidiaries Endesa Costanera S.A. and Hidroeléctrica El Chocón S.A., has invested US\$160 million, including a loan of US\$42 million, representing 21% shareholdings in the companies Termoeléctrica José de San Martín S.A. and Termoeléctrica Manuel Belgrano S.A., each being 800 MW combined-cycle plants, inaugurated in open cycle during 2008. The closing of the cycles (operation in combined cycle) is expected for the second half of 2009.

01. FINANCIAL STRENGTH

The company has maintained an active role in the financial markets, particularly its access to them in the middle of a global crisis of which we are all aware.

In December 2008, Endesa Chile completed a successful financial transaction on the domestic market with the total issue of 10 million Unidades de Fomento (UF) in bonds of the one series and a term of 21 years.

With this issue, the largest bond placement in Chile in recent years, whose proceeds will be used to refinance short-term debt, the company further strengthened its solid financial position, being in an excellent position for facing the challenges of 2009.

This bonds, which has a credit rating of AA- by Feller Rate and Fitch Rating, was placed at a yield of 4.81%, with a nominal interest rate of 4.75% and repayments starting in the tenth year. It attracted demand for more than UF 12 million.

In June 2008, Endesa Chile signed a bank loan for US\$400 million for 6 years, of which US\$200 million has a fixed term and US\$200 million are revolving facility.

Regarding the financial activities of the foreign

subsidiaries consolidated with Endesa Chile, a series of transactions were carried out in 2008 to refinance short-term loans and increase the average life of the debt.

At the close of 2008, the consolidated financial debt of Endesa Chile amounted to US\$4,343 million, 6.6% more than at the end of 2007. On the other hand, the company maintains a liquidity of US\$1,104 million, which enables it to face its next maturities and its ongoing investments.

The company's shares increased by 16% in value during 2008 in the local market, being one of the few Chilean companies that saw their share price rise that year.

02. OPERATING RESULTS

Thanks to improved operating and non-operating results, Endesa Chile produced a net income for 2008 of Ch\$442,592 million, representing very significant progress over the Ch\$209,566 million reported for 2007.

The consolidated operating income amounted to Ch\$893,360 million, representing a 44% increase over

the Ch\$621,634 million for 2007. This improvement is principally due to an increase in operating income in Chile and Colombia, and the positive influence of the Chilean GAAP translation of the businesses in Colombia and Peru deriving from exchange differences.

At the same time, the non-operating result mainly showed a better performance by the affiliate Endesa Brasil and also the better result from the application of Chile's Technical Bulletin 64, mainly due to the devaluation of the Colombian peso applied to liabilities in that country's currency.

EBITDA (operating income plus depreciation and amortization) was Ch\$1,145,698 million in 2008, i.e. an increase of 38% over 2007. This does not reflect the contribution of the investment in Endesa Brasil, not now consolidated in Endesa Chile, which has produced very positive results.

Consolidated operating expenses in 2008 amounted to Ch\$1,549,013 million, which represents a 27% increase over 2007. The greater use of liquid fuels for thermal generation in Chile, Argentina and Peru, and their higher prices, largely explain the increase in these expenses.

On the other hand, the company in 2008 produced a non-operating loss of Ch\$84,697 million, compared

to one of Ch\$225,951 million in 2007, which positively affects the final result.

In Colombia, operating income reached Ch\$262,971 million, up by 51%; in Peru it was Ch\$54,372 million, an increase of 9%, and in Argentina of Ch\$18,009 million, a fall of 35%, compared to the previous year.

03. SUSTAINABILITY AND ENVIRONMENT

In the area of sustainability and the environment, the following events should be mentioned, in addition to the investments already mentioned in non-conventional renewable energies.

In July, Endesa Chile was recognized, among other companies, for its concern for the environment, advancing from tenth to eighth place in the ranking of the "Most Respected Companies 2008", in a study prepared by Adimark GfK for La Segunda newspaper. Endesa Chile was the only electricity generation company in this category.

In September, the United Nations Global Compact published on its web site in the "Notable" category the latest Communication of Progress (COP) of Endesa Chile, reported through its Sustainability Report 2007. That

same month, the company also scored 76 percentage points, 19 points above the average of 57 points scored by the 33 companies evaluated by the Swiss agency Sustainable Asset Management (SAM Research) and within the range of the world leaders in sustainability which scored between 70 and 83 points.

Endesa Chile was also awarded third place in the ranking of the "Ten best companies for working mothers and fathers in 2008" prepared by Fundación Chile Unido and Ya magazine of El Mercurio newspaper.

The company's assets in 2008 maintained their ISO 14001 (environment) and OHSAS 18001 (safety and health) certifications, which have also been extended to the new plants that recently started operating.

In another area, Endesa Chile, World Vision and Acción RSE organized for the first time in Chile the celebration of the Corporate Volunteers Day in the auditorium of Edificio Endesa in December. This event brought together thirteen outstanding Chilean companies and some 200 members of their respective volunteers, who together have benefited more than 41 thousand people from the most exposed sectors of society, contributing to the integral development of their workers and staff.

In January 2009, the company received the "Silver Class" distinction in the evaluation of sustainability

made by the Swiss agency SAM jointly with PricewaterhouseCoopers, forming part of a select group of electricity-sector companies at the global level which were named in the "Sustainability Yearbook 2009".

Overall, apart from the solid results obtained, 2008 has been a year in which we have been concerned to renew our commitment with the markets where we operate and with the transversal challenges that affect the whole planet, like climate change.

Particularly in the case of Chile, we have been emphatic in stating our conviction that we should use hydroelectricity as it is a large natural and sovereign resource for the country. The international scientific community has revalued it in analyzing how to face this phenomenon. Similarly, we maintain our commitment to explore all alternative energies and, most especially, non-conventional clean energies.

And we have emphasized on a third aspect: the projects carried out should be built with maximum respect for the environment, the communities that could eventually be affected and the labor rights of those working in them.

These guiding principles reflect the navigation chart that has guided our decisions. Endesa Chile has marked the direction of Chilean electricity development for

66 years. Today, facing the future as a multinational company with investments in five countries, it renews its commitment with energy development in the places where it operates. With a commitment to the communities where it works, with respect for their particularities and extreme care for the environment wherever it is.

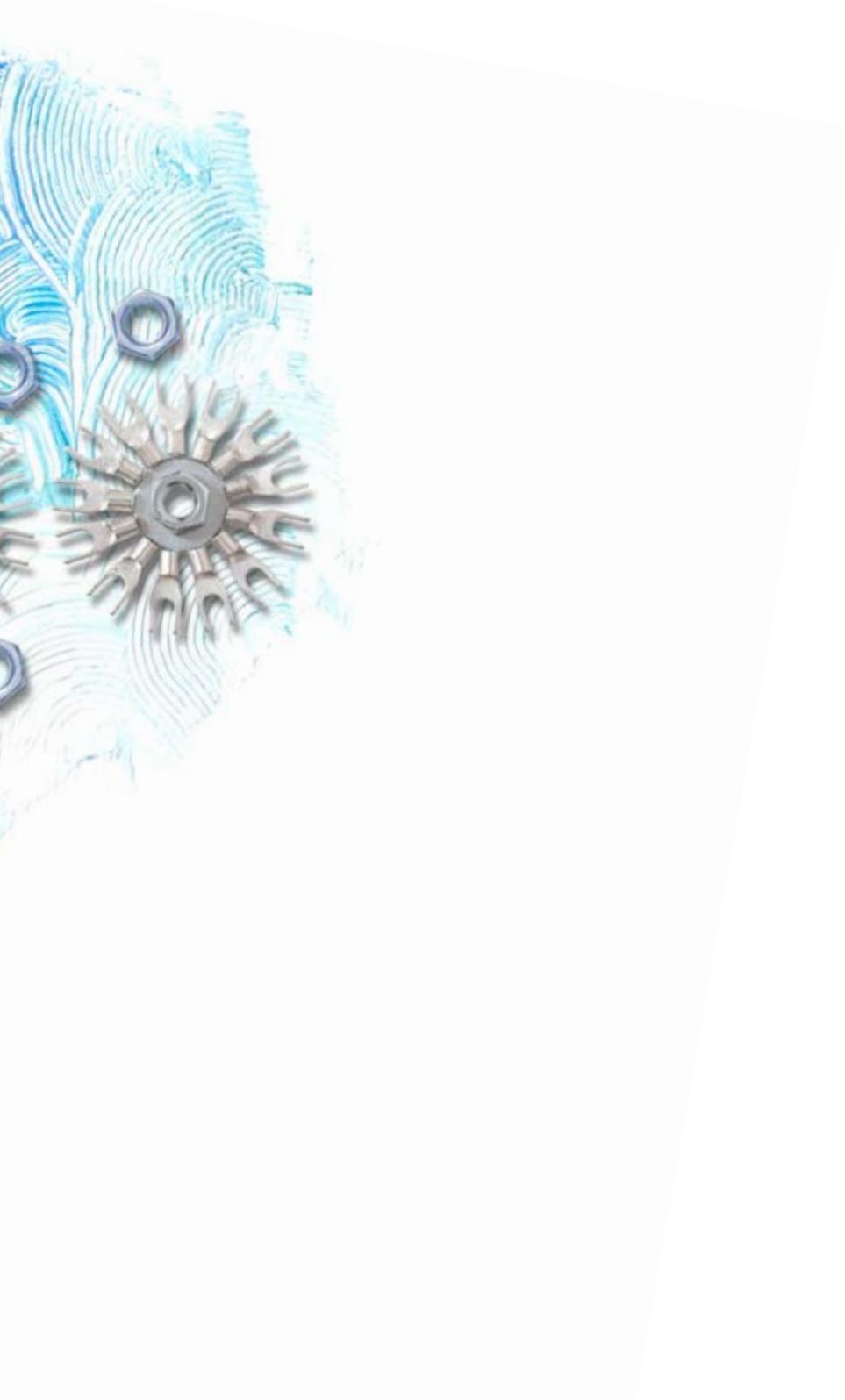
It just remains for me to express my gratitude for the determination of every one of the people forming part of this company and to reiterate the Board's commitment to continue working along these lines.



Mario Valcarce Durán
Chairman

HIGHLIGHTS OF THE YEAR





INCENTIVES FOR ELECTRICITY SAVINGS

Committed to the country's energy supplies and in response to the tightness faced by the Chilean electricity system, the company has applied since March a mechanism of incentives for reducing consumption, as established in the Electricity Law, by paying for savings in electricity consumption by regulated customers supplied by the distributor companies Chilectra and CGE Distribución.

INAUGURATION OF SAN ISIDRO II THERMAL PLANT

On March 19, 2008, with the presence of the President of the Republic Michelle Bachelet, ministers, regional and local authorities, as well as executives of Endesa, Enersis, Chilectra and Endesa Chile, the San Isidro II thermal generation plant was inaugurated, having an installed capacity of 353 MW.



The chairman of Endesa Chile, Mario Valcarce, emphasized the efforts made by the company which brought forward by two months the start-up of the combined cycle of San Isidro II, which has permitted a contribution to the country's principal electricity grid, especially at a time of energy tightness. This is yet another example of the company's strong commitment with national energy supply.

LOAN FOR US\$400 MILLION

Endesa Chile in June signed a bank loan for US\$400 million on favorable financial conditions with the institutions BBVA, Caja Madrid, Bank of Tokyo, Santander and Banesto.

The loan was structured 50% in revolving lines of credit and the balance a fixed-term loan, both for periods of 6 years, with a bullet repayment.



ENDESA CHILE, DISTINGUISHED IN CORPORATE GOVERNANCE

Endesa Chile was placed in an outstanding position in the 'Ranking of companies with best Corporate Governance 2008', after obtaining the sixth best score in the survey of the 50 principal non-financial companies in Argentina, Brazil, Chile, Colombia and Mexico, made by the consultancy Management & Excellence and LatinFinance magazine.

This measures compliance with 41 globally-accepted standards in the area of corporate governance which have been established by international entities like NYSE, Dow Jones Sustainability Index (DJSI), United Nations Global Compact and Global Reporting Initiative (GRI), plus other important guidelines confirmed by institutional and private investors.



AMONG THE TOP TEN IN CSR

Endesa Chile was placed ninth in the Ranking of Corporate Social Responsibility (CSR) 2008 by PROhumana, CPC and Capital magazine, maintaining it as one of the ten most socially-responsible companies in Chile. For Endesa Chile, social responsibility is built in compliance with the seven commitments established in the company's sustainability policy, as reflected in the work with communities and contributions to education, concern for good corporate governance, respect and care for its personnel whether its own or contractors', innovation and energy efficiency.

OJOS DE AGUA STARTS COMMERCIAL OPERATIONS

In late June, the Ojos de Agua pass-through mini-hydroelectric plant, belonging to Endesa Eco, Endesa Chile's subsidiary for the development of non-conventional renewable energies (NRCE), began its commercial operations. The plant and its 9 MW of installed capacity thus became available to the Economic Load Dispatch Center of the Central Electricity Grid (CDEC-SIC).



Ojos de Agua is a pass-through plant located in the valley of the Cipreses river in the Region of Maule. The unit has an average annual generation of 60 GWh, and it makes use of filtrations from the La Invernada lake and the difference in altitude between that body of water and the Cipreses plant owned by Endesa Chile. The initiative was registered as a CDM project in 2007, which enables it to trade about 20,870 tons of CO₂ per annum in the carbon bonds market.

AMONG THE BEST COMPANIES FOR WORKING MOTHERS AND FATHERS

Endesa Chile was placed third in the 2008 ranking of the Best Companies for Working Mothers and Fathers, prepared annually by Fundación Chile Unido and Ya magazine of El Mercurio newspaper. Endesa Chile was recognized for its various practices for promoting the reconciliation of family and working lives of its personnel, and the policy for this and initiatives like the school for fathers and others oriented to reinforce the health and safety of its employees and their family groups.



OUTSTANDING SUSTAINABILITY EVALUATION

The international agency Sustainable Asset Management (SAM Research) gave the results of its corporate sustainability evaluation for 2008, awarding Endesa Chile a weighting of 76 points, an evaluation that compares the company with the electricity companies listed in the Dow Jones Global Index and reflects the performance and improvement in various matters related to the economic, environmental and social dimensions. The company is thus consolidated as a leading company in sustainability in the world's electricity sector, surpassing by 19 percentage points the average (57) of the companies evaluated.



RECORD GENERATION ON THE SIC

Endesa Chile produced a new record of daily generation in the SIC in September thanks to the operation of its hydroelectric, thermal and wind plants, with a total production of 71,406 MWh. Of this, 56.462 MWh corresponds to hydroelectricity, 14,935 MWh to thermal and 9 MWh to the wind generation of the Canela wind farm of Endesa Eco, in the Coquimbo Region. If the production of the Tarapacá thermal plant, that operates in the Northern Electricity Grid (SING), with a generation of 3,447 MWh, is included, the result would rise to 74,853 MWh, which is also a record for the company on both grids.

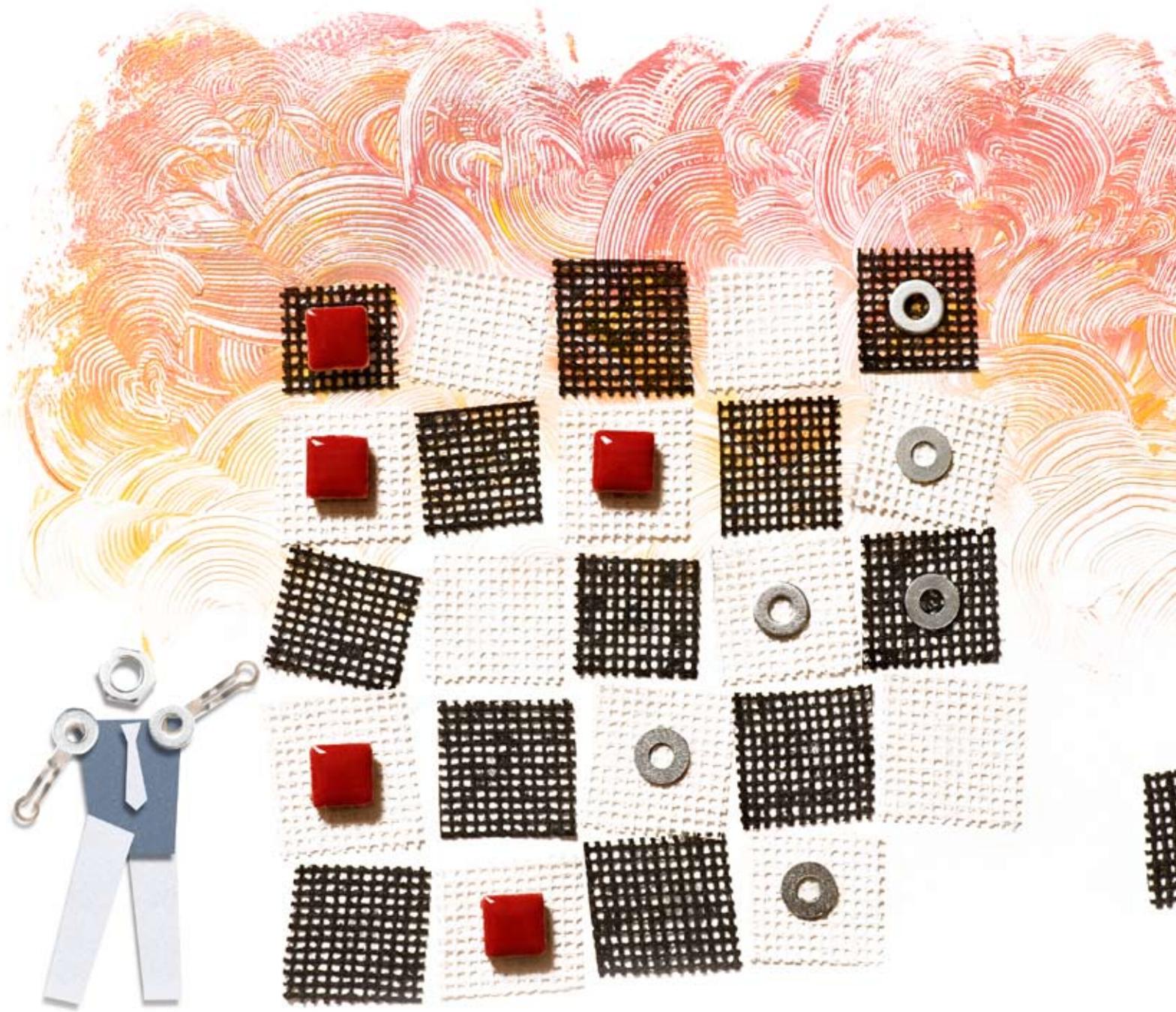


SUCCESSFUL BOND PLACEMENT

One of the largest bond placement in recent years was made by Endesa Chile in mid December, following the issue of its Series M bond for UF 10,000,000, equivalent to around US\$340 million. The bonds were placed on favorable conditions, at a yield of 4.81%. With a coupon rate of 4.75% and a 21-year term, and repayments starting in year 10, the placement attracted demand for approximately UF 12 million. This issue showed the great interest and confidence of investors in the company.



MANAGEMENT



01. BOARD OF DIRECTORS



CHAIRMAN

Mario Valcarce Durán
Commercial Engineer
Pontificia Universidad Católica de
Valparaíso
ID No.: 5.850.972-8



VICE CHAIRMAN

Juan Gallardo Cruces
Lawyer
Colegio de Abogados de Madrid
Passport: 00691950-H



DIRECTOR

Francesco Buresti
Electronic Engineer
Università degli Studi di Bologna
Passport: F685628



DIRECTOR

Pío Cabanillas Alonso
Degree in Law
Universidad Complutense de
Madrid
Passport: 00678878-X



DIRECTOR

Fernando D'Ornellas Silva
Degree in Law and Business
Management
ICADE E-3, Madrid
Passport: 5406074-Q



DIRECTOR

Borja Prado Eulate
Lawyer
Universidad Autónoma de Madrid
Passport: 5.346.906-G



DIRECTOR

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



DIRECTOR

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



DIRECTOR

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

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 1, 2008.

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.

DIRECTORS' REMUNERATION RECEIVED DURING 2008
 (Chilean pesos)

DIRECTOR	ENDESA CHILE		PER DIEM SUBSIDIARIES	TOTAL
	PER DIEM	COMMITTEES (1)		
Mario Valcarce Durán	43,258,040	8,404,906		51,662,946
Juan Gallardo Cruces (2) (3)				
Francesco Buresti (2) (3)				
Pío Cabanillas Alonso (2) (3)				
Fernando D'Ornellas Silva (3)	17,721,397			17,721,397
Borja Prado Eulate (3)	16,952,184			16,952,184
Jaime Estévez Valencia	27,368,725	7,651,989		35,020,714
Leonidas Vial Echeverría	20,490,354			20,490,354
Raimundo Valenzuela Lang	20,486,000	6,882,955		27,368,955
Carlos Torres Vila (4)	5,284,339			5,284,339
Enrique García Álvarez (4)	8,134,679			8,134,679
José Fernández Olano (4)	8,134,679			8,134,679
Rafael Español Navarro (4)	5,828,785			5,828,785
José María Calvo-Sotelo Ibáñez-Martín (4)	5,828,785			5,828,785
TOTAL	179,487,967	22,939,850		202,427,817

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

2) Juan Gallardo Cruces, Francesco Buresti and Pío Cabanillas Alonso renounced any remuneration.

3) Francesco Buresti, Pío Cabanillas Alonso, Fernando D'Ornellas Silva, Juan Gallardo Cruces and Borja Prado Eulate have been directors of the company since April 1, 2008.

4) José María Calvo-Sotelo Ibáñez-Martín, Rafael Español Navarro, José Fernández Olano, Enrique García Álvarez and Carlos Torres Vila were directors of the company until April 1, 2008.



03. ATTENDANCE AT BOARD MEETINGS (1)

Director	Date of each Board Meeting													
	30.Jan. Ord.	27.Feb. Ord.	28.Mar. Ord.	2.Apr. Extr.	24.Apr. Ord.	29.May. Ord.	26.Jun. Ord.	30.Jul. Ord.	28.Aug. Ord.	25.Sep. Ord.	29.Oct. Ord.	27.Nov. Ord.	18.Dec Ord.	
Mario Valcarce Durán	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
José María Calvo-Sotelo Ibáñez-Martín	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	
Rafael Español Navarro	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	
Jaime Estévez Valencia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
José Fernández Olano	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	
Enrique García Álvarez	Yes	Yes	Yes	-	-	-	-	-	-	-	-	-	-	
Carlos Torres Vila	No	No	No	-	-	-	-	-	-	-	-	-	-	
Raimundo Valenzuela Lang	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	
Leonidas Vial Echeverría	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	
Francesco Buresti	-	-	-	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Pío Cabanillas Alonso	-	-	-	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	
Fernando D'Ornellas Silva	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	
Juan Gallardo Cruces	-	-	-	Yes	Yes									
Borja Prado Eulate	-	-	-	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	

1) José María Calvo-Sotelo Ibáñez-Martín, Rafael Español Navarro, José Fernández Olano, Enrique García Álvarez and Carlos Torres Vila were directors of the company until April 1, 2008. Francesco Buresti, Pío Cabanillas Alonso, Fernando D'Ornellas Silva, Juan Gallardo Cruces and Borja Prado Eulate have been directors of the company since April 1, 2008.

04. REPORT OF THE DIRECTORS' COMMITTEE**ATTENDANCE AT DIRECTORS' COMMITTEE MEETINGS**

Director	Date of each Directors' Committee Meeting											
	30.Jan.	27.Feb.	28.Mar.	24.Apr.	29.May.	26.Jun.	30.Jul.	28.Aug.	25.Sep.	29.Oct.	27.Nov.	18.Dec
Mario Valcarce Durán	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Jaime Estévez Valencia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Raimundo Valenzuela Lang	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No

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 1, 2008, elected the present members of the Directors' Committee of Empresa Nacional de Electricidad S.A., these being Luis 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 2008, 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, on each occasion concluding that these met conditions of equity similar to those prevailing in the market.

Considering their importance, special attention and analysis were given to the sales of certified emission reductions (CERs) of the Canela I and Ojos de Agua plants to the related company Endesa Generación S.A., approved at the January 2008 meeting; the adjudication to the related company Acciona of the wind-generator supply contracts for the Canela II wind-farm project amounting to US\$105 million, whose offer won the related bidding, and the adjudication of the coal supply contract for the Bocamina plant for 2009 to the related company Carboex, following the corresponding tender process, for a total of 340,000 tons at a FOB price of US\$161.64 per ton and US\$208.47 delivered on site.

The Directors' Committee in January 2008 agreed to propose to the Board the appointment of the agencies Feller Rate Clasificadora de Riesgo Limitada and Fitch

Chile Clasificadora de Riesgo Limitada for carrying out the domestic credit ratings for 2008 and the American firms Fitch Ratings Services; Moody's Investors Services and Standard & Poor's International Ratings Services for carrying out the international credit ratings of the company.

On March 28, 2008 and prior to the company's ordinary shareholders meeting, the Directors' Committee, with the opposing vote of the director Raimundo Valenzuela Lang, agreed to propose to the Board that it propose to that meeting the appointment of KPMG Auditores Consultores Limitada as the company's new external auditors.

The Committee's ordinary meeting for the month of December 2008 acknowledged 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 1, 2008 adopted the following resolution regarding the remuneration and budget of the Directors' Committee: set a fee for attendance at meetings of 36 Unidades de Fomento, with a limit of twelve remunerated meetings each year, and an annual expense budget of 2,729 Unidades de Fomento (UF).

During 2008, the members of the Directors' Committee were remunerated with a total of 1,188 Unidades de Fomento (UF).

In 2008, the Directors' Committee made no use of the annual expense budget set by the shareholders' meeting.

05. REPORT OF THE AUDIT COMMITTEE

ATTENDANCE AT AUDIT COMMITTEE

Director	Date of each Audit Committee Meeting						
	29.Jan.	26.Feb.	28.Mar.	24.Apr.	29.May.	30.Jul.	29.Oct.
Rafael Español Navarro	-	-	-	-	-	-	-
José Fernández Olano	Yes	Yes	Yes	-	-	-	-
Enrique García Alvarez	Yes	Yes	Yes	-	-	-	-
Fernando D'Ornellas Silva	-	-	-	Yes	Yes	Yes	Yes
Jaime Estévez Valencia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Borja Prado Eulate	-	-	-	Yes	Yes	Yes	No

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 of April 1, 2008 appointed the following directors as members of the Audit Committee of Endesa Chile: Fernando d'Ornellas Silva, chairman, Borja Prado Eulate and, Jaime Estévez Valencia, who was appointed as the Committee's financial expert.

The Audit Committee met on seven occasions during 2008, 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.

In the performance of its functions, the Audit Committee was informed of and examined the following documents presented to it during 2008:

- Examination of the audited financial statements of the company for the year 2007 and each of the quarterly financial statements for 2008.
- Examination of the external auditors' report on banking and money broking for 2007.
- Supervision and evaluation of the work of the external auditors.
- Examination of the internal controls letter per Rule 980 of the SVS.
- Analysis of the different complaints presented to the internal channel of the company and its follow-up.
- Examination and pre-approval of the different services provided by the external auditors and which are different to the normal auditing services for the company.

The Audit Committee also acknowledged the following presentations made by the external auditors of the company's management:

- The external auditors in accordance with the Audit Committee Regulations and the Statement On Auditing Standards N° 61.
- By the firm KPMG Auditores Consultores Limitada, which was appointed by the shareholders of Endesa Chile, on the proposal of the Board and Directors' and Audit Committees.
- By the external auditors Ernst & Young in compliance with Section 404 of the Sarbanes Oxley Act on internal controls of Endesa Chile in 2007.
- By the chief financial officer of Endesa Chile on convergence to Financial Information Reporting Standards (IFRS).
- By the external auditors KPMG for the limited revision of the financial statements of Endesa Chile and subsidiaries as of June 30, 2008.

The ordinary shareholders meeting held on April 1, 2008 agreed to set the remuneration and budget of the Audit Committee, being a fee for attending meetings of 36 Unidades de Fomento, with a limit of twelve remunerated meetings a year, and an annual expenses budget of 2,729 Unidades de Fomento.

During 2008, the members of the Audit Committee were remunerated with a total of 720 Unidades de Fomento.

The Audit Committee made no use of its expense budget during 2008.

07. 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\$ 2,705,430,897 in 2008.

08. INCENTIVE PLANS

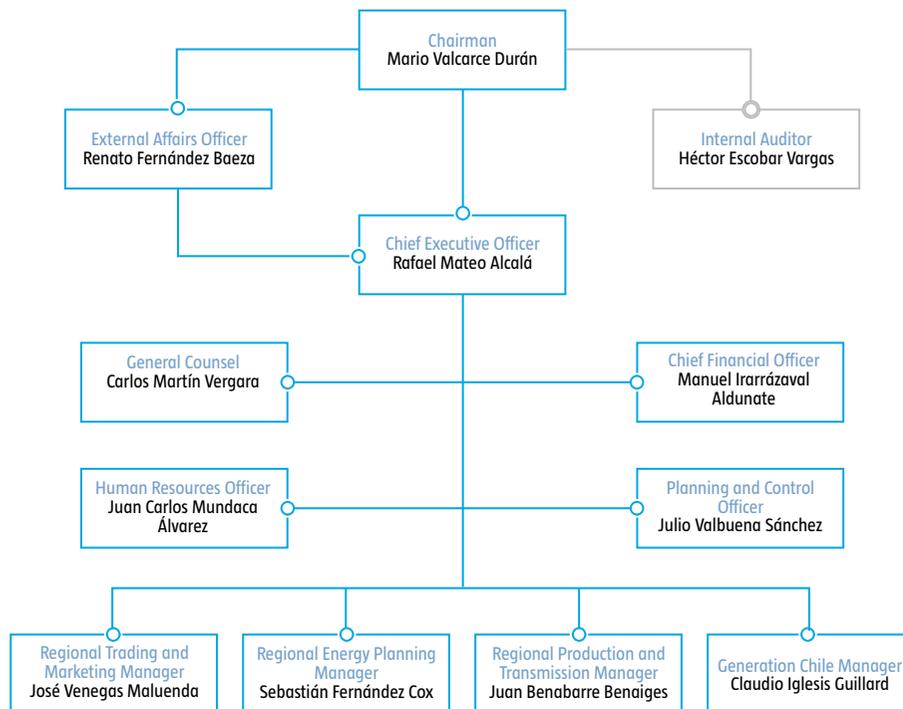
Endesa Chile has an annual bonus plan for its executives based on meeting objectives and the level of individual contributions to the company's results. This plan includes a definition of ranges of bonuses according

to the hierarchical level of the executives. The bonuses paid to the executives consist of a certain number of gross monthly remunerations.

09. SEVERANCE INDEMNITIES

Endesa Chile in 2008 made severance payments to its senior executives amounting to Ch\$ 120,219,578.

06. ORGANIZATION STRUCTURE



10. PRINCIPAL EXECUTIVES



Chief Executive Officer
Rafael Mateo Alcalá
Industrial Engineer
Escuela Técnica Superior
de Ingenieros Industriales
de Zaragoza
ID No.: 14.709.515-5



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



General Counsel
Carlos Martín Vergara
Lawyer
Universidad Católica de
Valparaíso
ID No.: 6.479.975-4



Administration and Finance
Manuel Irrázaval Aldunate
Civil Industrial Engineer
Pontificia Universidad
Católica de Chile
ID No.: 7.011.664-2



Human Resources
Juan Carlos Mundaca Álvarez
Commercial Engineer
Universidad de Santiago
ID No.: 7.160.389-K



Planning And Control
Julio Valbuena Sánchez
Engineer in Roads, Canals
and Ports
Universidad Politécnica de
Madrid
ID No.: 21.188.517-3



Regional Trading and Commercialization
José Venegas Maluenda
Civil Industrial Engineer
Pontificia Universidad
Católica de Chile
ID No.: 7.893.919-2



Regional Energy Planning
Sebastián Fernández Cox
Commercial Engineer
Universidad de Los Andes
ID No.: 10.673.365-1



Regional Production and Transmission
Juan Benabarre Benaiges
Civil Engineer
Universidad de Chile
ID No.: 5.899.848-6



Generation Chile
Claudio Iglesias Guillard
Civil Electrical Engineer
Universidad de Chile
ID No.: 7.289.154-6

11. MANAGEMENT OF MAIN
SUBSIDIARIES**ENDESA COSTANERA S.A.**

José Miguel Granged Bruñen
Industrial Engineer
Escuela Técnica Superior de Ingenieros Industriales
de Zaragoza

HIDROELÉCTRICA EL CHOCÓN S.A.

Fernando Claudio Antognazza
Public Accountant
Universidad de Buenos Aires

EMGESA S.A. E.S.P.

Lucio Rubio Díaz
Degree in Economic and Business Sciences
Universidad Santiago de Compostela

EDEGEL S.A.A.

Carlos Luna Cabrera
Civil Engineer
Escuela Colombiana de Ingeniería Julio Garavito

INGENDESA

Rodrigo Alcaíno Mardones
Civil Structural Engineer
Universidad de Chile

PEHUENCHE

Lucio Castro Márquez
Civil Engineer
Universidad de Chile

PANGUE

Lionel Roa Burgos
Civil Industrial Engineer
Universidad de Chile

ENDESA ECO

Wilfredo Jara Tirapegui
Civil Mechanical Engineer
Universidad de Santiago

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, consists of nine directors who are elected at an 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. 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. Any vacancy will trigger an election for every seat on the Board of Directors at the next regular annual shareholders' meeting. 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.

Our Corporate Governance Basis ("Bases del Gobierno Corporativo"), were approved by the Board of Directors on February 28, 2005.

In order to ensure compliance with the provisions of the Securities Market Law 18,045 and other legal rules, imposed by the SVS, the board of Endesa Chile at its meeting held on May 29, 2008, approved the "Manual for the Management of Information of Interest to the Market". The provisions of this Manual are based on principles of impartiality, good faith, giving preference to general interests before one's own and care and diligence in the use of information and participations in the securities' markets.

The provisions of this Manual shall be applied to the members of the board, as well as executives and employees of Endesa Chile who have access or are able to access privileged information and especially those who work in areas related to the securities markets.

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. Since 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 members of this Committee, who satisfy the requirements of independence of NYSE, are: Fernando D'Ornellas S., Borja Prado E. and Jaime Estévez V. Messrs. D'Ornellas and Prado sit on the Board of Directors of Endesa Spain and are relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B). Messrs. D'Ornellas and Prado otherwise meet the independence requirements of Rule 10A-3(b)(1)(ii).

As required by Chilean Law, Endesa Chile also has a Comité de Directores (“Directors’ Committee”) composed of three members of the Board. Although Chilean Law requires that a majority of the Directors’ Committee (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 Directors’ Committee 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 Directors’ Committee is composed of two non-control directors and one director appointed by the controlling shareholder.

Our Directors’ Committee 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 (www.endesa.cl).

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

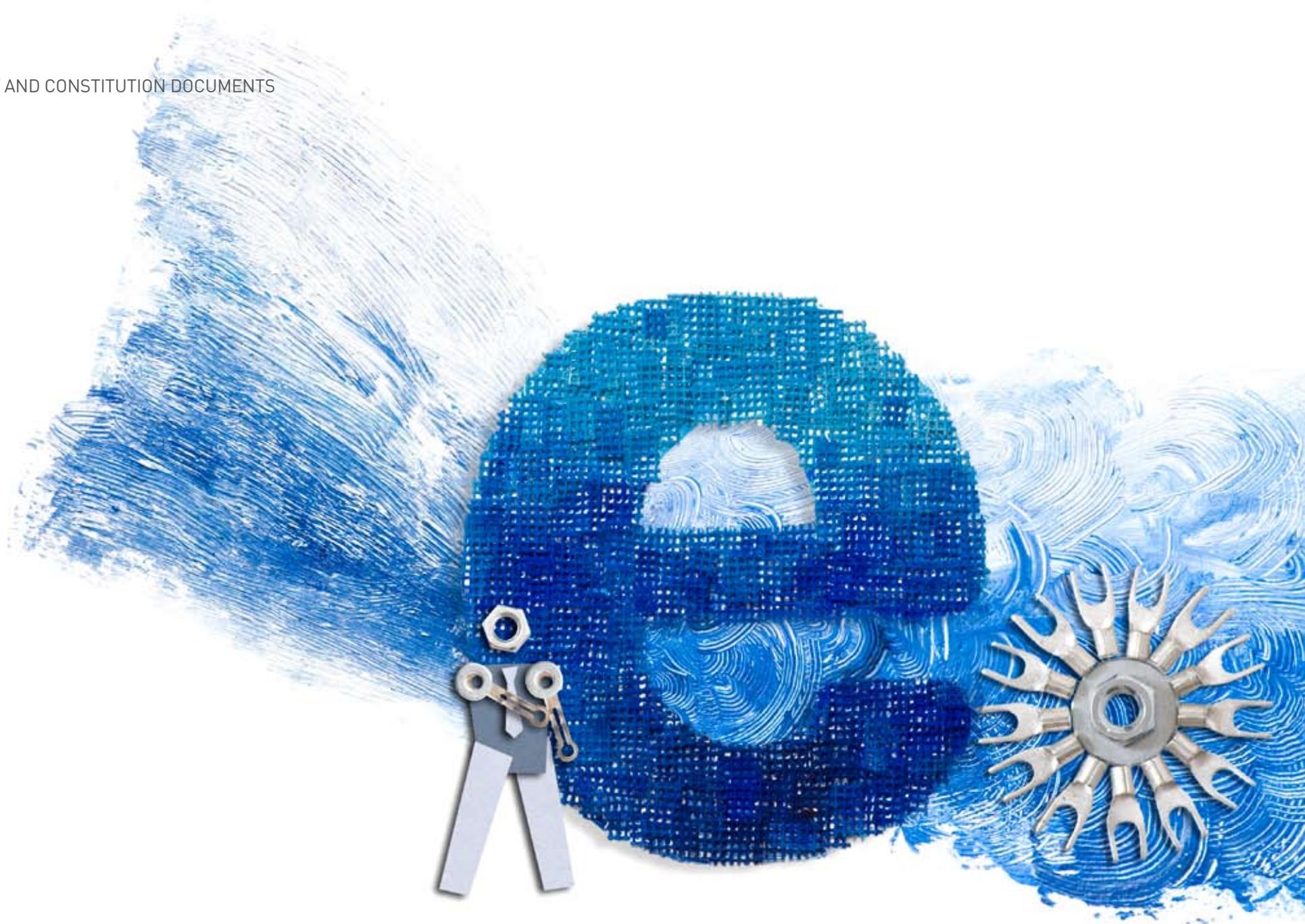


	As of December 31 of each year				
	2004	2005	2006	2007	2008
IN ARGENTINA					
Number of employees	311	311	316	323	325
Number of generating units	20	20	20	20	20
Installed capacity (MW)	3,623	3,624	3,639	3,644	3,652
Electricity generated (GWh)	11,290	12,333	13,750	12,117	10,480
Energy sales (GWh)	11,604	12,579	13,926	12,406	11,098
IN BRAZIL (1)					
Number of employees	53	-	-	-	-
Number of generating units	10	-	-	-	-
Installed capacity (MW)	658	-	-	-	-
Electricity generated (GWh)	3,262	2,645	-	-	-
Energy sales (GWh)	3,902	2,898	-	-	-
IN CHILE					
Number of employees	725	765	789	841	1,000
Number of generating units	50	50	50	63	65
Installed capacity (MW)	4,477	4,477	4,477	4,779	4,893
Electricity generated (GWh)	16,797	18,764	19,973	18,773	19,807
Energy sales (GWh)	18,462	20,731	20,923	19,212	19,808
IN COLOMBIA					
Number of employees	319	326	376	399	404
Number of generating units	24	27	28	28	29
Installed capacity (MW)	2,609	2,657	2,779	2,829	2,895
Electricity generated (GWh)	11,881	11,864	12,564	11,942	12,905
Energy sales (GWh)	15,148	15,077	15,327	15,613	16,368
IN PERU					
Number of employees	154	158	200	206	219
Number of generating units	21	21	24	24	25
Installed capacity (MW)	967	969	1,426	1,468	1,467
Electricity generated (GWh)	4,136	4,516	6,662	7,654	8,102
Energy sales (GWh)	4,328	4,600	6,767	7,994	8,461
(Million Chilean pesos as of December 31, 2008)					
Total Assets	6,578,671	5,820,836	6,184,246	5,866,854	7,142,356
Total Liabilities	3,242,993	2,744,523	2,991,863	2,849,116	3,585,115
Minority Interest	1,394,737	1,115,214	1,093,783	965,815	1,192,717
Shareholders' Equity	1,940,941	1,961,099	2,098,600	2,051,923	2,364,524
Operating Income	1,277,544	1,341,074	1,563,878	1,880,664	2,491,588
Operating Costs	-778,396	-823,483	-927,786	-1,218,649	-1,549,013
Operating Income	456,535	471,523	590,027	621,634	893,360
Non-operating Income	-204,262	-185,244	-145,267	-225,951	-84,697
Net Income	103,658	132,100	221,685	209,567	442,592
Current ratio	1.27	0.54	0.91	0.97	0.96
Debt ratio (2)	0.97	0.89	0.94	0.94	1.01

(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, considering only the first nine months of that year in the headings generation and sales.

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	:	Open Corporation
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	:	KPMG Auditores Consultores 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 this corporate deed and the decree were published together in the Official Gazette of January 13, 1944 and registered 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 registered 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.

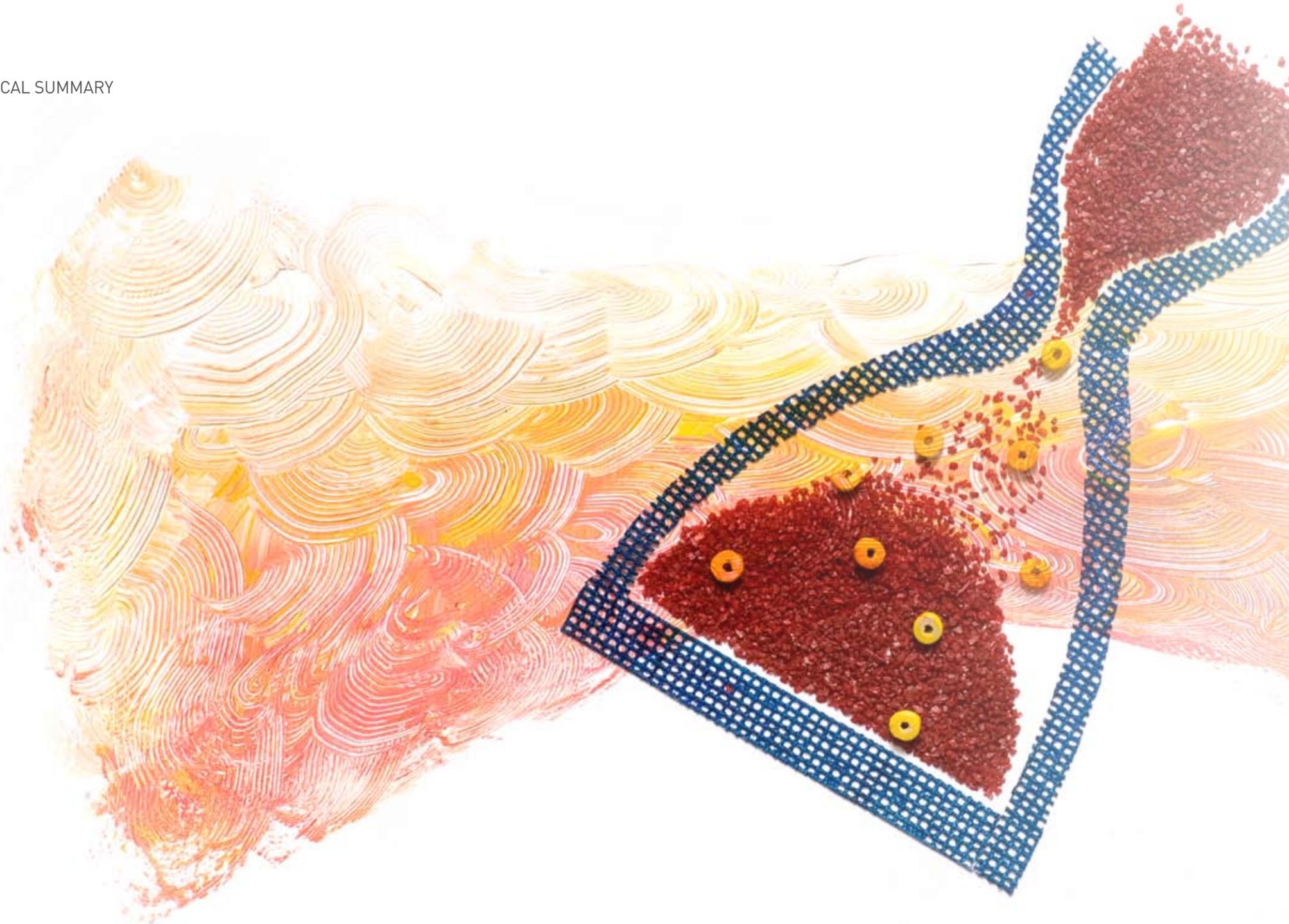
The modification of 1992 should also be mentioned which again expanded the objects, permitting the company to make investments in financial assets, develop projects and carry out activities in the energy field and others in which electricity is essential and to participate in public works infrastructure concessions in the civil or hydraulic areas, either directly or through subsidiary or associate companies, in both Chile and abroad. There was also the modification 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, 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.



Melado Dam, Chile.

HISTORICAL SUMMARY



Empresa Nacional de Electricidad S.A. was created on December 1, 1943 as a subsidiary company of the state-owned 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.

The privatization process began in 1987 with a series of public share offerings, and was completed in 1989.

In 1992, the company acquired Central Costanera S.A. (today Endesa Costanera S.A.) and in 1993, of Hidroeléctrica El Chocón S.A., both in Argentina. In 1995, Edegel S.A.A. was acquired in Peru. In December 1996, Central Hidroeléctrica de Betania S.A. E.S.P. was acquired and in September 1997, Emgesa S.A. E.S.P., both in Colombia. In September 1997, Centrais Eléctricas

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., through a public share offering became the controller of the company, with a 60% shareholding in Endesa Chile.

On September 13, 2004, Endesa Chile signed a letter of adherence 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 Latinoamérica, Endesa Chile, Enersis and Chilectra. As from October that year, Endesa Chile therefore 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.

The company Centrales Hidroeléctricas de Aysén S.A. (HidroAysén) was formed in March 2007, which is not consolidated by Endesa Chile. Its objects are to develop and exploit the hydroelectric project in the Eleventh Region of Aysén, called the Aysén Project.

As of December 31, 2008, Endesa Chile, directly and through its subsidiaries, operates 139 generating units in Latin America, with an installed capacity 12,906 MW, being one of the largest electricity generating companies in the region.

HOLDINGS IN SUBSIDIARY AND RELATED COMPANIES



01. SHAREHOLDINGS IN SUBSIDIARY AND RELATED COMPANIES

SUBSIDIARIES	% HOLDING	
	2007	2008
ARGENTINA		
Endesa Costanera S.A.	69.76	69.76
Hidroeléctrica El Chocón S.A.	65.37	65.37
Endesa Argentina S.A.	100.00	100.00
Hidroinvest S.A.	96.09	96.09
Southern Cone Power Argentina S.A	100.00	100.00
BRAZIL		
Endesa Brasil Participacoes Ltda.	100.00	100.00
Ingendesa Do Brasil Ltda.	100.00	100.00
CHILE		
Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)	92.65	92.65
Empresa Eléctrica Pangue S.A. (Pangue S.A.)	94.99	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)	100.00	100.00
Sociedad Concesionaria Túnel El Melón S.A.	100.00	100.00
Endesa Inversiones Generales S.A. (Enigesas)	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.	75.00	75.00
COLOMBIA		
Emgesa S.A. E.S.P. (EMGESA)	26.87	26.87
PERU		
Edegel S.A.A. (Edegel)	33.06	33.06
Generandes Perú S.A.	59.63	60.99
PANAMA		
Compañía Eléctrica Cono Sur S.A. (1)	100.00	-

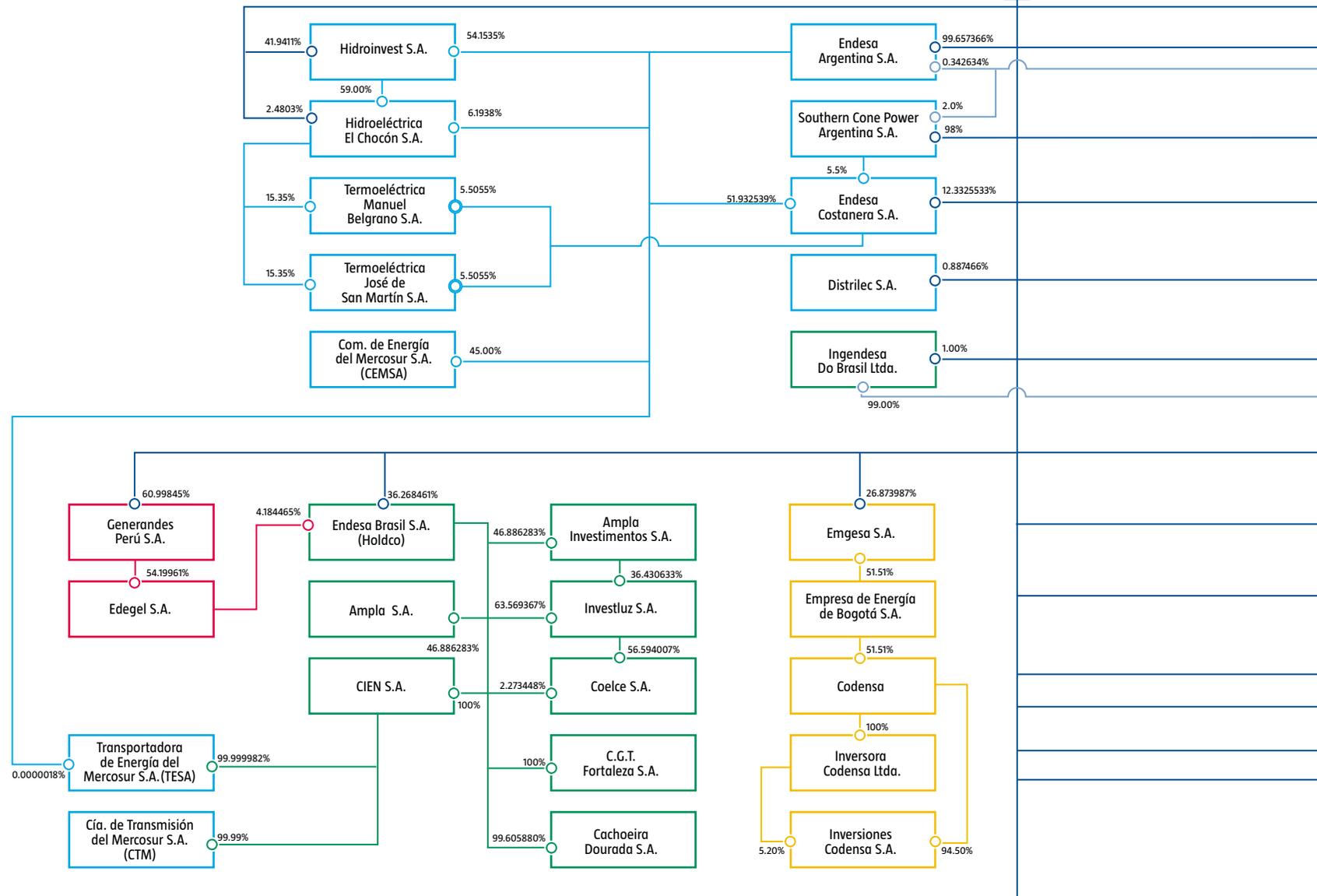
(1) Compañía Eléctrica Cono Sur S.A. was dissolved on September 1, 2008.

RELATED COMPANIES	% HOLDING	
	2007	2008
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.	13.87	13.87
Termoeléctrica José de San Martín S.A.	13.87	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 Gasatacama Holding Limitada	50.00	50.00
Gasatacama S.A. (Gasatacama)	50.00	50.00
Gasoducto Atacama Chile S.A. (Gasoducto Atacama Chile) (1)	50.00	-
Gasatacama Chile S.A. (1)	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. (Hidro Aysén)	51.00	51.00
Hidroaysén Transmisión (2)	-	51.00
GNL Quintero S.A. (GNLQ)	20.00	20.00
CAYMAN ISLANDS		
Energex Co.	50.00	50.00
Atacama Finance Co.	50.00	50.00

(1) On November 28, 2008, the merger was completed of Gas Atacama Generación S.A. and Gasoducto Atacama Chile S.A., by the absorption of the latter by the former, and the surviving company, Gas Atacama Generación S.A., changed its name to GasAtacama Chile S.A.

(2) The subsidiary of HidroAysén S.A., HidroAysén Transmisión S.A. was created on March 24, 2008.

02. CORPORATE STRUCTURE



HUMAN RESOURCES



01. PERSONNEL

The following table shows the personnel employed by Endesa Chile and its subsidiaries as of December 31, 2008 (1):

Company	Senior Executives	Professionals and Technicians	Other Employees	TOTAL
Argentina				
Endesa Costanera S.A.	6	251	17	274
Hidroeléctrica El Chocón S.A.	1	44	6	51
Total Personnel in Argentina	7	295	23	325
Chile				
Endesa Chile	31	473	50	554
Pehuenche S.A.	0	3	0	3
Pangue S.A.	-	-	-	-
Celta S.A.	1	0	0	1
San Isidro S.A.	-	-	-	-
Central Eólica Canela S.A.	-	-	-	-
Endesa Eco	-	-	-	-
Ingendesa (2)	5	375	38	418
Túnel El Melón S.A.	1	22	1	24
Total Personnel in Chile	38	873	89	1,000
Colombia				
Emgesa S.A.	7	374	23	404
Total Personnel in Colombia	7	374	23	404
Peru				
Edegel S.A.A.	7	196	16	219
Total Personnel in Peru	7	196	16	219
TOTAL PERSONNEL ENDESA CHILE AND SUBSIDIARIES	59	1,738	151	1,948

(1) Does not include therefore fixed-term or by-job personnel, being 5 in Endesa Chile, 301 in Ingendesa, 1 in Túnel El Melón and 23 in Edegel.

(2) The number of personnel in the Chilean subsidiary Ingendesa includes the employees of Ingendesa in Brazil and Peru.



02. HUMAN RESOURCES ACTIVITIES

MANAGEMENT OF PEOPLES' KNOWLEDGE AND DEVELOPMENT

Various initiatives were carried out in 2008 to manage knowledge critical to the generation business process and its strategic planning, coordinating the synergies offered by an multinational group and that permit taking advantage of knowledge distributed within Latin America, seeking the gathering, creation, screening, shared usage and putting into practice of know-how, particularly:

The creation of the Technological Formation Center (CTF), whose purpose is to support the generation processes through the focalized technical formation in the operation and maintenance of generating plants. The CTF concentrates its activities in 4 areas of action: Certification (as well as evaluating and guaranteeing the skills of its own technicians, it permits us to have first-source information with respect to the company's technical training needs), Investigation of new formation technologies, Mentors Management (extracting, transferring and consolidating workers' know-how) and Formation (concentrated on the preparation and introduction of formation programs for operators, and the formation of maintenance personnel. In 2008, generic thermal operator formation programs were created; the raising was concluded of the certification standards of the hydroelectric operation, and thermal

plant personnel began their certification processes).

From the training perspective, the management of knowledge continues to be one of the priorities of Endesa Chile, understood to be the transfer of knowledge and experience of employees so that these can be used as a resource available to others in the organization. One of its pillars is the "Campus Latam: Knowledge Management", a virtual learning space that, through e-learning courses built on curricula of operating and commercial technical skills, permits systemizing the knowledge and carrying out the formation and development of the business's key skills, capturing the know-how of the business.

At the physical level, the training plan sought to strengthen certain abilities like enterprise, innovation, negotiation and ethical sensibility in the three dimensions of sustainability, plus technical training for taking decisions and preparing reports. Training in the technical-professional area that responds to the business's own needs continued to be a priority. The total number of participants this year was 3.8, covering 98.65% of the employees. Total training hours given were 42,938, which results in a training rate of 3.20% (hours of training/ hours worked). The training ratio was 78.5 hours/person (training hours/average workforce).

Within the innovation program, a new system of incentives was introduced, designed as a points system that seeks to motivate the presentation of ideas. Ideas

that are approved receive points which can be exchanged through an alliance with a local departmental store. Incorporated also as a special category, for example, was energy efficiency and its relationship with the family, which seeks to promote these subjects within the homes of every employee. This system has motivated a greater presentation of ideas and an improvement in their quality.

Two initiatives stand out from the perspective of skills development for leadership (coaching). One is the development of "who-am-I" (WAI) workshops, in which ten on-site meetings were arranged, completing a total of 25 since their initiation and 100% of on-site workers at August 2008 (273 people). With a group coaching format, workers learn to identify their own strengths and weaknesses and to become responsible for their development.

The coaching program also continued to be developed, with the participation of twenty workers plus another 20 on site. Both levels took part in conscience generation workshops, individual and group coaching sessions which, from the results of the WAI and 360° evaluations, sought to make leaders responsible for their strengths and weaknesses, and create action plans for improving their weaknesses. The program, consisting of three levels, seeks that workers are able to distinguish the key leadership skills, recognize critical practices and become the coach of their subordinates, etc. The third level will be carried out for the first time in 2009.

SAFETY AND OCCUPATIONAL HEALTH

Endesa Chile has continued to carry out activities for the integral protection of all its personnel, motivating a self-care attitude, focused on the welfare of every person, their family and the company. Notable were initiatives like the reduction in emerging risks (annual preventive health control, cardiovascular, obesity, healthy diets, prevention in the use and abuse of alcohol and drugs and adaptation of the work), quality of life (promotion and acceptance of breast-feeding, and school for fathers) and emergencies diffusion.

In the prevention and control of work-related risks, safety programs have been introduced to normal duties as well as others of larger scale for protecting the integrity of both own workers and those of contractors, which has managed to control risks effectively in major maintenance and reduce the accident rate in these activities. As a result, since January 2006, 12,512,410 man/hours have been employed in the construction of projects, without one single fatal accident.

Regarding certifications, 100% coverage of the OHSAS 18001 certification has been completed of the installed capacity and jobs of Endesa Chile and subsidiaries, including the increases in capacity in 2008 with the Palmucho and Ojos de Agua, and Canela wind-farm plants. With the inclusion of the subsidiaries

in Latin America, this percentage also reaches 100% following the recent certification of the Santa Rosa plant in Peru.

With respect to results, we showed for the generation business in Latin America in 2008 a frequency rate, which measures the number of accidents per million man/hours worked, of 2.0 in own employees and of 9.5 in contractors' employees. On the other hand, the seriousness rate, which measures the number of days lost per million man/hours worked, was 36 for own employees and 134 for contractor companies, which places the company below the average level of companies in this industry, according to the Chilean Cooperatives System.

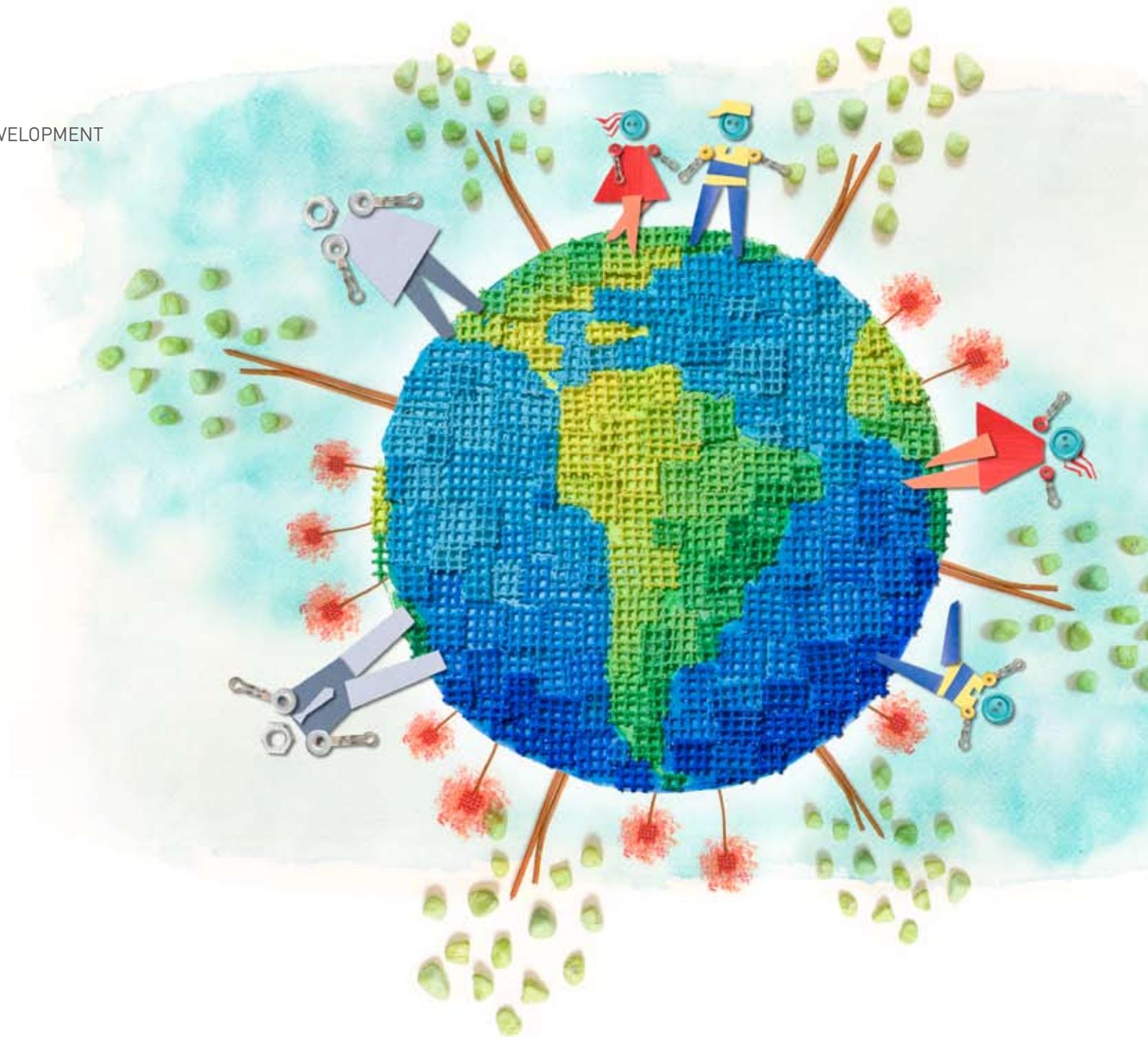
HUMAN RESOURCES MANAGEMENT

An important part of the activity in 2008 was concentrated on on-site establishments, both with respect to welfare matters and the activities of Espacio Endesa Chile. Regarding the first, the establishments were visited and meetings held with personnel and their respective family groups to introduce the policy of reconciliation of family and working lives. The activities of Espacio Endesa Chile continued to offer extension opportunities and cultural development and relaxation, in the recreational and sports areas.

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. In June 2008, a collective work agreement was signed with representatives of the National Inter-Company Union of Workers of Endesa Chile and subsidiaries for a period from July 1, 2008 to June 30, 2012. The same month, a collective work agreement was signed with representatives of the Regional Workers Union of Endesa Chile, covering a period from July 1, 2008 to June 30, 2011. In November 2008, a collective work agreement was negotiated in advance and signed with representatives of the Inter-Company Workers Union No.7 of Endesa Chile and subsidiaries, effective from January 1, 2009 to December 31, 2011. These three agreements cover all unionized personnel for the technicians and administrative levels. The earlier-signed collective agreements remain in force.

THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT



Endesa Chile, firmly committed to sustainable development, has a sustainability policy consisting of seven commitments related to the creation of value for shareholders, the health, safety and personal and professional development of its personnel, quality of service for its customers, good corporate governance, environmental protection, innovation and energy efficiency and concern for the community and development of the societies in which the company operates. 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 these commitments.

For the sixth consecutive year, the company in 2008 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), in which Endesa (the Spanish parent) was again selected. Endesa Chile does not participate officially in this index as the evaluation of Endesa (parent) takes into account the performance of its subsidiaries in terms of sustainability. From the results of this evaluation, Endesa Chile in January 2009 received the distinction "Silver Class" in the "Sustainability Yearbook 2009" published by SAM jointly

with PricewaterhouseCoopers, being placed among the 6 electricity companies with the best sustainability performance at the world level. Out of a total universe of 107 electricity companies that form part of the 2,500 companies in the Dow Jones Global Index, 46 electricity companies submitted to the exhaustive evaluation of corporate sustainability made by SAM which covers various aspects of the economic, environmental and social dimensions, with a total of 98 questions.

The year 2007 was also notable for obtaining the following recognitions of its performance in terms of corporate sustainable development:

- The first Chilean company and sixth in Latin America in the ranking of the 50 largest non-banking companies committed to sustainability, corporate governance, ethics, transparency and corporate social responsibility (CSR) in Latin America, prepared by the consultant Management & Excellence S.A. (M&E) and the specialized magazine Latin Finance.
- Third place in the ranking of the "Ten best companies for working mothers and fathers 2008", prepared by Fundación Chile Unido and Ya magazine of El Mercurio newspaper.
- Award of the category "Notable" for the Communication of Progress (COP) of Endesa Chile to the United Nations Global Compact sent in 2008, which was reported through the sustainability report 2007.

- Ninth place in the ranking of Corporate Social Responsibility by Fundación PROhumana and Capital magazine, remaining among the top ten for the third consecutive year.
- Prize for the Best Annual Report "Group of Companies" jointly with Enersis and Chilectra, in the Thirteenth Annual competition of Corporation Annual Reports 2008, awarded by Gestión magazine and PricewaterhouseCoopers.
- The Peruvian subsidiary Edegel received the "Social Responsibility and Sustainable Development" prize for its Annual Report/Sustainability Report 2007, in the Large Shareholders Company category, in the fifth competition organized by Perú 2021, Pontificia Universidad Católica del Perú and Universidad del Pacífico.

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 2008, this certification covered 99% of total installed capacity. In 2008, the EMS was introduced and certified at the San Isidro II (353 MW) thermal plant, the Palmucho

hydroelectric plant (32 MW), the Ojos de Agua mini-hydroelectric plant (9 MW) and the Canela wind farm (18.15 MW). All these installations are located in Chile. In addition, three installations were re-certified and 42 installations retained the certificate, which enabled 96% of gross annual generation (49,952.5 GWh) to have the ISO 14.001 certification.

Endesa Chile continued in 2008 with the implementation of its second environmental liabilities resolution program, in some of the generating plants of Endesa Chile and its subsidiary Emgesa, where these liabilities 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 80% of the 50 liabilities identified, the target for 2008 being to reduce them by 10%. Four environmental liabilities were solved in 2008 at plants in Chile and Colombia.

In Chile, the environmental qualification resolutions were obtained in 2008 for the Los Cóndores hydroelectric (150 MW), Canela II wind farm (60 MW) and Quintero thermal plant (250 MW) projects. Environmental impact assessments are being made for the Neltume prospection gallery project and environmental impact declarations for the relocation of the Canela II wind farm aero-generators

and expansion of Bocamina II substation projects.

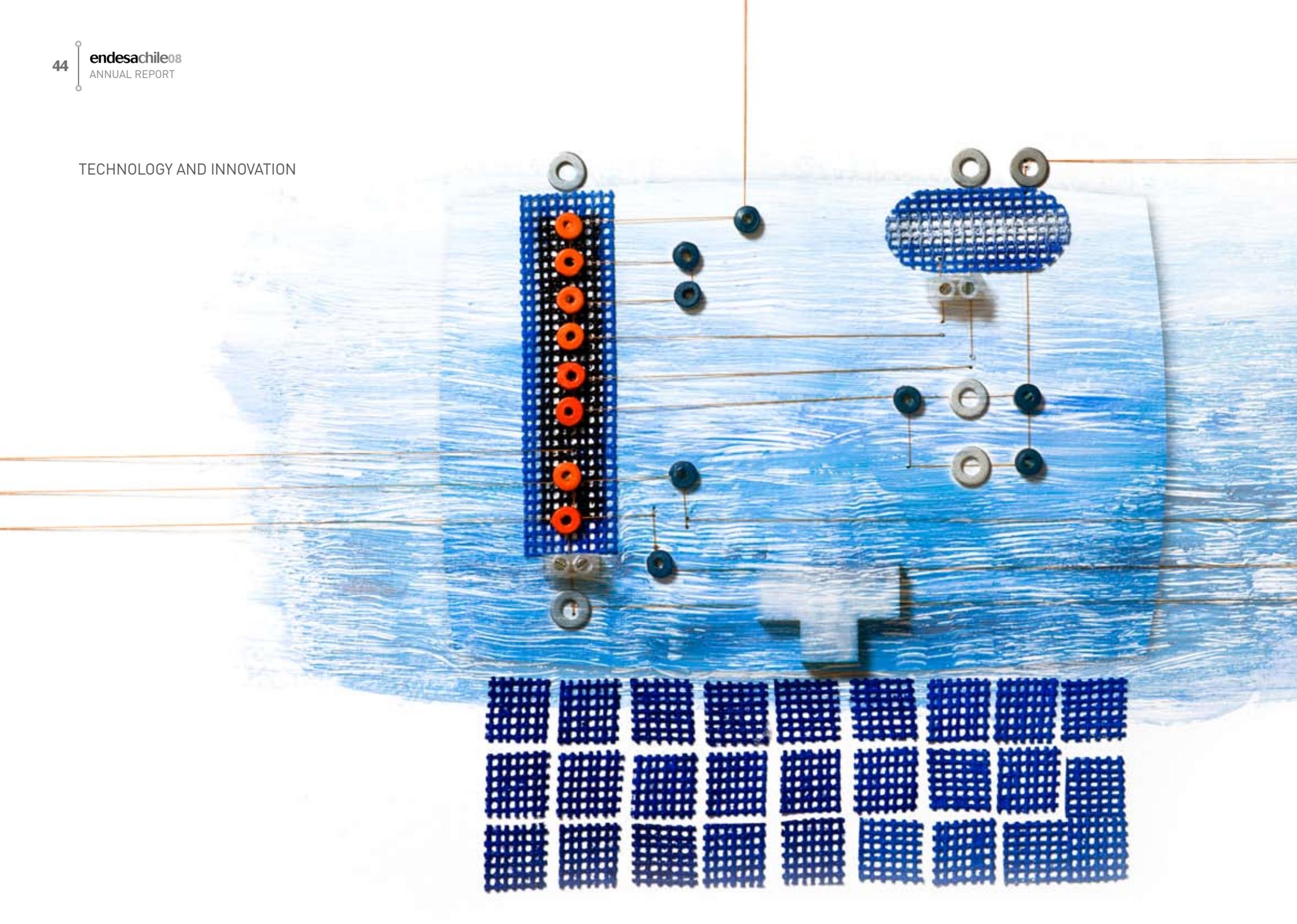
Regarding the strategy of using renewable energies as an important factor in the fight against climate change, in June 2008, the Ojos de Agua mini-hydroelectric plant started operating commercially, a clean development mechanism (CDM) project registered with the Executive Council of the United Nations Climate Change Office and which meant a reduction of a bit over 8,000 tons of CO₂ during the period. The Canela wind farm also saved around 16,000 tons of CO₂, this CDM project being in the process of registration with the United Nations. There was also progress within the CDM circuit in other initiatives like the Los Cóndores hydroelectric plant (Endesa Chile), and the Piruquina mini-hydroelectric plant (7.6 MW) and Canela II wind farm (Endesa Eco).

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 2008 (www.endesa.cl/rse).



Canela Wind Farm

TECHNOLOGY AND INNOVATION



Facing the challenges of the future requires creative solutions. 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.

During 2008, the medium-term technological development plan was redefined to make it consistent with the mission to promote investigation and technological innovation within the company; all this supported by the firm decision to develop among employees an innovative culture and a conduct oriented to the efficient use of energy.

In particular, the following four strategic lines have been defined:

01. INCORPORATION OF TECHNOLOGY IN THE PRODUCTIVE PROCESSES

Fully in accordance with the energy efficiency policy published in 2007, a work program is established with actions in the internal, external and social areas, including:

- Definition of energy efficiency ratios applicable to the whole generating park of Endesa Chile in Latin America, in order to follow up and control the company's electricity generation to identify those trends that induce negative deviations that affect the efficient exploitation of our generating park.
- The implementation of technical audits for identifying electricity generating processes susceptible to improving their energy efficiency via the adaptation or incorporation of technology.
- Modification of the lighting and air-conditioning systems of the corporate building of Endesa Chile, incorporating the latest-generation technology in energy efficiency practices.
- National Exploitation Center (CEN), a project for the centralized remote control from Santiago of all the hydroelectric plants of Endesa Chile in Chile.
- Monitoring and Diagnosis Center (CMD), for the centralized analysis of the behavior of the generating installations in Latin America, in the areas of operation and maintenance.



- EDAC: Scheme of disconnection of load through satellite connections, for ensuring the supply and availability of the transmission lines in the northern part of the SIC in Chile.

02. TECHNOLOGICAL INVESTIGATION

Under a cooperation agreement with the Pontificia Universidad Católica de Chile (PUC), a line of research has been developed related to the application of intelligent systems and analytical processing in the area of electricity generation. This initiative has led to the design of concrete applications in the processes of the Pehuenche and San Isidro plants.

- HYDRO: Investigators of Starlab and PUC are developing a model oriented to improving the forecasts of snow-thaw flows in the basins of the SIC, through the incorporation of satellite observation data.
- MBC: Maintenance initiative based on the condition that seeks to determine the optimum moment of intervention, considering the present operative conditions of the equipment. The critical variables, capture technologies and the algorithms that permit making the corresponding diagnosis are therefore being defined. The availability of the installations is expected to improve significantly.
- EOLILAND I: Project for the development of a wind map of Chile, based on satellite data over the last ten years. The map is shown on a geographic information system (GIS) with 3D vision and is in application for the identification of the resources.

03. NEW SOURCES OF GENERATION

Available technologies have been investigated for the use of wave-power energy and the present energy potential of the southern coast of Chile, identifying the most appropriate applications for the characteristics and conditions found. The feasibility is being studied of implementing a pilot project in one of these technologies.

04. ADAPTATION OF THE HUMAN RESOURCE TO NEW BUSINESS CHALLENGES

- Formation in energy efficiency: the company is advancing in the development of educational material for preparing a training program for personnel, family members, contractors and other groups belonging to Endesa Chile.
- Management of knowledge: advances in the development of methodology that permits the identification of the necessary ideas in and outside the company for the management of generating assets.
- Catalogue of specialists: work has been done on giving order to the technical skills of the company's specialists, in order to identify the areas where it is necessary to focus the training of specialists.

Programs are also available for motivating the participation of employees, the scientific community and suppliers in the generation of ideas for resolving problems peculiar to the electricity generating sector.

05. NOVARE EMPLOYEES

The Novare Employees program in 2008 has been notable as a means for inducement and articulation



of investigation and innovation activities promoted by Endesa (parent) in all its related companies around the world. In this context, a mention should be made of the first place won in the Generation category by Rodolfo Durán and Jaime Toledo, workers in Endesa Chile's commercial management, for the EDAC project (automatic load disconnection system) which will soon be started up.

HYDRO project studies began during the year, the winner of the Novare scientific prizes, in which the Spanish research center STARLAB and Universidad Católica de Chile participate jointly.

06. CIDE

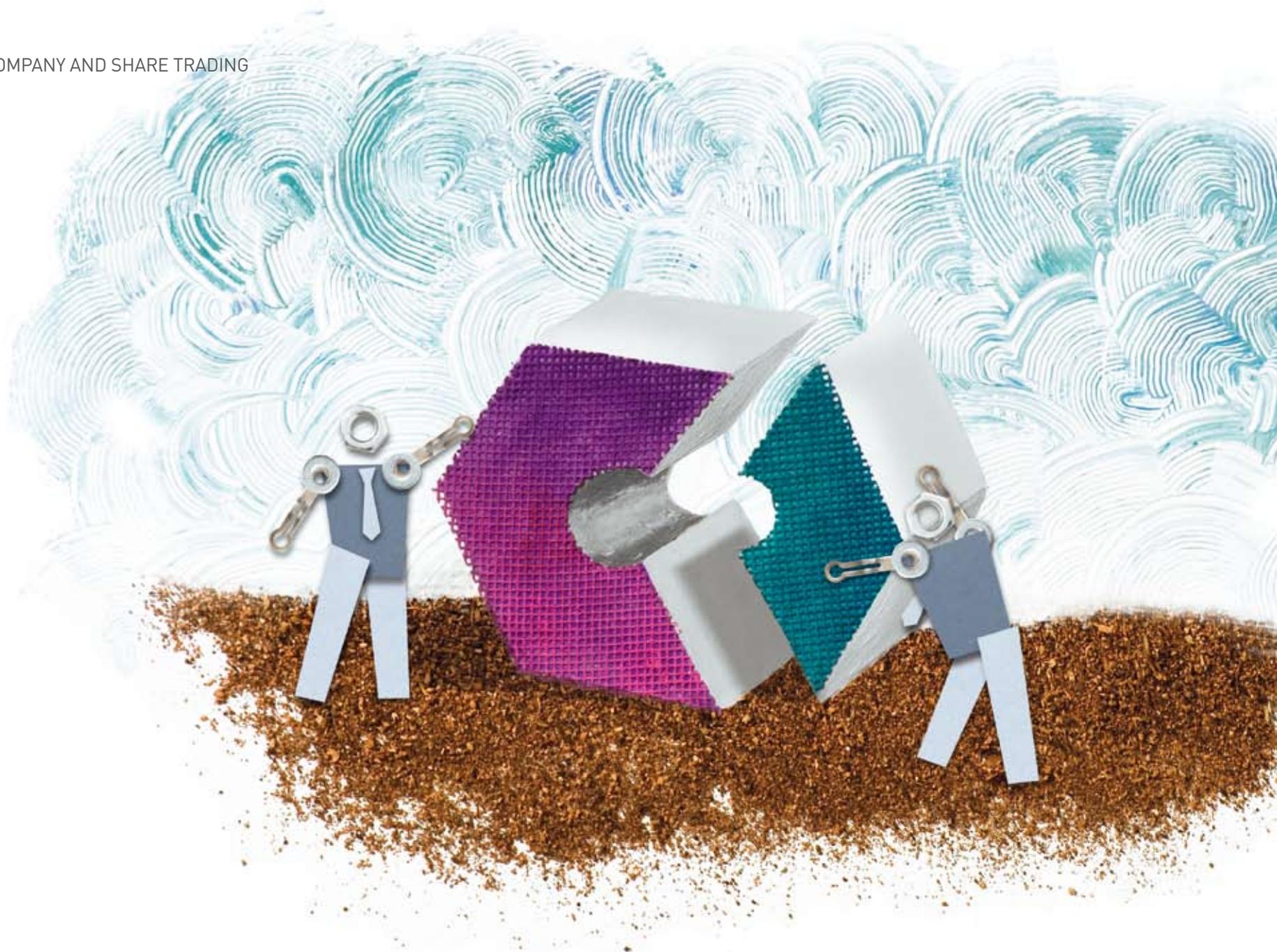
The Innovation Circles of Endesa Chile (CIDE) in 2008 took their first step in the development of solution mechanisms of the technological challenges that

Endesa Chile sets its members, whether suppliers, scientists or universities, to mention some, as the project "Maintenance based on the condition" has begun, a project that was implemented on a pilot basis at the Pehuenche plant and which, once completed, will permit a substantial modification of the way to organize the maintenance of our assets.

07. CHALLENGES

To consolidate the development of technological innovation as part of the Endesa Chile culture, motivating and creating work programs that transmit to all employees, their families and staff the concepts of efficiency and innovation. To continue with the development through Novare of the active participation of the employees and also motivate a larger number of Chilean universities to participate in projects of interest. To promote CIDE as a tool and real contribution to the company, identifying partners in the investigation and application of the latest-generation technologies for resolving technological challenges.

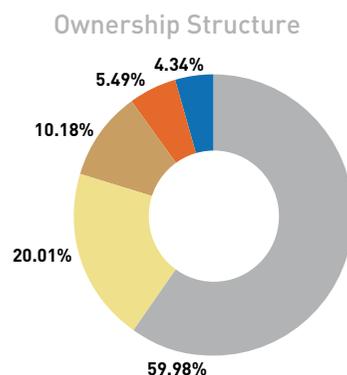
OWNERSHIP OF THE COMPANY AND SHARE TRADING



01. OWNERSHIP OF THE COMPANY

As of December 31, 2008, the share capital of the company amounted to 8,201,754,580 subscribed and paid shares distributed among 19,886 shareholders.

TWELVE LARGEST SHAREHOLDERS



- Enersis
- Pension Funds
- Others
- ADR (Citibank N.A.)
- Individuals

Name	As of December 31, 2008		
	ID NO.	Number of shares	% Shareholding
Enersis S.A. (1)	94.271.000-3	4,919,488,794	59.98%
AFP Provida S.A.	98.000.400-7	530,951,477	6.47%
Citibank N.A. (Depositary Bank rule 1375 S.V.S.)	97.008.000-7	450,393,180	5.49%
AFP Habitat S.A.	98.000.100-8	394,487,502	4.81%
AFP Capital S.A.	98.000.000-1	373,612,913	4.56%
AFP Cuprum S.A.	98.001.000-7	289,807,391	3.53%
Banco de Chile on behalf of third parties Chapter XIV	97.004.000-5	174,256,214	2.12%
Banchile Corredores de Bolsa S.A.	96.571.220-8	76,175,179	0.93%
AFP Planvital S.A.	98.001.200-k	52,694,302	0.64%
Banco Itaú on behalf of investors	76.645.030-k	44,912,109	0.55%
Coindustria Ltda.	80.231.700-k	43,834,298	0.53%
Larraín Vial S.A. Corredora de Bolsa	80.537.000-9	27,525,049	0.34%
Total		7,378,138,408	89.96%

(1) Enersis S.A. is a subsidiary of Endesa Latiamérica S.A., a Spanish company wholly owned by the Spanish parent ENDESA, S.A.

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

There were no share transactions in 2008 by the company's majority shareholders.

02. CHANGES IN OWNERSHIP

The most important changes in shareholdings in Endesa Chile during 2008 were the following:

- Citibank Chile, per SVS Rule 1375, increased its holding from 4.48% in 2007 to 5.49% in 2008.
- AFP Provida S.A. increased its shareholding from 5.83% in 2007 to 6.47% in 2008.
- AFP Capital S.A. increased its shareholding from 2.26% in 2007 to 4.56% in 2008.
- AFP Cuprum S.A. increased its shareholding from 3.31% in 2007 to 3.53% in 2008.
- Banco de Chile, on behalf of third parties, increased its shareholding from 1.24% in 2007 to 2.12% in 2008.
- AFP Habitat S.A. reduced its shareholding from 5.23% in 2007 to 4.81% in 2008.
- Bolsa de Comercio de Santiago Bolsa de Valores reduced its shareholding from 0.46% in 2007 to 0.086% in 2008.

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

There were no transactions of Endesa Chile's shares made by Directors and Senior Executives of the company during 2008.

04. SYNTHESIS OF COMMENTS AND PROPOSALS OF SHAREHOLDERS

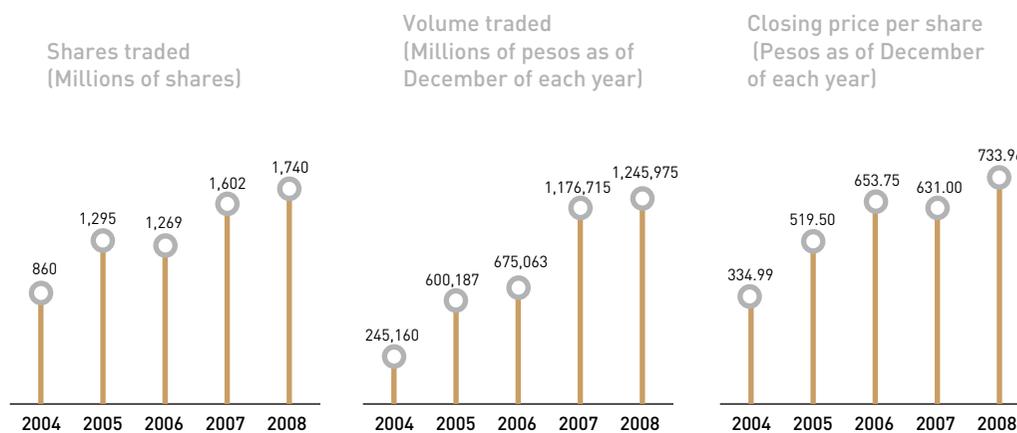
No comments were received in the Company with respect to the progress of the corporate business between January 1 and December 31, 2008 by the majority shareholders or groups of shareholders holding 10% or more of the issued shares with voting rights, in accordance with the provisions of clause 74 of Law 18,046 and clauses 82 and 83 of the regulations to the Corporations Law.

05. MARKET TRANSACTIONS

TRANSACTIONS ON THE CHILEAN STOCK EXCHANGES

During 2008, 1,740 million Endesa Chile shares were traded on the Santiago Stock Exchange, the equivalent of Ch\$ 1,245,975 million. A further 301 million Endesa Chile shares were traded on the Chilean Electronic Exchange, the equivalent of Ch\$ 211,269 million, and 2.5 million shares on the Valparaíso Stock Exchange, equivalent to Ch\$ 1,767 million.

The Endesa Chile share price ended the year at Ch\$ 733.96 on the Santiago Stock Exchange, Ch\$ 742.47 on the Electronic Exchange and Ch\$ 738.57 on the Valparaíso Stock Exchange.



SHARE TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE (NYSE)

29.8 million Endesa Chile ADRs were traded in the United States in 2008, the equivalent of US\$ 1,202.67 million. An ADR represents 30 Endesa Chile shares. The price of the Endesa Chile ADR at the end of the year was US\$ 33.49.



TRANSACTIONS ON THE MADRID STOCK EXCHANGE (LATIBEX)

775,574 trading units of Endesa Chile were traded in 2008 on the Latin American Securities Market of the Madrid Stock Exchange (Latibex), the equivalent to €22.3 million. The trading unit represents 30 shares. The unit price at the year-end was € 24.37.



06. QUARTERLY STOCK MARKET INFORMATION FOR THE LAST THREE YEARS

SANTIAGO STOCK EXCHANGE			
Quarter	Units Traded	Volume Traded (Ch\$)	Average Price (Ch\$)
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
1st 2008	490,571,211	299,444,828,353	610.40
2nd 2008	397,007,148	298,615,080,749	752.17
3rd 2008	308,891,942	240,360,527,065	778.14
4th 2008	543,383,717	407,554,225,600	750.03

CHILEAN ELECTRONIC EXCHANGE			
Quarter	Units Traded	Volume Traded (Ch\$)	Average Price (Ch\$)
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
1st 2008	102,476,275	62,215,802,610	600.37
2nd 2008	65,043,033	48,701,907,192	749.91
3rd 2008	63,328,136	49,145,008,217	778.89
4th 2008	68,820,323	50,494,636,859	750.70

VALPARAÍSO STOCK EXCHANGE			
Quarter	Units Traded	Volume Traded (Ch\$)	Average Price (Ch\$)
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
1st 2008	501,223	275,657,256	549.97
2nd 2008	293,791	220,362,868	750.07
3rd 2008	196,823	147,578,523	749.80
4th 2008	1,193,613	881,567,691	738.57

INVESTMENT AND FINANCING POLICY



The board of the Company agreed to propose the following investment and financing policy for 2009 to the General Ordinary Shareholders' Meeting of 2009.

01. INVESTMENT POLICY 2009

During 2009, the Company will make investments as set out in its bylaws in the following investment areas, each limited by amount.

1. ELECTRICITY GENERATION

The maximum limit shall be considered as the investment necessary for the company to meet its main objectives (production, transmission, distribution and supply of electricity) with a limit equivalent to 15% of the shareholders' equity plus minority interest of Endesa Chile's consolidated balance sheet as of December 31, 2008.

2. CAPITAL CONTRIBUTIONS TO SUBSIDIARY AND ASSOCIATE COMPANIES

Contributions will be made to subsidiaries and related companies in Chile and abroad, in order to allow them to carry out their projects and make those investments and take part in activities necessary to accomplish their respective corporate objectives.

The global maximum investment limit in all subsidiaries and related companies in Chile and abroad for 2009 shall be the equivalent of 15% of the shareholders' equity plus minority interest of Endesa Chile's consolidated balance sheet as of December 31, 2008.

3. OTHER INVESTMENTS

3.1 Financial assets, titles, rights, securities, real estate, investments in companies, and constitution of subsidiaries and related companies as set out in the by-laws, in order to perform investments in the electricity sector. The maximum investment limit shall be that necessary for seizing business opportunities, with a maximum of 15% of the shareholders' equity plus minority interest of Endesa Chile's consolidated balance sheet as of December 31, 2008.

3.2. Financial assets, titles, rights, securities, real estate, investments in companies and constitution of subsidiaries and related companies as set out in the by-laws, to develop projects and operations or activities related to industrial processes in order to obtain 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's consolidated balance sheet as of December 31, 2008.

INVESTMENTS IN FINANCIAL INSTRUMENTS

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

Within the framework approved by the shareholders' meeting, the board should define the specific investments in works and studies to be carried out by the company, its amounts and financing methods, and will adopt the measures for controlling such investments.

02. FINANCING POLICY 2009

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 2.20:1. Funding will come from the following sources:

- Own resources.
- Supplier credits.
- Loans from banks and financial institutions.

- Placement of securities in 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, following the market conditions applicable in each case with goods and services of a similar kind, quality and characteristics. Accordingly, the management shall also be authorized to cancel obligations arising from these contracts, according to the law, when convenient for the corporate interest.

Under the provisions of clause 120 of Decree Law N° 3,500, the disposal of assets or rights that are declared in these policies as essentials for the company's functioning, and the granting of guarantees over them, should be resolved by a special shareholders' meeting.

In compliance with clause 119 of that law, the following assets are declared as essentials 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 or its 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., Endesa Eco S.A. and Generandes Perú S.A., meaning maintaining a holding of 50.1 % of the subscribed and paid shares of those companies.

A special shareholders' meeting should also approve the granting of 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.



San Isidro I y II Power Plants.

OPERATING SUMMARY OF ENDESA CHILE AND SUBSIDIARIES



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 139 units in four Latin American countries, with a total installed capacity of 12,906 MW.

In Argentina, through Endesa Costanera and Hidroeléctrica El Chocón, it operates a total of 3,652 MW capacity, which represents 14% 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 4,893 MW of capacity, representing 36% of the country's installed capacity. 70.7% of the installed capacity of Endesa Chile and its subsidiaries is hydroelectric, 28.9% is thermal and 0.4% wind generated. The company participates in the Central Electricity Grid (SIC), Chile's main electricity system covering some 93% of the population, from Taltal to Chiloé. The company and its Chilean subsidiaries have an installed capacity of 4,711 MW on this grid, representing approximately 48% of the SIC. The company also participates in the Northern Electricity

Grid (SING) through its subsidiary Celta and indirectly through GasAtacama Chile S.A., 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 Chile, in which Endesa Chile has a 50% holding, the installed capacity on the SING increases to 27%.

In Colombia, through Emgesa, it operates a total of 2,895 MW of capacity, representing 21% of Colombia's installed capacity.

In Peru, through Edegel, it operates a total of 1,467 MW of capacity, representing 28% of the Peruvian grid.

Endesa Chile also participates in the Brazilian generation, transmission and distribution markets through its associate company Endesa Brasil, jointly with Enersis and the Spanish parent Endesa, S.A. 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 AND ENERGY GENERATION AND SALES OF ENDESA CHILE AND SUBSIDIARIES

Installed Capacity (MW) (1)	2007	2008
Argentina	3,644	3,652
Chile	4,779	4,893
Colombia	2,829	2,895
Peru	1,468	1,467
TOTAL	12,720	12,906

Energy Generation (GWh) (2)	2007	2008
Argentina	12,117	10,480
Chile	18,773	19,807
Colombia	11,942	12,905
Peru	7,654	8,102
TOTAL	50,486	51,294

Energy Sales (GWh)	2007	2008
Argentina	12,406	11,098
Chile	19,212	19,808
Colombia	15,613	16,368
Peru	7,994	8,461
TOTAL	55,225	55,734

(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 participate in the generation and sale of electricity in four countries, each of which has a regulatory framework, energy matrices, a number of participants and different growth patterns and consumption levels. The following is a brief 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 in 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 must 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.

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 2008, installed capacity of the MEM amounted to 26,226 MW, of which 38.7% was hydroelectric capacity. The peak demand in 2008 was 19,126 MW and annual consumption reached 105,938

GWh. Demand growth on the MEM was 2.9%.

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 13.9% of total installed capacity on the MEM and 10.5% in terms of energy sales in 2008. In addition, Endesa Chile, through these same subsidiaries, has holdings of 5.51% and 15.35% respectively in companies responsible for the construction of two new combined-cycle plants, coordinated by FONINVEMEN.

Other important operators in this market are Sadesa, AES, Pampa Energía, Pluspetrol and Petrobrás.

ELECTRICITY MARKET

In order to promote and facilitate the installation of new generation projects in the short term, the Secretary of Energy published a series of regulations including:

- Resolution MEYP No.728/2004 (art. 8) defines that those infrastructure projects identified as critical for the development of the country's economy shall have a special treatment, these being those for the generation, transportation and distribution of electricity.
- In accordance with Resolution S.E. 564/2007, the private-sector creditors of the MEM were called on 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% of all sales settlements during 2007 with maturities to be defined, representing the balances of clause 4 c) of Resolution S.E. 406/2003. With these funds, two combined-cycle thermal plants have started up, these being the General Manuel Belgrano and General San Martín plants, which entered the MEM operating in open cycle in the first half of 2008, with an installed capacity of 1,125 MW. The closing of the cycle of these two plants is expected for the second half of 2009.

- Resolutions S.E. 1215/2007, 1359/07, 2017/07 and 2018/07 declare the new works presented as being "Critical Infrastructure Works".

GAS MARKET

The following should be mentioned with respect to the supply of natural gas in the system:

- The Argentine government has introduced a series of measures for raising the domestic availability of natural gas, including promoting an increase in domestic production, motivating new investments in exploration and production, promoting expansion in energy transportation and distribution, and signing agreements for imports of natural gas. With respect to last-mentioned, in October 2006 the Bolivian and

Argentine governments signed a natural gas supply contract between YPFB and ENARSA, expiring in 2026. Although this contemplates small volumes in the first years, of around 7.7 MMm³/d which is compatible with the present transportation infrastructure, during 2007 and 2008, Bolivia has experienced difficulties in supplying Argentina while Brazil increased its contracted demand (as occurred in the second half of 2008 when average gas imports from Bolivia were around 2.0 MMm³/d). For the subsequent years, the contract between Bolivia and Argentina contemplates larger volumes that reach 27.7 MMm³/d in 2010.

- Since May 2008, Enarsa began injections of liquefied natural gas (LNG) through re-gasification ships from Trinidad and Tobago to Bahía Blanca, signifying average imports of the order of 4 MMm³/d.
- CAMMESA continued to provide liquid fuels to the thermal plants on the MEM in order to make up for the restrictions on gas supplies that significantly affected the plants during the winter.
- Regarding supplies for the plants in Argentina, it is important to note that, with the coming into force of Resolution S.E 599/2007, which ratifies the proposed agreement between natural gas producers and the government for meeting Argentina's domestic demand during

the period 2007-2011, negotiations began with various producers to contract supplies for Central Costanera, having reached agreements for monthly supplies.

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), which 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), which 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, which 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 set.

The generation 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. Until 2009, 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. Starting in 2010, the transfer price between generating and distribution companies will be that resulting from tenders that the distributors arrange.

(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 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.

Effective 2010, the promulgation of Law 20,018 requires distributor companies to have permanent supplies available to meet all their demand, for which they should arrange tenders for long-term contracts. During the period 2006-2008, various distributor companies have carried out tenders and signed supply contracts for approximately 19,500 GWh/year. These contracts have a 10-year term and cover around 58% of the regulated demand forecast for the year 2011.

The principal regulatory changes in 2007 and 2008 were:

a) Supreme Decree 44 was published in January 2007 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 2007 amending the technical standards, with safety and service quality requirements for the SING and the SIC.

c) In June 2007, Resolution 386 set rules for the proper application of the mechanisms for increasing/reducing consumption between generators and consumers.

d) In September 2007, The "Tokman Law" No.20,220 was published, which seeks to ensure supply safety to regulated customers and the sufficiency of the electricity grids in the event of the bankruptcy of an electricity generating, transmission or distribution company.

e) Law 20,257 was promulgated in April 2008,

motivating the use of non-conventional renewable energies (NCRE). The principal aspect of this regulation is that it obliges generators to ensure that at least 5% of their energy sold comes from these renewable sources between 2010 and 2014, increasing progressively by annual increments of 0.5% from 2015 to 2024, when it will reach 10%.

f) Law 20,304 was published in December 2008, regulating the operation of reservoirs in the face of overflow alerts and emergencies. The law authorizes the waters authority (DGA) to require hydroelectric generators to have an operating manual and mitigation measures for such events. Fines could reach 6,000 UTA in the event of non-compliance.

g) In August 2008, the government sent to Congress the "Short Law III". The text includes the participation of the Panel of Experts in different instances of the tariff-setting process of distribution companies, as a way to resolve discrepancies between the sector's private and regulatory-authority areas.

h) In September 2008, IBENER appealed against Decree 291 which establishes a new structure and organization of the CDECs. The court accepted the appeal and granted an injunction against further moves, thus paralyzing the process of adapting to this regulation that was being introduced in the SIC.

i) A bill is being considered for the creation of a Ministry of Energy. Its objectives include the

arrangements of plans and policies, the preparation and proposal of sector regulations, and the study and preparation of national energy demand and supply projections. The new ministry would also be responsible for some functions that today fall within the mining and economy ministries such as determining the parity prices contained in the oil-price stabilization funds and the powers assigned to the Ministry of the Economy with respect to gas and electricity (definitive concessions, transportation systems, exploitation of electricity and supply services, the publication of regulations, etc.). The bill also establishes that the Superintendency of Electricity and Fuels (SEC) and the Chilean Nuclear Energy Commission would be organisms reporting to the new Ministry of Energy.

j) The Finance Committee of the Chamber of Deputies unanimously approved and dispatched the bill incorporating liquefied natural gas (LNG) into the Fuel Price Stabilization Fund mechanism. The bill creates a balancing mechanism for the LNG price so that this fuel receives a credit or pays a tax of equal amount, in energy-equivalent units, to those applied to the cheaper of diesel and liquefied petroleum gas (LPG). This will therefore maintain a balance of prices between LNG, diesel oil and LPG, which are its main substitutes.

k) Law 20,258 was promulgated in March 2008 which established the refund of the specific tax on diesel oil in favor of generating companies until 2011.

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. Endesa Chile, as part of its strategy for ensuring reliable and varied sources of energy, is taking an active part in the initiative promoted by the government to increase the diversification of the energy matrix through the Quintero LNG project, with a 20% shareholding in the re-gasification terminal, together with ENAP, Metrogas and British Gas, the latter being the gas supplier. GNL Quintero S.A., through the contractor Chicago Bridge & Iron (CBI), responsible for the engineering, procurement and construction (EPC) contract, is progressing with the construction of the mooring, cryogenic tanks and the re-gasification installations. On June 21, 2008, the

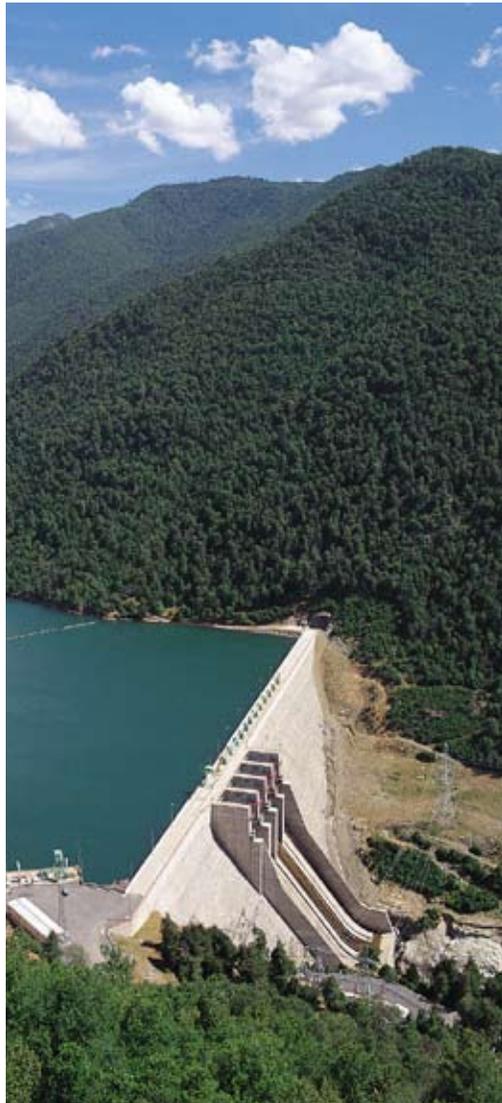
project's loan agreement was signed, achieving a debt-equity structure of 85:15. It is estimated that this project will demand a material investment of close to US\$1,000 million and start operating in fast-track mode in the first half of 2009, and definitively during 2010.

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 2008 of 9,824 MW, it is mainly hydroelectric based with 53.0% and the remaining 47% thermal and wind generated. Peak demand on the SIC in 2008 was 6,154 MW and sales amounted to 39,594 GWh, representing a decrease of 0.9% from 2007.

Endesa Chile, acting directly and through its subsidiaries Pehuenche, Pangué, San Isidro and Endesa Eco, is the principal operator on this system, with 48.0% of total installed capacity and 47.3% of energy sales in 2008. Other important operators in this market are AES Gener and Colbún.

The subsidiary Endesa Eco is the first company to connect a wind-farm, Canela I, to the SIC. This was inaugurated in December 2007. It is located in the village of Canela, in Chile's Forth Region, and consists of 11 wind generators which together have an installed



Panguel Power Plant, Chile.

capacity of 18 MW. In addition, in June 2008, this subsidiary connected to the SIC its Ojos de Agua mini-hydroelectric plant, situated in the valley of the Cipreses river in the Region of Maule, with an installed capacity of 9 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 2008 of 3,593 MW, is 99.6% thermal generated. Peak demand on the SING in 2008 was 1,897 MW and energy sales reached 13,219 GWh, representing an increase of 4.3% over the previous year.

Endesa Chile, acting through its subsidiary Celta S.A. and its associate GasAtacama Chile S.A., is an important operator on the SING, with 26.7% of the total installed capacity and 34.1% in terms of energy sales in 2008. 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 companies 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). In 2008, the CREG published various consultative documents and resolutions on this subject and a definitive resolution is expected for the first half of 2009.

Since December 1, 2006, generators receive a charge for reliability where the amount to be remunerated to each plant depends on an individual optimization model related to the real capacity available at each plant. The price was initially defined by the authority at US\$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 was held in May 2008 to determine the Firm Energy Obligations for the period from December 2012 to November 2013. The total assignment was

3,009 GWh/year (438 MW), to three plants: Amoyá 78 MW hydroelectric, of Isagen, 150 MW coal-thermal, of Gecelca, and 201 MW liquid-fuels thermal, of Poliobras. The closing price was US\$13.998 per MWh and the assignment was for 20 years from December 1, 2012. The process was also closed for plants with construction periods of over four years (GPPS) at the same price of US\$13.998 per MWh, as the total of the offers submitted was less than demand required, assigning Firm Energy for the hydroelectric plants Cucuana, Miel II, Pescadero, Porce IV, Quimbo and Sogamoso for 20 years from December 2014.

The National Dispatch Center receives availability and price offers daily from the generators participating on the exchange. Based on these offers, the National Dispatch Center determines the real dispatch, incorporating the un-warranted generation required for safety reasons and/or limitations on the transmission networks. Excess costs 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 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.

An interconnection has been operating with Ecuador since 2003, 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-Mococa 230 kV and Jamondino-Pomasqui III and IV 230 kV circuits, and, in November 2008, the Colombia-Ecuador interconnection with the Jamondino-Pomasqui 230 kV 3 and 4 circuits reinforcement was declared as operational. During 2008, energy exchanges with Ecuador comprised 510 GWh of exported energy and 38 GWh of imported energy.

Installed capacity at December 2008 was 13,505 MW of which 66.7% corresponds to hydroelectric generation and the rest to thermal and co-generating capacity. Peak demand in 2008 was 9,079 MW and total demand reached 53,870 GWh, 1.9% more than

the year before.

Endesa Chile, through its subsidiary Emgesa, had a market share of 21.4% in terms of installed capacity and 21.9% in terms of energy sales in 2008. On April 24, 2008, Emgesa declared that its Cartagena plant 2 unit was operating commercially. With this, the plant was expanded from 142 MW to 208 MW from its three operating units.

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

PERU

In Peru, 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 OSINERGMIN (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.

The amendment of the Electricity Concessions Law was approved during 2006, including among other aspects, the possibility for distributors to call for tenders for ensuring their supplies, thus resolving the problem of distributors without contracts for supplying their regulated customers.

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. In 2008, eight distributor groups have made different tenders for electricity supplies for the period 2008-2012. Since the introduction of these tenders, several of them have been declared void so some distributors continue without contracted supplies for their regulated demand. In January 2008 therefore, Law 29,179 was published permitting distributors to buy energy at the bar price when they have no supply after having arranged at least three tenders. The generators are obliged to sell this energy which is shared as a function of the firm efficient energy of each generator, after discounting each one's contracts.

Despite the provisions of Laws 28,832 and 29,179, it is expected that the problem of distributors without contracts will persist in the period 2009-2011 so Emergency Decree 049-2008 was published on December 18, 2008, which revokes Emergency Decree 046-2007 and establishes that drawings made by distributors for meeting the demand of their regulated users, without having the respective supply contracts with generators, will be assigned to the latter, valued at the bar price of the regulated market, in proportion to the annual firm efficient energy of each generator, less their sales of energy under contracts. This Emergency Decree also modifies the way of calculating short-term

marginal costs which will be calculated without taking into account production or natural-gas transportation restrictions and electricity transmission, and shall have a maximum value to be defined by the Ministry of Energy and Mines.

With respect to the supply of natural gas in Peru and, more specifically, with respect to problems related to gas transportation, the following regulations have been published during 2008:

- On January 5, 2008, Decree 01-2008 was published in the Official Gazette which regulates an aspect of Law 28,832 on the determination of marginal costs in the event of gas pipeline problems. In the event of a lack of natural gas due to pipeline faults, the marginal cost shall be taken from the same day of the previous week and the extra related generation costs for the plants operating with variable costs above the established marginal cost shall be paid by the generators as a function of their net positive drawings.
- Decree 1041 was published on June 26, 2008 establishing an idealized marginal cost when congestion occurs in the transport of natural gas from Camisea. The costs of the generators, whose variable costs are higher than the idealized marginal costs, shall be paid by users through an additional charge in the connection toll to the principal

transmission system (Emergency Decree 049-2008, which modified the assignment of costs to users, as between August and December 2008 the half was assigned to the generators and the other half to users). Other aspects included in the decree are the modification of the definition of firm capacity, the term of up to 20 years of the tender contracts; the compensation for units having facilities for using alternative fuels and accelerated depreciation for the payment of income tax on hydroelectric or renewable energy projects.

- Supreme Decree 041-2008-EM of August 13, 2008 regulated aspects related to DL No.1041 which attenuates the impact in the congestion of the Camisea pipeline. A procedure was also established for passing on to electricity users the additional costs due to pipeline congestion. Effective August 15, energy transactions on the spot market are paid

at a price equal to the "idealized price" (instead of marginal cost), in accordance with DL No.1041.

- On September 21, 2008, Osinermin approved the technical procedure that determines the compensation and assignment of operating costs incurred by the generating units that were dispatched out of order or merit of variable costs for congestion in the SEIN transmission system.
- DU 049 was published on December 18, 2008 covering the period January 1, 2009-December 2011, which defines the following criteria for economic dispatch: i) the short-term marginal costs of the SEIN shall be determined considering that there is no production or natural gas transportation restriction and may not exceed a limit to be defined by the MINEM. Ministerial Resolution 607-2008 of December 31, 2008 defines this limit as 313.5 Nuevos Soles/MWh. ii) the difference between variable

operating costs incurred by the plants operating with variable costs above the marginal costs determined and such marginal costs, will be covered by demand through an additional charge in the connection toll to the principal transmission system. iii) physical drawings of capacity and energy of the SEIN made by electricity distribution companies to meet the demand of their regulated users, without supply contracts with the generators, will be assigned to the electricity generating companies at regulated market bar prices, in proportion to the annual firm efficient energy of each generator, less their energy sales under contracts. In the case of drawings without contract, the additional variable costs with respect to the bar energy prices in which the plants incur to meet such drawings shall be incorporated in the connection toll to the principal transmission system.

Supreme Decree 050-2008-EM, the regulations of Law 1002 for the promotion of renewable energy, was approved in October 2008. The COES has a term of 60 days for proposing to the regulator, Osinergmin, the procedures necessary for the application of the law. The first electricity tender to be made under this law will be for 500 MW.

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

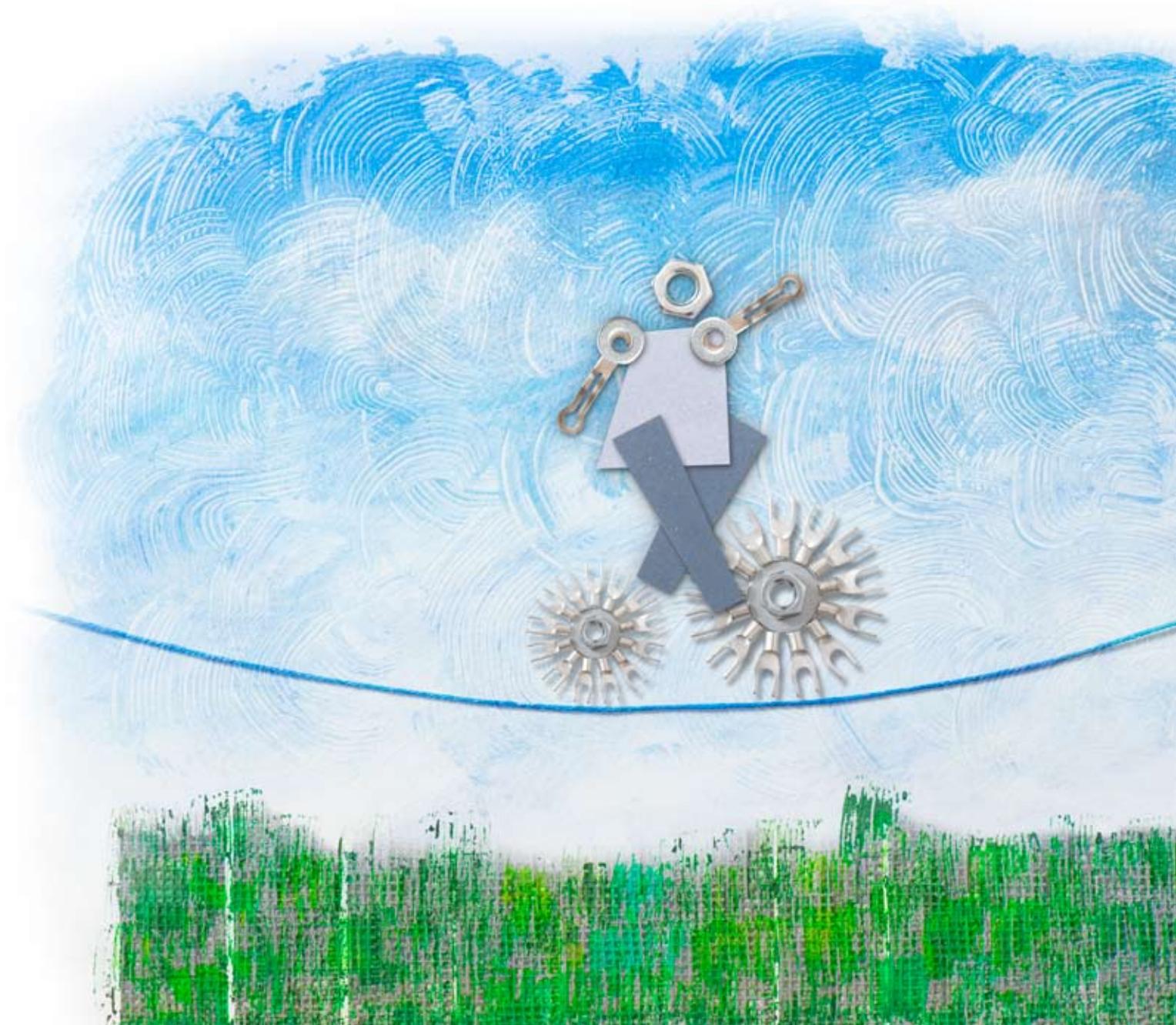
The installed capacity of the SINAC at December 2008 was 5,148 MW of which 54.7% is hydroelectric. Peak demand in 2008 was 4,199 MW, and gross generation reached 29,559 GWh, representing growth of 8.5% over 2007.

Endesa Chile, through its subsidiary Edegel, had a market share of 28.5% in 2008 in terms of installed capacity and 31.6% in terms of energy sales.

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



RISK FACTORS



01. REGULATORY RISKS

All the legislations regulate the electricity sector of each country and impose obligatory compliance. However, there are interpretations as well as the provisions of the regulatory authority that are adapted to the complexity of the system and that could affect the general conditions of the business.

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. The other countries where Endesa Chile operates have similar regulations.

Endesa Chile and its subsidiaries have adapted their projects and operations to the environmental regulations of the different countries where they operate and comply with these, including carrying

out environmental investments over and above those required by the applicable environmental standards. As of December 31, 2008, 99% 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. 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 SALE 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 prices fluctuate according to the exchange rate, the market price for electricity, the market prices of our principal inputs, like natural gas, oil, coal and other energy-related products. It is impossible to introduce indexation formulas that correlate perfectly the changes in the

market prices of these commodities, the exchange rate and the market price of electricity with 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 SHORTAGE

The natural gas shortage in Argentina could continue to have a negative impact on some of our generating plants in that country, especially those that use natural gas as input.

As a result of this shortage, in Argentina, gas-supply cuts have affected supplies to the combined-cycle plants, forcing them to operate with oil. This causes an increase in operating costs which, although financed by the whole system, ends 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 purchase natural gas from their Argentine suppliers subject to the availability of this fuel. However, cuts in gas supplies from Argentina have been replaced with oil, affecting both the production volume and the operating costs of these plants, a situation that will be mitigated from the second half of 2009 with the availability of liquefied natural gas at the new Quintero terminal.

In Peru, there has been a deficit in the gas transportation capacity, leading to higher supply costs for the system. It is expected that this situation will not be resolved until at least the end of 2010.

07. REFINANCING RISK

Endesa Chile and its subsidiaries usually resort to the domestic and international financial markets so a financial crisis, like that which started in the middle of 2007, could adversely affect them. In this scenario, creditors' demands could be greater, both with respect to interest rates and more restrictive agreements.

Endesa Chile has debt which is subject to financial covenants and other standard contractual restrictions, principally related to the ratios of debt to EBITDA and debt to equity. 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 individually. In some cases, the threshold is higher. If those debts became payable on demand due to default under those covenants or cross-default clauses, Endesa Chile could have difficulties in meeting these payments.

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 58% of its consolidated operating income comes from Chile and the remaining 42% from outside the country. Its results are therefore sensitive to the performance of the Latin American economy as a whole.

OPERATIONS IN ARGENTINA



01. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES

Installed Capacity (MW) (1)	2007	2008
Endesa Costanera		
Costanera (Steam Turbine)	1,138	1,138
Costanera (Combined Cycle)	859	859
CBA (Combined Cycle)	327	327
Total	2,324	2,324
El Chocón		
El Chocón (Hydroelectric)	1,200	1,200
Arroyito (Hydroelectric) (2)	120	128
Total	1,320	1,328
Total Argentina	3,644	3,652
Energy Generation (GWh)		
Endesa Costanera	8,421	8,540
El Chocón	3,696	1,940
Total Generation in Argentina	12,117	10,480
Energy Sales (GWh)		
Endesa Costanera	8,450	8,543
El Chocón	3,956	2,554
Total Energy Sales in Argentina	12,406	11,098

(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".

(2) The Arroyito plant increased its installed capacity from 120 MW at the end of 2007 to 128 MW in November 2008 as a result of an increase in the water level of the reservoir.



Endesa Costanera S.A., Argentina.

02. ACTIVITIES AND PROJECTS

ENDESA COSTANERA S.A.

During 2008, demand on the Argentine electricity grid increased by 2.9% over 2007, continuing the growth trend that began in 2003.

To meet this increase in its dispatch, it was necessary to consume 1,436 million m³ of natural gas, 428,164 tons of fuel oil and 150,224 m³ of gas oil. Of the natural gas consumed, 88.2% 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. However, of the total fuel oil consumed by Endesa Costanera, 77.7% was supplied by itself with the balance provided by Cammesa. Practically all the gas oil consumed by Endesa Costanera was supplied by Cammesa.

In operating terms, 2008 was characterized by important restrictions on natural gas from May to September, but on a lesser scale than in 2007. These restrictions assumed a high consumption of liquid fuels.

On the other hand, the high energy prices in the first four months of the year, with full gas availability and the technical position of combined cycles, added to an important own fuel oil supply, have permitted the year's margins to be higher than in 2007. The most relevant aspect was the continuous functioning of both combined cycles with gas oil during the winter, after quickly resolving the power transformer fault of one of the gas turbines in May. Both generating units fulfilled an outstanding role during that period, supporting the system at its most critical point, above all bearing in mind that liquid fuel was only foreseen for emergency conditions.

In the financial area, the main priority of the company in 2008 was to meet the operating cash needs of the plant, managing to restructure the maturities of its short-term debt, complemented by a new loan for maintenance formalized 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 payment for that produced by the generators. Due to these measures, the company receives part payment of its monthly credits. With reference to all the credits of paragraph

c) of article 4 of Resolution SE No. 406/03 of 2008, the company in December entered into two agreements with Cammesa whereby, under the terms of Resolution SE N° 724/08, the company agreed to the collection of this whole amount and part of that of 2009 in exchange for making investments in operative and safety matters at the plant with 65% of this, the remaining 35% being freely available to the company.

Regarding the fund for necessary investments that permit increasing electricity supplies in the wholesale electricity market, "FONINVEMEM", the gas turbines of the Manuel Belgrano and José de San Martín thermal plants started operating during 2008 in open cycle, expecting the closing of the cycles (operation to combined cycle) in the second half of 2009. It should be recalled that once operating under combined cycle, the companies, including Endesa Costanera and Hidroeléctrica El Chocón, should begin to recover their credits from the project's cash flow, through the sale contract of their production to the MEM, administered by Cammesa, for ten years. The credits of Endesa Costanera with FONINVEMEM amounted to 115.7 million Argentine pesos, while those of Hidroeléctrica El Chocón amounted to 373 million Argentine pesos.



HIDROELÉCTRICA EL CHOCÓN S.A.

During 2008, the rainfalls compared to monthly historic averages in the basin of the Limay river alternated between higher readings in January, May, July and August, and lower readings in April, June, September, October, November and December. The snow accumulated on the high peaks exceeded their historic averages, mainly at the Casa Quila 1800 and Pampa de Chacaico stations. At the Cerro Mirador and Cerro El Mocho stations, snow levels were slightly below average. The hydrological year started April 1, 2008 was characterized as an average year.

From the second half of May 2008, resulting from the high dispatch assigned to the plants upstream from El Chocón and the restricted dispatch applied to this plant, the water level of the reservoir rose. This entered the Normal Operating Band (FON) on June 19, with a level of 370.04 m. above sea level. The reservoir has been in the Extraordinary Operating Band (FOE) since October 12, 2007.

In the commercial area, the company in 2008 continued with the opportunely-defined strategy to focus 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. 1,190 GWh was sold on the spot market during the year, and 1,364 GWh under contracts. For this, it bought 614 GWh in the MEM, obtaining a variable margin of 173 million Argentine pesos.

In financial matters, in order to mitigate the risk of interest-rate volatility, the company contracted a swap transaction (IRS) in July 2008, between 3-month Libor and a fixed rate of 3.59%, with Citibank N.A. New York, for 50% of its debt with Deutsche Bank AG and Standard Bank Plc.

Despite the delicate situation in the financial markets, the company agreed new loans in September and December with Banco Santander Río S.A. for a total amount of 36 million Argentine pesos, with a one-year bullet repayment and a corrected private "Badlar" plus 370 bps. The proceeds were used to repay loan installments in September and December 2008 for a total of US\$11.7 million with Deutsche Bank AG and Standard Bank Plc.

With respect to the company's investment projects, notable was the completion of the elevation works of the water level of the Arroyito plant reservoir, with an investment of over 24 million Argentine pesos, whose order to proceed had been issued in December 2007, having satisfactorily carried out and completed the

works quicker than originally stipulated. Arroyito is now able to control the extraordinary overflows foreseen in the Concession Contract Overflow Attenuation Regulations, avoiding the risk of a fault with serious damage to people and properties downstream from the dam. This will also permit increasing the generation of the hydroelectric plant by around an average 68.7 GWh/year, which were included as New Energy authorized to enter the Energy Plus Plan conceived by the Argentine government, Arroyito being the first hydroelectric project in this plan. The company has signed contracts with its customers to sell this service with physical back-up.

By Resolution 076/08 of November 19, the ORSEP (Dam Safety Regulator Organism) granted its certificate of operational aptitude for the project. Apart from that date therefore, the Arroyito project was able to operate with the new reservoir conditions.

The company, through the Comahue Area Electricity Generators Group (GEEAC), actively participates in works needed for increasing the transmission capacity of electricity from Comahue. During 2008, complementary work was carried out in the Choele Choel, Bahía Blanca and Olavarría transformer stations. A follow-up was also maintained of the Comahue Cuyo 500 kV high-tension lines.

OPERATIONS IN BRAZIL



01. ENDESA BRASIL

Endesa Brasil S.A. was constituted in 2005, receiving the contribution of existing assets in that country owned by Endesa Latinoamérica, Endesa Chile, Enersis and Chilectra. Endesa Chile therefore ceased to consolidate with Cachoeira Dourada, and Enersis began to consolidate Endesa Brasil S.A. 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. It is located in the State of Goiás, 240 km. south of Goiana and its declared capacity is 665 MW.

Its net generation in 2008 was 3,308 GWh and energy sales were 4,403 GWh.

ENDESA FORTALEZA

This is a combined-cycle thermal plant using natural gas and diesel oil, located in 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 2008 was 71 GWh and energy sales were 2,690 GWh.

CIEN

This company enables the export and import of electricity between Argentina and Brazil, in either direction. 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 transmitted during 2008 was 2,063 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.

Ampla supplied 9,119 GWh during 2008, representing a 1.5% increase over 2007. Of the total energy sold, 39.0% was to residential customers, 12.6% to industrial customers, 18.9% to commercial customers and 29.4% to others.

Ampla's customers total 2,466,468 of which 89.7% are residential, 6.8% commercial, 0.2% industrial and 3.2% other sectors.

Energy losses have been reduced from 21.4% in 2007 to 20.2% in 2008.

COELCE

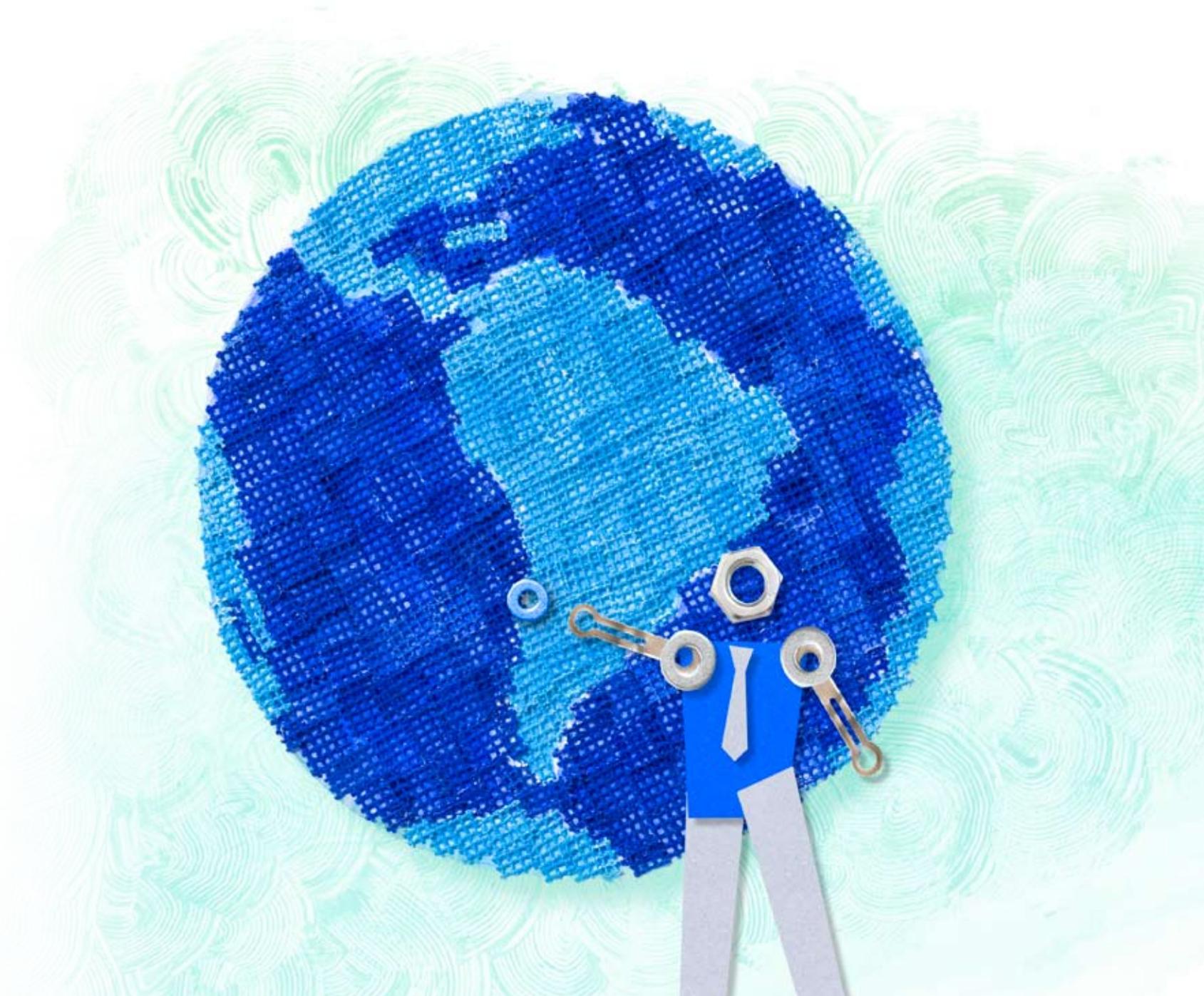
Coelce is the electricity distribution company for the state of Ceará in north-east Brazil and covers a concession zone of 148,825 km². The company serves a population of more than seven million people.

Energy sales amounted to 7,571 GWh in 2008, 4.8% more than in 2007. Of the total sold, 33.2% was to residential customers, 18.8% to commercial, 16.8% to industrial and 31.2% to other customers.

Coelce's customers total 2,841,838 of which 75.0% are residential, 5.3% commercial, 0.2% industrial and 19.4% from other sectors.

Energy losses fell from 12.5% in 2007 to 11.7% in 2008.

OPERATIONS IN CHILE



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

Operating Plants of Endesa Chile and Subsidiaries

Plant	Company	Technology	Installed Capacity (MW) (1)	
			2007	2008
Los Molles	Endesa Chile	Hydroelectric	18	18
Rapel	Endesa Chile	Hydroelectric	377	377
Sauzal	Endesa Chile	Hydroelectric	77	77
Sauzalito	Endesa Chile	Hydroelectric	12	12
Cipreses	Endesa Chile	Hydroelectric	106	106
Isla	Endesa Chile	Hydroelectric	68	68
Abanico	Endesa Chile	Hydroelectric	136	136
El Toro	Endesa Chile	Hydroelectric	450	450
Antuco	Endesa Chile	Hydroelectric	320	320
Ralco	Endesa Chile	Hydroelectric	690	690
Palmucho	Endesa Chile	Hydroelectric	32	32
Tal Tal	Endesa Chile	Fuel/Gas	245	245
Diego de Almagro	Endesa Chile	Fuel/Gas	47	47
Huasco Gas Turbine	Endesa Chile	Fuel/Gas	64	64
Huasco steam	Endesa Chile	Coal	16	16
Bocamina	Endesa Chile	Coal	128	128
San Isidro II (2)	Endesa Chile	Fuel/Gas	248	353
Ojos de Agua (3)	Endesa Eco	Hydroelectric	-	9
Pehuenche	Pehuenche	Hydroelectric	570	570
Curillinque	Pehuenche	Hydroelectric	89	89
Loma Alta	Pehuenche	Hydroelectric	40	40
Pangue	Pangue	Hydroelectric	467	467
Tarapacá Gas Turbine	Celta	Fuel/Gas	24	24
Tarapacá coal	Celta	Coal	158	158
San Isidro I	San Isidro	Fuel/Gas	379	379
Canela	Central Eólica Canela	Wind	18	18
TOTAL			4,779	4,893

(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) In January 2008 the unit 2 (steam turbine) of San Isidro II started its commercial operations, with which it completed the close to combined cycle. The open-cycle phase corresponding to unit 1 (gas turbine) has been operating commercially since April 2007.

(3) The Ojos de Agua plant started operating commercially in June 2008.

The generating capacity of Endesa Chile and its Chilean subsidiaries represents 48% of the total installed capacity on the SIC and 5% on the SING (27% if including the installed capacity of the associate company GasAtacama Chile S.A.).

Energy sales of Endesa Chile and its subsidiaries on the SIC were 18,746 GWh in 2008. This represents a 47% share of total sales on the SIC, including sales to customers and net sales on the spot market. Sales to regulated customers represented 61%, those to non-regulated customers 22% and the remaining 17% were net sales on the spot market.

The energy sales of the subsidiary Celta to its customers on the SING totalled 1,062 GWh in 2008, representing an 8% share of total sales on the SING.

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

Installed Capacity (MW) (1)	2007	2008
Endesa Chile (2)	3,034	3,139
Pehuenche S.A.	699	699
Pangue S.A.	467	467
San Isidro S.A.	379	379
Celta S.A.	182	182
Endesa Eco (3)	18	27
Total	4,779	4,893
Energy Generation (GWh)	2007	2008
Endesa Chile	11,093	12,204
Pehuenche S.A.	3,437	3,589
Pangue S.A.	1,351	1,763
San Isidro S.A.	1,956	1,289
Celta S.A.	933	912
Endesa Eco	3	49
Total	18,773	19,807
Energy Sales (GWh)	2007	2008
Sales to End Customers		
Endesa Chile	14,508	15,079
Pehuenche S.A.	383	529
Pangue S.A.	-	1
San Isidro S.A.	871	-
Celta S.A.	1,021	882
Endesa Eco	-	-
Sales of Endesa Chile and Subsidiaries to the CDEC	2,429	3,317
Total	19,212	19,808

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

(2) In January 2008 the unit 2 (steam turbine) of San Isidro II started its commercial operations, with which it completed the close to combined cycle. The open-cycle phase corresponding to unit 1 (gas turbine) has been operating commercially since April 2007.

(3) The Ojos de Agua plant started operating commercially in June 2008.

02. OPERATIONAL SCENARIO

The tightness of supplies, the reduction in demand growth, high fuel costs and a dry hydrological start which later ended more favorably than the hydrology for 2007, were variables that largely determined the operating income for 2008.

The restricted supplies at the beginning of the year were due to a slight thaw as a result of the low accumulation of snow in the winter of 2007 and the delayed rainfalls which did not start until May. There was also a prolonged fault at an important thermal plant on the Central Grid System (SIC). These two factors meant that, in order to avoid or mitigate potential energy deficits on the SIC because of the delicate supply situation projects for the following months, a rationing decree was published in late February to be effective until August. This included operating measures for increasing the security and availability of the hydroelectric resources in reservoirs, and others directed to managing and reducing electricity demand. Among those for managing demand, especially notable were consumption saving campaigns, electricity voltage reductions and the introduction of offers of economic compensations for reduced regulated-customer consumption.

The tight supply conditions in the first four months also had to face the scarce availability of natural gas

from Argentina and the high prices of fuels, which raised operating expenses and electricity prices on the spot market.

Endesa Chile, in addition to the measures contemplated in the rationing decree, managed to bring forward water resources to which it had rights for electricity generation in the Maule and Laja reservoirs, after reaching agreement with the hydraulic works authority about adding flexibility to the operating agreements for these reservoirs. During that period, a total of 76 MMm³ was extracted from the Laja reservoir, which represented an additional contribution of 170 GWh for the SIC, plus 36 MMm³ from the Maule lake, representing a further contribution of 56 GWh. Both volumes were returned to the reservoirs when the rains began.

Endesa Chile also collaborated with the security plan prepared within the rationing decree framework, participating in the accumulation of water with thermal generation produced with no economic benefit. The Rapel and Laja reservoirs thus accumulated 5 GWh and 31 GWh respectively, to be used on the SIC.

Electricity demand remained constant during 2008 thanks to the application of the measures included in the rationing decree.

Finally, the delicate supply situation was overcome with the rains that normalized the hydrological situation of 2008 and the effect of a fall in electricity demand growth.

FUEL PRICES

Fuel prices reached record levels in 2008, impacting generation costs and energy prices with significant increments. The major impact of these costs came from liquid fuels whose prices remained high throughout almost the whole year, and much higher than in 2007. The average WTI price for 2008 was around US\$100 per barrel, an increase of more than 40% over the average for 2007.

HYDROLOGY

The hydrological condition of 2008 was less dry than the year before, with a probability of surplus of around 42%, whereas that probability in 2007 was 74%.

This improvement was an important factor favoring the results of Endesa Chile.

NATURAL GAS RESTRICTIONS

Argentine natural gas reductions that have been happening since 2004 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 reductions being during 2007 and 2008 when supplies were on average 50% below the levels of the previous years.

This severe restriction was to have just 20% of the total needed for electricity generation in 2008 plus an increase in its price and Argentine government taxes on both gas exports and its transportation.

CONSEQUENCES FOR THE SIC

Despite the reduction in electricity demand on the SIC in 2008, there were high generation costs due to:

- 1) High consumption and cost of liquid fuels: The SIC maintained an operation characterized by a high rate of generation 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). This implied a large increase in the cost of electricity generation compared to 2007, basically due to the high liquid-fuel prices. In the case of Endesa Chile, oil consumption by its plants in 2008 reached 710 thousand tons, 5% more than in 2007, with a total cost of around US\$680 million, 40% more than in 2007.
2. High marginal costs on the spot market: The high proportion of generation with oil on the SIC meant continued high energy transfer prices on the spot market. The average hourly marginal cost in 2008 was US\$200 per MWh, 19% above the average in 2007.
3. High node prices: The tight supply situation on the SIC and the resultant high cost of electricity

generation meant that the node price remained high, above those of 2007. The average monomic node price in 2008 was US\$110 per MWh, 38% higher than that in 2007. Despite this significant rise, the node price in 2008 remained on average 40% below the marginal costs of the spot market.

It is expected that electricity supplies for the SIC over the next two years (2009 and 2010) will continue to be tight and highly dependent on the state of availability of generation inputs and volatility in liquid-fuel prices. The situation should be normalized toward the second half of 2010, by when it is estimated that the generation park will include more competitive generation technologies in terms of production costs, and thus stabilize supply prices. The start-up of the liquefied natural gas (LNG) re-gasification plant will contribute to the normalization of the electricity market in the second quarter of 2009, which will enable Endesa Chile's generating units to use this fuel, together with the start-up of the Bocamina II plant toward the second half of 2010.

Endesa Chile faces the tight scenario foreseen for the next two years with a solid operating position as it has a balanced generating park in production technologies, with a major hydroelectric component, which enables it to have a lower-cost generation matrix. It also has 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 2008 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 reported.

03. ACTIONS OF ENDESA CHILE IN 2008 IN THE COMMERCIAL AND ELECTRICITY EXPLOITATION AREAS

In order to maintain its leadership in the SIC electricity market, maximize the value of the company and limit the risk related to the tight supply situation in the next few years (2009 and 2010), the following were the main actions taken by Endesa Chile in 2008:

SHORT-TERM ACTIONS

These actions have had a direct impact on the operating results and the increased value of the Company in 2008:

1. Start-up of new projects and improvements to existing units that permitted an effective increase in capacity of around 236 MW.
 - In January, the transformation was completed of the San Isidro II thermal plant to combined cycle,

with which its capacity increased from 248 MW to 353 MW.

- In March, the dual operation of Unit 1 of the Taltal plant, of 120 MW, came into service, enabling it to operate with natural gas and diesel oil. In the face of almost no availability of natural gas, the project meant in practice the preparation of the unit for a secure operation in the north of the SIC.
- At the end of June, the commercial operation of the Ojos de Agua hydroelectric plant was declared, with an installed capacity of 9 MW, which uses the waters from filtrations from La Invernada lake.
- In October, the change of the turbine of Unit 1 of the Sauzal plant was successfully concluded, which will improve the unit's generation equivalent to 2 MW for a flow of 76 m³/sec.

2. Maintenance and modernization of installations made in 2008:

- The four units of the El Toro plant were modernized, thus complying with safety technical and service quality standards.
- In March, the off-line cleaning system entered service on the gas turbine No.1 of the Taltal plant, a system that enables periodic cleaning to restore performance affected by the dirtying of the compressor. Similarly, the gas turbine No.2 off-line cleaning entered service in April.

- The ash and slag extraction process of the Bocamina plant was modified in order to free space for the installation of the plant's second unit. The present system modernizes this extraction process, replacing the former wet removal mechanism and later separation of solids through a decantation pool, by a dry extraction system with storage of ash and slag in silos.
- In November, the overhaul was begun of the Tarapacá plant on the SING. This work includes the dismantling of the steam turbine, the revision of its parts and pieces, and the change of those whose condition merits it. During this stoppage also, it is planned to replace the generator and transformer protections and the modernization of the protections of the auxiliary services feeder.

3. An efficient operational management permitted the complete availability of the whole generating park, particularly the record monthly generation on the SING of the Tarapacá plant, with a production that reached 107,579 MWh in May. The gas thermal plants on April 3 broke the record for hourly generation, exceeding the 3,000 MWh of production in three continuous hours of generation with eleven thermal-generating units.

MEDIUM-TERM ACTIONS IN THE PROJECTS AREA

1. NEW PROJECTS RELATED TO ELECTRICITY GENERATION

In order to maintain its production leadership, support its electricity sales with availability of generation energy from own production and adapt its generation matrix to the most competitive long-term conditions, Endesa Chile has begun the following generation:

- GNL Quintero re-gasification plant, for 2009
- TG Quintero of 250 MW, for 2009
- Canela II wind farm, 60 MW, for 2009
- Bocamina II, of 370 MW, for 2010

2. PROJECT ON EXISTING INSTALLATIONS

During March, the contracts were awarded for the replacement of Turbine No.5 of the Rapel plant and Turbines Nos.1 and 2 of the Antuco plant, to be concluded at the end of 2009 and 2010 respectively. This project implies an increase in capacity of 5 MW at the Rapel plant and of between 14 and 17 MW at the Antuco plant.

3. PLANT MODERNIZATION

The following plant modernizations have been planned in order to comply with the security and service quality technical standards:

- In 2009, the Abanico plant and units 1 and 2 of the Rapel plant
- In 2010, units 3, 4 and 5 of the Rapel plant, and Cipreses plant
- In 2011, the Sauzal and Sauzalito plants and Los Molles plant

4. NATIONAL EXPLOITATION CENTER PROJECT (CEN)

This contemplates for March 2009 the remote control of the Pehuenche, Curillinque and Loma Alta plants; for July 2009, of the Ralco, Pangué and Palmucho plants, and for October 2009 the Antuco and El Toro plants. During 2010, the Abanico, Rapel, Isla and Cipreses plants will be added. Lastly, in 2011, the Sauzal and Sauzalito plants and the Los Molles plant will be remote controlled.

COMMERCIAL ACTIONS

In order to maintain its market leadership, Endesa Chile signed new electricity contracts to strengthen its customer portfolio. The actions taken by Endesa Chile during 2008 were:

1. New contracts were signed with the customers GNL Quintero and Minera Valle Central (the latter a customer of the subsidiary Pehuenche). The capacity

contracted with them amounts to some 45 MW and their term extends to 2024 and 2017 respectively. Supply contracts were also awarded for the Calera cement plant and Mina Navio complex of Lafarge, and the supply of Emelectric to serve their non-regulated customers Minera La Florida and Agrosuper. Both contracts represent around 40 MW of contracted capacity and have terms extending for 10 years.

2. Regarding the tender processes for long-term supplies carried out in October 2007, Endesa Chile signed contracts with the distributors Chilectra and Empresa Eléctrica de Puente Alto for a total of 3,200 GWh/year, divided into two blocks of 1,700 GWh/year and 1,500 GWh/year respectively. These electricity supply blocks have respective terms of eleven and fifteen years from 2011.
3. During 2008, a new energy purchase contract between Endesa Chile and Empresa Eléctrica Pehuenche S.A. came into effect, by which the latter supplies Endesa Chile a block of 1,252 GWh/year during 2008 and 1,500 GWh/year from 2009. The purchase price for the period 2008-2010 is related to variations in the system's marginal cost, with a minimum and maximum. From 2011, the price is related to the award of tenders of distribution companies made in October 2007.

04. SIGNING OF CONTRACT WITH MINING COMPANIES FOR CONTINUITY OF GASATACAMA GENERACIÓN S.A. ("GAG")

Gas Atacama Generación S.A. ("GAG") is 100% owned by Inversiones Gas Atacama Holding Limitada, which in turn is jointly owned by Endesa Chile and Southern Cross Group. GAG has a 781 MW combined-cycle thermal plant on the SING, designed to use Argentine natural gas. GAG has long-term regulated contracts at node prices with three distribution companies belonging to EMEL. The contracts became effective from the time that GAG had an uninterrupted supply of Argentine gas.

Since 2004 GAG has suffered continuous natural gas restrictions from Argentina which led to the total stoppage of supplies in the second quarter of 2007. GAG therefore, like other generators on the SING, has had to use diesel for replacing natural gas as the generating fuel. The gas shortage has led to increases in generating costs on the SING which are not fully covered by the node price. In order to continue operating, its owners, Endesa Chile and Southern Cross, signed a back-up service contract on April 29, 2008 with the mining companies that represented a significant percentage

of the peak demand of the SING. This has ensured the financial viability of GAG and the supply of electricity for these mining companies.

In November 2008, the merger was completed of GAG with Gasoducto Atacama Chile S.A., by the absorption of the latter by GAG. The surviving company, Gas Atacama Generación S.A., changed its name on the same day to GasAtacama Chile S.A.

05. PROJECTS CARRIED OUT

EXPANSION SAN ISIDRO PLANT

This 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.

On January 21, 2008 the combined cycle was declared in commercial operation, generating with diesel oil, with a net capacity of 353 MW. In 2009, once LNG becomes available in Chile, this plant will reach its full capacity of 377 MW. The advanced start-up of the plant provided an important support for complex energy supplies in the first months of 2008.



06. PROJECTS UNDER CONSTRUCTION

EXPANSION OF BOCAMINA PLANT SECOND UNIT

This project contemplates the construction of a coal-fired thermal plant of 370 MW alongside the present Bocamina plant at Coronel in Chile's Bio Bio Region, using pulverized bituminous coal as fuel. Start-up is planned for the second half of 2010.

The construction of the plant continued, to be equipped with the latest emission reduction technologies. In February 2008, excavations were finished of the turbine building platform. During the second half of 2008, the assembly began of the plant's boiler structure.



QUINTERO THERMAL PLANT

This project contemplates the construction of a thermal plant at Quintero in Chile's Region of Valparaíso, with a capacity of 250 MW, functioning in open cycle with diesel oil until the availability of LNG. Start-up is planned for the first half of 2009.

On January 22, 2008, the order to proceed was issued to Sigdo Koppers for the EPC contract, corresponding to the civil works, supply and assembly of the auxiliary systems. On August 4, the favorable environmental qualification resolution was received from the regional environmental authority, approving the project in that respect. On September 16, the foundations were completed for 2 gas turbines and, in December, the assembly was begun of the principal equipment.

07. 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 gorge to generate 150 MW, through a 15 km. mixed conduction (tunnel and pressure canal).

On April 16, 2008, the Maule regional environmental authority approved the environmental impact assessment for the project, and, in the second half of the year, the tender process was made for the principal civil works and supply of electro-mechanical equipment.

NELTUME HYDROELECTRIC PLANT

The Neltume project consists of the construction of a 473 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. Located in Los Ríos Region, it would be connected to the SIC by a link between the Neltume plant, Pullinque substation and the SIC.

During 2008 the details were prepared for the environmental impact assessment and the basic engineering necessary for tendering the civil works and equipment.



CHOSHUENCO HYDROELECTRIC PLANT

Choshuenco consists of a 128 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 and also using Neltume's transmission link.

During 2008 the details were prepared for the environmental impact assessment and the basic engineering.

08. OTHER STUDIES

During 2008, Endesa Chile continued to study resources of close to 2,200 MW in water rights that it possesses and to identify locations for the development of future thermal-electric projects.

In addition, progress also continued in the exploration of development possibilities in non-conventional renewable energies. Water usage rights were acquired for an average total flow of 94 m³/s. Studies were also begun for future mini-hydroelectric plants for a total of around 250 MW. For its part, Endesa Eco signed agreements for the installation of wind-measurement towers in ten localities between the regions of Coquimbo and Araucanía; nine such towers were in operation by December. Appropriate sites for developing future wind farms will be selected as a result of these measurements and studies.

09. PROJECTS CARRIED OUT BY ENDESA ECO

OJOS DE AGUA MINI-HYDROELECTRIC PLANT

This project, located in the village of San Clemente, Talca province, Maule region, consists of three intakes of the waters of the river Cipreses and the Ojos de Agua and Laguna Verde streams. These are taken by canal to the load chamber, crossing the river by siphon



and entering a tunnel to the machine house, for the generation of 9 MW.

This plant was declared to be in commercial operation on June 27, 2008, whose energy is delivered to the SIC through the present Cipreses plant.

10. 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.



The details were prepared in 2008 for the environmental impact assessment (EIA) and for the basic engineering necessary for tendering the civil works and equipment.

11. PROJECTS UNDER CONSTRUCTION BY CANELA S.A.

CANELA II WIND FARM

This project contemplates the installation of a wind farm of 40 wind generators with an installed capacity of 60 MW,



located on the south side of the present Canela I wind farm. Start-up is foreseen for the second half of 2009.

On June 2, the contract was awarded and the order to proceed issued to the manufacturer Acciona Windpower for the supply of 40 wind generators and their auxiliary equipment. On September 13, the favorable environmental qualification resolution was received from the Coquimbo regional environmental authority, approving the project's environmental impact declaration. The tender was carried out for the civil works of the wind farm in the second half of the year.

12. PROJECTS OF ASSOCIATE COMPANIES

HIDROAYSÉN

HidroAysén, a company in which Endesa Chile has a 51% shareholding and Colbún S.A. the remaining 49%, consists of the construction and operation of five hydroelectric plants on the Baker and Pascua rivers, in Aysén Region in the extreme south of Chile, with a total capacity of 2,750 MW.

During the first half of 2008, HidroAysén has focused on making known the scientific knowledge coming from the various studies making up the base line of its environmental impact assessment (EIA). It has also followed different informative processes in the region for informing the details of the project and its benefits to all the residents of the region. At the national level, work has continued in presenting the project, its characteristics and main advantages of hydroelectricity to different publics.

On August 14, 2008, HidroAysén submitted its EIA to the Aysén regional environmental authority, commencing its formal evaluation process, being admitted for covering the stages indicated in current environmental regulations. In October, its formal two-week citizen participation process began, presenting the project in the villages of its area of influence: Villa O'Higgins, Cochrane, Caleta Tortel, Puerto Bertrand, Puerto Río Tranquilo, Villa Cerro Castillo, Coyhaique and the rural



areas of El Maitén and El Manzano.

In November, HidroAysén received the consolidated report of request for clarifications, rectifications and/or expansions (ICSARA) for its EIA. HidroAysén requested a nine-month extension of the time period for fully responding to all the environmental observations of the services and the community.

During 2008, HidroAysén was firmly focused on the engineering technical area and environmental assessments and, in the area of communications, on its

stakeholders. The company developed direct contact with the local communities and their representatives through working meetings in the province of the project, in which neighbors and their representatives took part, and whose first fruits were shown in the installation of Wi Fi in the town of Villa O'Higgins, permitting free public access to internet to all the residents and visitors to the zone. Another of the project's concrete achievements and benefits for the region was the implementation of a complete program of 50 scholarships for students

of technical/professional schools in Coyhaique and Cochrane who, thanks to this initiative will be able to continue their senior studies in the region at institutions like INACAP and Austral Technical Formation Center.

HidroAysén has contracted the transmission company Transelec to make design and routing studies for the construction and transmission service of the direct current which will take the energy and power of its plants to the SIC.



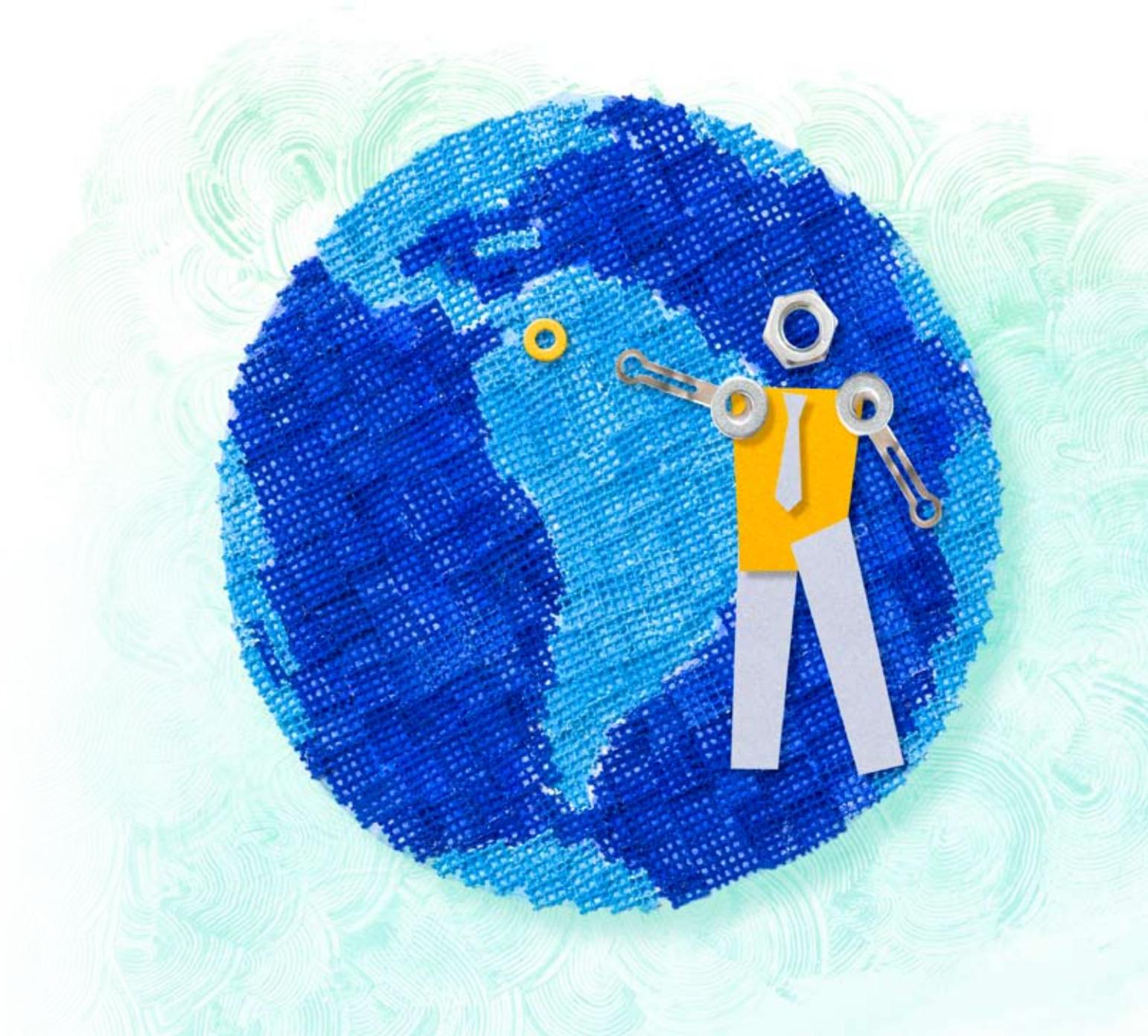
GNL QUINTERO S.A.

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 Quintero 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. GNL Quintero S.A., through Chicago Bridge & Iron (CBI) which is responsible for the engineering, procurement and construction (EPC) under contract, has progressed with the construction of the project's mooring, cryogenic tanks and re-gasification facilities. On June 21, it signed a project loan agreement with a debt-equity structure of 85%:15%. It is estimated

that the plant will be operating in a fast-track mode in the first half of 2009, and in its definitive mode during 2010.

OPERATIONS IN COLOMBIA



01. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES

Installed Capacity (MW) (1)	2007	2008
Emgesa		
Guavio (hydroelectric)	1,213	1,213
Guaca (hydroelectric)	325	325
Paraíso (hydroelectric)	277	277
Cartagena (thermal) (2)	142	208
Termostipa (thermal)	236	236
Charquito (hydroelectric)	20	20
Limonar (hydroelectric)	18	18
La Tinta (hydroelectric)	20	20
Tequendama (hydroelectric)	20	20
La Junca (hydroelectric)	20	20
Betania (hydroelectric)	541	541
Total	2,829	2,895
Total Colombia	2,829	2,895
Energy Generation (GWh)	2007	2008
Emgesa	11,942	12,905
Total Generation in Colombia	11,942	12,905
ENERGY SALES (GWh)	2007	2008
Emgesa	15,613	16,368
Total Energy Sales in Colombia	15,613	16,368

(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) In April 2008 Emgesa declared Unit 2 of the Cartagena plant to be operating commercially; this has been out of the system due to re-powering work since the middle of 2006.

02. ACTIVITIES AND PROJECTS

The year 2008 was characterized by the company recording its highest monthly revenues as the result of greater revenues from sales contracts and a reduced cost of fuel due to less thermal generation.

In August, the Guavio plant reservoir reached a record high water level, at 1,630.55 m above sea level. This was achieved through the increasing of the radial sluice by a meter in width and the high hydrology in the area, which equates to having 36.31 GWh of additional energy stored in the reservoir.

Cadena Pagua continued with a record generation, with operating factors of around 88% and load factors of 74%.

Works were completed in 2008 for repairing Unit 2 of the Cartagena plant. The unit started operating commercially in April, thus recovering the 66 MW capacity of the unit.

The rating technical committee of Duff and Phelps from Colombia made a periodic revision of the first and third bond issues of Emgesa for an amount of 400 billion Colombian pesos (equivalent to US\$205 million) and 250 billion Colombian pesos (US\$128 million), ratifying its rating of AAA for the company and granting the same rating for the bond issue and placement program, for an

amount of up to 700 billion Colombian pesos (US\$358 million).

In the survey made by the Financial Superintendency, to evaluate the different business practices in terms of corporate governance, Emgesa was placed eighth out of the 10 companies identified for best practices.

The Reputación Corporativa (MERCOSUR) business monitor evaluated companies operating in Colombia for the first time in three categories. Emgesa was placed 39th among "Companies with the best corporate reputation" and fifth in "Companies with the best corporate reputation in the public-utilities sector", and Lucio Rubio Díaz, the chief executive, was placed 48th among "Most reputed leaders in Colombia".

Emgesa published its fourth sustainability report, based on the guidelines set out in the 2006 Guide of the Global Reporting Initiative (GRI-G3), an entity that granted the maximum accreditation of A+ to this document.

The company obtained the rating AAA in the evaluation of service providers made periodically by Centrales Eléctricas del Norte de Santander.

The BVQI audit granted the ISO 9001 certification for the metering, billing, collection and customer management deriving from the energy sale and technical services the company provides.

Emgesa also launched three new products to complement the services it offers to the non-regulated market, which seek through new technologies, to benefit the productivity of Colombian industry through the rational use of energy. The new services are integral energy management, energy saving and lighting with LEDs.

Following the process of integration of the support areas of ENDESA, S.A.'s two principal businesses in Colombia, and bearing in mind that Codensa and Emgesa have belonged to the same business group since 1999, the respective boards in May approved the signing of a common-usage contract between the two companies. This means that the companies can share certain infrastructure and human talent in their support areas in order to optimize the performance of their activities and make their administration and management processes more efficient by optimizing operating costs.

Emgesa submitted the Quimbo plant project to the capacity charge bidding process, which resulted in the obligation to deliver firm energy with effect from December 2014. The El Quimbo hydroelectric plant will be located in the department of Huila on the Magdalena river, upstream from the Betania plant. Its installed capacity will be 400 MW and it will operate



El Guavio Dam, Colombia.

with two generating units. In 2008, the Ministry of the Environment approved the diagnosis of alternatives, thus permitting the start of the environmental impact assessment. The definitive pro-forma project studies were also completed and the corresponding basic design studies begun. The award of the diversion works contract is planned for 2009, once the environmental license and construction permit are approved.

Progress was made in 2008 in the identification of non-conventional renewable energy development opportunities. Negotiations were carried out for the installation of wind-measurement towers. As of December 31, three towers had been installed with a development potential of around 150 MW and agreements had been made for the installation of two more towers. Negotiations are also taking place with the promoter of a 20 MW mini-hydroelectric project.

OPERATIONS IN PERU



01. INSTALLED CAPACITY AND ENERGY GENERATION AND SALES

Installed Capacity (MW) (1)	2007	2008
Edegel		
Huinco (Hydroelectric)	247	247
Matucana (Hydroelectric)	129	129
Callahuanca (Hydroelectric)	80	80
Moyopampa (Hydroelectric)	65	65
Huampani (Hydroelectric)	30	30
Yanango (Hydroelectric)	43	43
Chimay (Hydroelectric)	151	151
Santa Rosa (Thermal) (1)	231	229
Ventanilla (Combined Cycle)	493	493
Total	1,468	1,467
Energy Generation (GWh)	2007	2008
Edegel	7,654	8,102
Total Generation in Peru	7,654	8,102
Energy Sales (GWh)	2007	2008
Edegel	7,994	8,461
Total Energy Sales in Peru	7,994	8,461

(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".

02. ACTIVITIES AND PROJECTS

EDEGEL S.A.A.

The demand for natural gas from Camisea has increased notoriously due to the strong increase in electricity demand (7% growth was estimated but 10% was the result) and, to a lesser degree, the migration of industrial users to natural gas due to the high international oil prices. This led to congestion in the gas pipeline in May, exceeding its capacity of 314 MMPCd, which affects the interruptible contracts but respecting the firm transport contracts. The impact on the electricity system has been important as only 70% was authorized of the natural requested by the electricity generators and needed by the COES, i.e. during low-water levels, some 200 MW in gas turbines have not operated due to a lack of transport capacity. This in turn has been reflected in the marginal costs on the spot market where were expected marginal gas costs of around US\$30/MWh, but in practice units have been operating with residual or diesel oil 2 with costs over US\$150-200 /MWh. It is expected that the congestion will last throughout 2009. Additional increases in capacity are being negotiated between the Ministry of Transport and Ministry of Energy

and Mines, expecting to reach 530 MMPCd in 2010 and 1,000 MMPCd in 2012.

Edegel currently has firm contracts for the full capacity of the Ventanilla combined-cycle plant and for 50% of the TG8 unit project of the Santa Rosa thermal plant, effective September 2009. The rest of the contracts are interruptible as the other units of the Santa Rosa plant do not have a continuous operation.

As a way of mitigating this congestion situation in the short term (2009-2010), the government has ordered a series of measures for permitting the reassignment of transport capacities between generators (always provided it is efficient from the dispatch point of view), the encouragement of conversion of dual units (those that normally function with gas have the alternative of burning liquid fuel), the installation of emergency units by Electroperú, the intervention of marginal costs to prevent the impact on the spot market and the recognition of cost overruns that this implies.

For the second consecutive year, Edegel was recognized for its performance and effort in reliable centered maintenance (RCM), an analysis methodology that manages the risks of faults in equipment with the greatest possible effectiveness.

Edegel received a public recognition by the Lima

Stock Exchange by entering, from July 1, the new good corporate governance index, for which the company subjected voluntarily to an evaluation made by the consultant PCR Pacif Credit Rating, regarding compliance with the principles of good corporate governance.

Under Peruvian securities market regulations, a company that acquires indirectly a significant shareholding in a Peruvian company whose shares are traded on the Lima Stock Exchange, is obliged to make a public share offering to its minority shareholders. Enel and Acciona, as a result of the purchase of ENDESA, S.A. in Spain, had to make, through their subsidiary Generalima, a takeover bid for 23.78% of the shares of Edegel held by minority shareholders. The period for the subscription of the takeover bid of Edegel closed on October 27.

The Ventanilla plant is the first combined-cycle plant in Peru with an ISO 14001 certification, and now has OHSAS 18001.

In 2008, following an audit of the site, it was determined that Edegel's Callahuanca CDM project generated a reduction of 19,949 TCO₂ in its operations during 2007. This resulted in verifiable emission reductions which were sold by the Spanish company Endesa Generación in June 2008, completing its first



transaction on the voluntary CO₂ emissions reduction market.

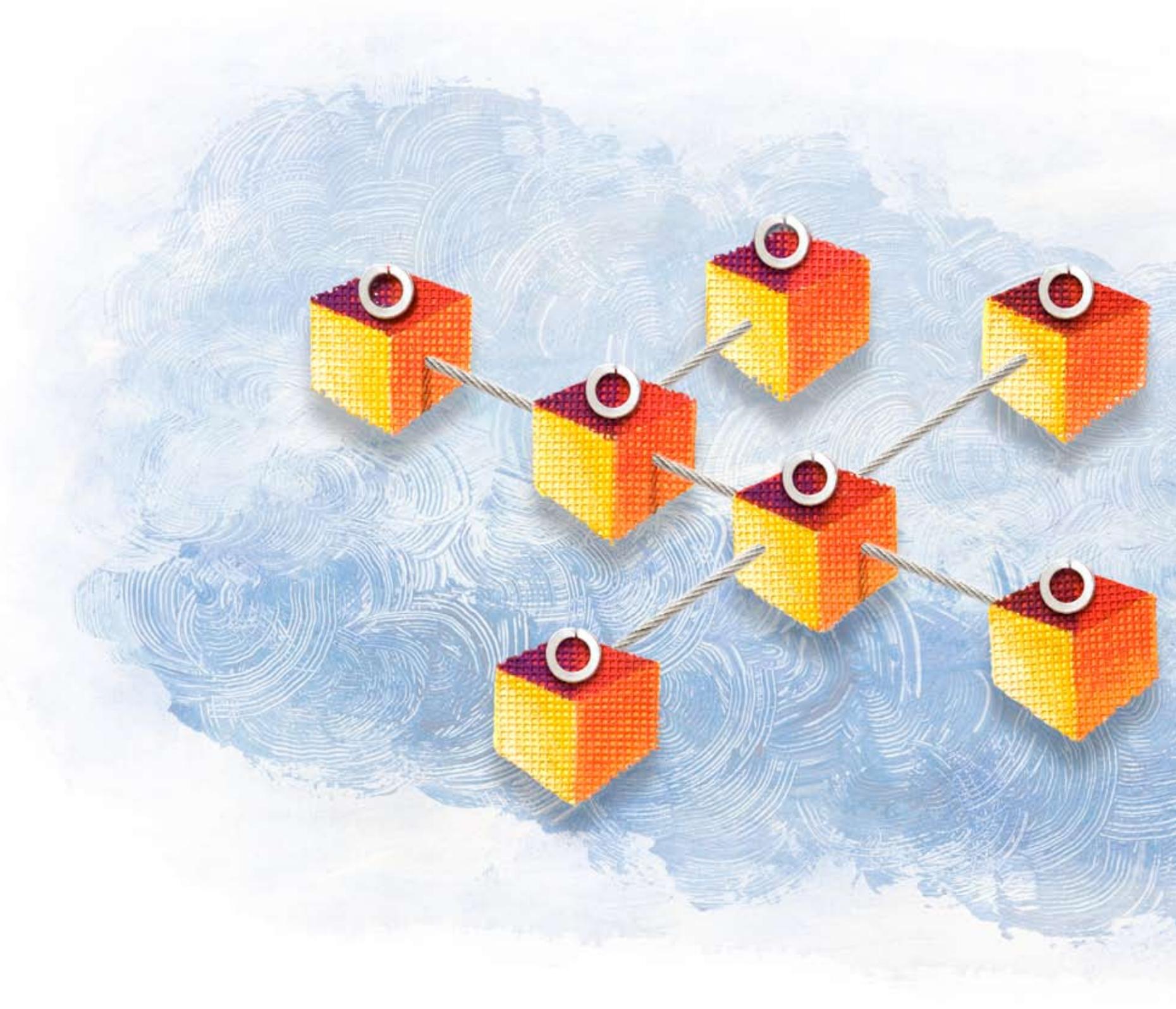
The expansion project of the Santa Rosa thermal plant consists of the installation of a latest-generation Siemens SGT6-5000F unit, with an investment of close to US\$91 million. The project was approved in a first stage as a 189 MW capacity open cycle and it is planned to convert it into a combined-cycle plant for which it is preparing the feasibility study. It is expected that the new unit will enter service toward the end of 2009. During 2008, the site preparation works were successfully completed and the civil works begun. The electro-mechanical assembly began in late 2008. The additional capacity to be generated by the new unit will mean an increase of 26% to Edegel's installed thermal capacity, enabling it to reach 912 MW thermal.

Regarding the Huascacocha project, this consists of transferring flows from the Huascacocha lake basin

to that of the Rímac river. In 2008, Edegel signed an agreement with Sedapal, Lima's water utility company, permitting the generation of increased flows for its hydroelectric plants, with an increased estimated annual generation of 135 GWh. In consideration, it agreed to pay US\$22.6 million, including VAT, to be disbursed when the works enter service in 2011.

Studies progressed in 2008 for identifying locations for future thermal units and checking the technical viability of a hydroelectric plant of approximately 150 MW.

OTHER BUSINESSES



01. INGENDESA

In 2008, Ingendesa increased its business with related companies, which together with contracts awarded by third parties, enabled the company's net income to increase by 94% over 2007, to Ch\$3,057 million. The company's revenues rose to Ch\$28,128 million, 40% more than the year before, of which 77% came from related companies and 23% from third parties.

Ingendesa provided services for Endesa Chile in the projects Neltume and Choshuenco, Bocamina substation, Piruquina and Los Cóndores, where it prepared the basic engineering and the tender technical documents for these projects. In works management and inspection, it provided services for the connection to the SIC of the Quintero plant and San Luis substation. It also continued the integral engineering service for the Bocamina II thermal plant.

In the area of NCRE projects, Ingendesa provided basic design services and prepared the technical documents for the Piruquina plant and Canela II wind farm. In the area of mini-hydroelectric plants, Ingendesa participated in the development of the Loma Alto II and Chillán I and II projects.

For HidroAysén, Ingendesa is providing its engineering services for the pre-feasibility study, planning of the construction, basic design of the infrastructure works

of the first project plants, technical counterparty of the studies of the project's base environmental line and the environmental impact assessment (EIA).

Ingendesa's services for Chilectra during 2008 were directed to preparing studies for some distribution system substations like Brasil and Bicentenario, and occasional studies for expansions or improvements to the distribution network.

With respect to projects for third parties, for Minera Escondida it provided project management, electrical studies and conceptual designs for the expansion of its system, plus the basic designs for a 220 kV transmission line, substations with GIS technology and the modification of existing substations in the area of the mine.

For the Andina Division of Codelco, Ingendesa continued providing advice and specialized services in the development of the customer's strategic projects.

In the Chilean electricity sector, Ingendesa worked for the Alusa-Siemens consortium in the technical inspection of expansion works to 500 kVA of the Polpaico substation and its detailed engineering.

In the infrastructure sector, Ingendesa in consortium with ARA, continued with the detailed design of the civil works of Line 1 east and the section 3 Américo Vespucio (Plaza de Maipú station) for Metro de Santiago, and has prepared the environmental studies for these projects.

For Colbún, Ingendesa has worked on the environmental impact assessments for the Guaiquivilo-Melado hydroelectric plants and has given technical support to the customer at meetings with the environmental and sector authorities involved in the project's environmental qualification.

In Peru, for Edegel's Santa Rosa plant project, it provided technical management, manufacturing inspection, technical management and inspection of construction and assembly, and engineering support.

For Minera Quellaveco, an investment to be made by Anglo American in Peru, engineering services were provided relating to the basic design of the diversion tunnel of the Asana river, and a second stage that contemplates the contracting of detailed engineering services.

In Colombia, Emgesa awarded to Ingendesa a contract for services of analysis and advice of the El Quimbo and Termostiza 6 projects, as technical counterparty in the complementary studies necessary for the development of these projects.

In Brazil, our subsidiary identified a business development opportunity on the Paraíba river (Río de Janeiro), related to seven mini-hydroelectric plants of 27 MW each.

In Costa Rica, Ingendesa won a tender called by ENEL Costa Rica for the detailed engineering for the civil works of the Chucás hydroelectric plant.



02. SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.

During 2008, a total of 1,829,614 vehicles used the El Melón tunnel of which 66.3% were light vehicles, 8.1% 2-axle buses and 25.6% 3-axle buses and trucks. Over the same period, the traffic using the tunnel-hill-road system numbered 3,133,976 vehicles, implying that 58.4% of these preferred to use the installations of the concession-holding company. Tunnel traffic increased by 1.9% in 2008.

This has been reflected in toll revenues which increased by 15.7% over 2007. This important increase in operating revenue was complemented by an efficient management of operating and administrative expenses, enabling the company's operating income to reach Ch\$1,202 million, its best result since the start of the concession. In addition, the fact of having a solid financial position, with no debt and a favorable balance with the Ministry of Public Works (MOP) following the success of the arbitration claim of 2006, has produced a positive non-operating result of Ch\$526 million, which has enabled the company to produce a net income of Ch\$1,728 million for 2008.

The present situation of Sociedad Concesionaria Túnel El Melón S.A. has enabled it to transfer to its parent

Endesa Chile cash flows of about \$11 million during 2008 and to produce a net income of over US\$3 million for the year; all this without incurring any fines by the MOP nor important claims by users.

Regarding user safety, contact has been intensified with the MOP in order to incorporate Túnel El Melón among the concessions that improve their standards of service and safety. This matter is currently in the stages of MOP's technical levels approval, a combination of works related to lighting, systems, road safety and others that it is hoped to put into operation definitively in 2009.

At the same time, ADAC, Germany, has been contacted for carrying out a study in tunnel safety that is applied to more than 500 viaducts in Europe and which reflects the standards implemented by countries in that region. Sociedad Concesionaria Túnel El Melón S.A. will thus become the first Chilean company in charge of road works in Chile to adopt a standard and level of operations of the highest world quality.



INVESTMENTS AND FINANCIAL ACTIVITIES



01. INVESTMENTS

During 2008, Endesa Chile and its Chilean and foreign subsidiaries invested a total equivalent to US\$619.91 million, as follows:

Company	Investment (Millions of Dollars) (1)
ARGENTINA	
Endesa Costanera S.A.	42.41
Hidroeléctrica El Chocón S.A.	5.86
Total Investment in Argentina	48.27
CHILE	
Endesa Chile	295.27
Pehuenche S.A.	0.50
Pangue S.A.	0.71
San Isidro S.A.	6.22
Celta S.A.	8.79
Ingendesa	0.94
Endesa Eco	13.27
Canela S.A.	71.51
Total Investment in Chile	397.21
COLOMBIA	
Emgesa S.A.	33.47
Total Investment in Colombia	33.47
PERU	
Edegel S.A.A.	82.98
Total Investment in Peru	82.98
Total Material Investment in Companies	561.94
Total Financial Investment	57.97
Total Investment Endesa Chile and Subsidiaries	619.91

(1) The exchange rate of Ch\$636.45 per dollar at the end of the year was used.

02. FINANCIAL ACTIVITIES

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS 2008

Endesa Chile's net income for 2008 amounted to Ch\$442,592 million, compared to Ch\$209,566 million in 2007. This change is due to a 44% increase in operating income and a 63% improvement in the company's non-operating result over the comparable period.

Operating income for 2008 was Ch\$893,360 million, an increase of 44% compared to the Ch\$621,634 million reported for 2007. This better result is mainly due to an increase in operating income of our businesses in Chile and Colombia, and also positively influenced by the result of the conversion to Chilean GAAP of the operations in Colombia and Peru due to exchange rate differences.

The improvement of non-operating result for 2008 is mainly derived from better results from our affiliate company Endesa Brasil and the better result from the application of Chilean Technical Bulletin 64, mainly due to the devaluation of the Colombian peso as applied to the liabilities in that currency.

EBITDA, or operating income plus depreciation and amortization, amounted to Ch\$1,145,698 million as of December 31, 2008, a 38% increase over the

same period 2007. Endesa Chile does not consolidate the investment in Endesa Brasil, which has been very positive in terms of results.

Consolidated revenues in 2008 were Ch\$2,491,588 million, 33% greater than the Ch\$1,880,664 million reported the previous year, explained by higher energy revenues in all the countries where we operate.

Consolidated physical sales in 2008 amounted to 55,734 GWh, a 1% increase over 2007. Argentina experienced 11% lower physical sales. Physical sales of our subsidiary El Chocón fell by 1,402 GWh because the reduced dispatch reflecting lower hydrology. On the other hand, Chile, Colombia and Peru increased sales by 3%, 5% and 6% respectively.

Consolidated operating expenses as of December 2008 were Ch\$1,549,013 million, an increase of 27% over 2007. The greater use of liquid fuels for thermal generation in Chile, Argentina and Peru, plus their higher prices, largely explain this increase. Selling, general and administrative expenses rose by 22% to Ch\$49,215 million as of December 2008.

The most important activities for Endesa Chile in 2008 were the following:

- A 6 year-term bank loan of US\$400 million was signed in June on favorable financial terms, which permitted the refinancing of a Yankee bond issued in 1998 for the same amount, which matured on July 15, 2008.

- The highest rating of A+, obtained for the Sustainability Report 2007 by the Global Reporting Initiative (GRI), further demonstrates Endesa Chile's commitment to provide transparent information to all of its stakeholders. The United Nations Global Compact published this document in the "notable" category.
- In December, the Company successfully issued a domestic bond for 10 million Unidades de Fomento, equivalent to US\$ 340 million, in just one series, with a 21-year term and a yield of 4.81% (coupon rate of 4.75%). Endesa Chile thus further strengthened its solid financial position, standing in an excellent situation to meet its challenges of 2009.

In 2008, Standard & Poor's and Fitch Rating upgraded the rating of Peru and Brazil to Investment Grade, countries in which Endesa Chile has investments.

Non-operating loss in 2008 amounted to Ch\$84,697 million, which compares to a loss of Ch\$225,951 million in 2007, thus positively affecting the Company's net income for 2008. The principal variations in the non-operating result are as follows:

Net income from investments in related companies increased by Ch\$125,040 million in 2008 compared to

2007. This variation is basically explained by Ch\$68,203 million of improved results from the affiliate company Endesa Brasil S.A. in 2008 and also by the investment impairment booked by GasAtacama Holding Ltda. in 2007 for an amount of Ch\$53,242 million.

Net other non-operating income and expenses showed an improvement of Ch\$72,466 million, mainly explained by Ch\$84,090 million of better result of the conversion adjustment (Technical Bulletin 64 of the Chilean Institute of Accountants) of our foreign subsidiaries, mainly in Colombia and Peru, by Ch\$9,963 million of reduced provisions for capital tax in Colombia, and by Ch\$4,522 million of reduced provisions for contingencies and litigation. This was partially offset by Ch\$18,595 million of taxes on the dissolution of Cono Sur and the agency of Endesa Chile in the Cayman Islands, and by Ch\$5,730 million of larger net expenses in resettlements of energy and capacity.

Consolidated financial expenses rose by Ch\$1,516 million, from Ch\$193,329 million in 2007 to Ch\$194,845 million in 2008, an increase of 0.8%. Financial income rose by Ch\$3,329 million, from Ch\$25,346 million in 2007 to Ch\$28,675 million in 2008, mainly in Chile due to higher average cash balances maintained as a conservative measure to face the complicated situations

of the global financial markets .

Price-level restatements showed a negative change of Ch\$9,218 million, mainly due to the effect of higher inflation in 2008, which reached 8.9%, compared to 7.4% in 2007. This change affects non-monetary assets and liabilities and certain monetary items, mainly bonds denominated in U.F., plus the restatement of the income statement accounts.

Exchange rate differences showed a negative variation of Ch\$48,653 million in 2008 compared to 2007, passing from a gain of Ch\$18,090 million in 2007 to a loss of Ch\$30,563 million in 2008. This is mainly explained by fluctuations in the exchange rate between both years. In 2008, the Chilean peso depreciated against the dollar by 21.9% in contrast to a 7.1% appreciation of the peso in 2007.

Taxes rose by Ch\$68,050 million in 2008 compared to the previous year. Consolidated income tax amounted to Ch\$191,557 million, comprising a charge for income tax of Ch\$164,363 million and Ch\$27,194 million of deferred taxes. Income tax showed an increase over 2007 of Ch\$77,238 million, related to taxable income, mainly in Endesa Chile, Pehuenche, Pangué, and Emgesa in Colombia. Deferred taxes showed a reduction of Ch\$9,188 million compared to 2007.

03. ANALYSIS OF THE BUSINESS BY COUNTRY

In Argentina, operating income was Ch\$18,009 million, compared to Ch\$27,828 million in 2007, a reduction of 35%. The reduced hydrology required a larger contribution by thermal plants using expensive liquid fuels. Its efficient production and commercial policy enabled Endesa Costanera to increase operating income by Ch\$5,861 million to Ch\$6,284 million, as a result of a 31% increase in revenues mainly due to the rising in average tariffs. This was partially offset by a 28% increase in operating expenses. On the other hand, El Chocón showed a reduction in operating income by Ch\$15,639 million to Ch\$11,918 million in 2008, due to a 35% fall in physical sales, explained by the reduced dispatch caused by low hydrology.

Colombia's operating income amounted to Ch\$262,971 million in 2008, 51% higher than in 2007. This improvement is mainly explained by the effect of the conversion to Chilean GAAP due to exchange rate fluctuations with respect to the dollar in Chile and Colombia, and also by higher average sales prices and a 5% greater sales volume, which reached 16,368 GWh, with better hydraulic dispatch. All of these show the good performance of our operations in that country. On the other hand, operating expenses for their part rose by 34%, mainly due to higher tolls and larger purchases of energy and power.

In Peru, operating income was Ch\$54,372 million, which represents a rise of 9% with respect to the Ch\$50,105 million generated in 2007. This increase is explained by the effect of the conversion to Chilean GAAP following US dollar exchange rate fluctuations in Chile and Peru. In 2008 physical sales rose by 6% and average prices were higher compared to 2007. Operating expenses increased by 48%, partly explained by the conversion to Chilean GAAP, but also as a result of greater thermal generation with diesel because of maintenance works on the Camisea pipeline, which transports the natural gas, and also due to the congestion on the transmission lines and pipelines, plus larger and more expensive energy purchases.

In Chile, revenues amounted to Ch\$1,398,349 million as of December 2008, 97% of which derived from the generating business and the rest from other revenues coming mainly from engineering services. In the generation business, operating income was Ch\$550,712 million, 51% up on the Ch\$363,843 million accounted in 2007. This rise is mainly the result of an increase in revenues as the average price remained relatively high during 2008. Operating expenses rose by 21% to Ch\$786,692 million, notable being Ch\$144,387 million of higher fuel costs because of the greater thermal generation with expensive oil during most of the year. The production of 19,807 GWh in the year 2008 showed an increase of 5.5% over the year before.

04. CREDIT RATING

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

The domestic credit rating by Fitch was confirmed at AA- with stable outlook in July 2008 and, in the same month, Feller Rate ratified the local rating and raised the national rating of the shares to 1st Class Level 1, from 1st Class Level 2. Fitch and Standard & Poor's confirmed their international ratings at BBB with stable outlook in September and December 2008 respectively, and Moody's ratified the company's international credit rating at Baa3 with stable outlook, in December 2008.

04. INSURANCE

OPERATIONAL

In June 2008, Endesa Chile and subsidiaries renewed the terms of their All Risks and Civil Liability regional insurance program, exercising an automatic yearly extension clause for this cover with the present insurers. These policies therefore are now renewed to June 2009.



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, flooding, machinery breakdowns and operating faults.
- 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, 2008, insurance cover for terrorist acts and political risks was renewed 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 Termoquintero, Canela, Ojos de Agua and Bocamina II). This cover was contracted following a private tender process to which the 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.

05. FINANCING

Endesa Chile has maintained its access to the markets during this complex global financial scenario.

In June 2008, Endesa Chile signed a bank loan agreement for US\$400 million, of which US\$200 million are at term and US\$200 million are revolving. Both have a term of 6 years. With this, Endesa Chile obtained the

refinancing of a Yankee bond of the same amount which matured on July 15, 2008.

In addition, Endesa Chile made drawings in 2008 under its revolving credit facilities for a total of US\$234 million. The Company therefore has US\$450 million drawn out of an available US\$850 million as of December 31, 2008.

In December 2008, Endesa Chile issued a bond on the domestic market for UF 10 million (close to US\$340 million) with a 21-year term and repayments starting in the tenth year. The issue rate was 4.81%. Endesa Chile thus secured part of the refinancing of the Yankee bond that matures in April 2009 for US\$400 million.

Regarding the financing activities of Endesa Chile's consolidated foreign subsidiaries, a series of transactions were carried out in 2008 to refinance short-term loans and extend the average life of the debt.

The most active foreign subsidiary in terms of issues was the Peruvian Edegel which, in 2008, made three

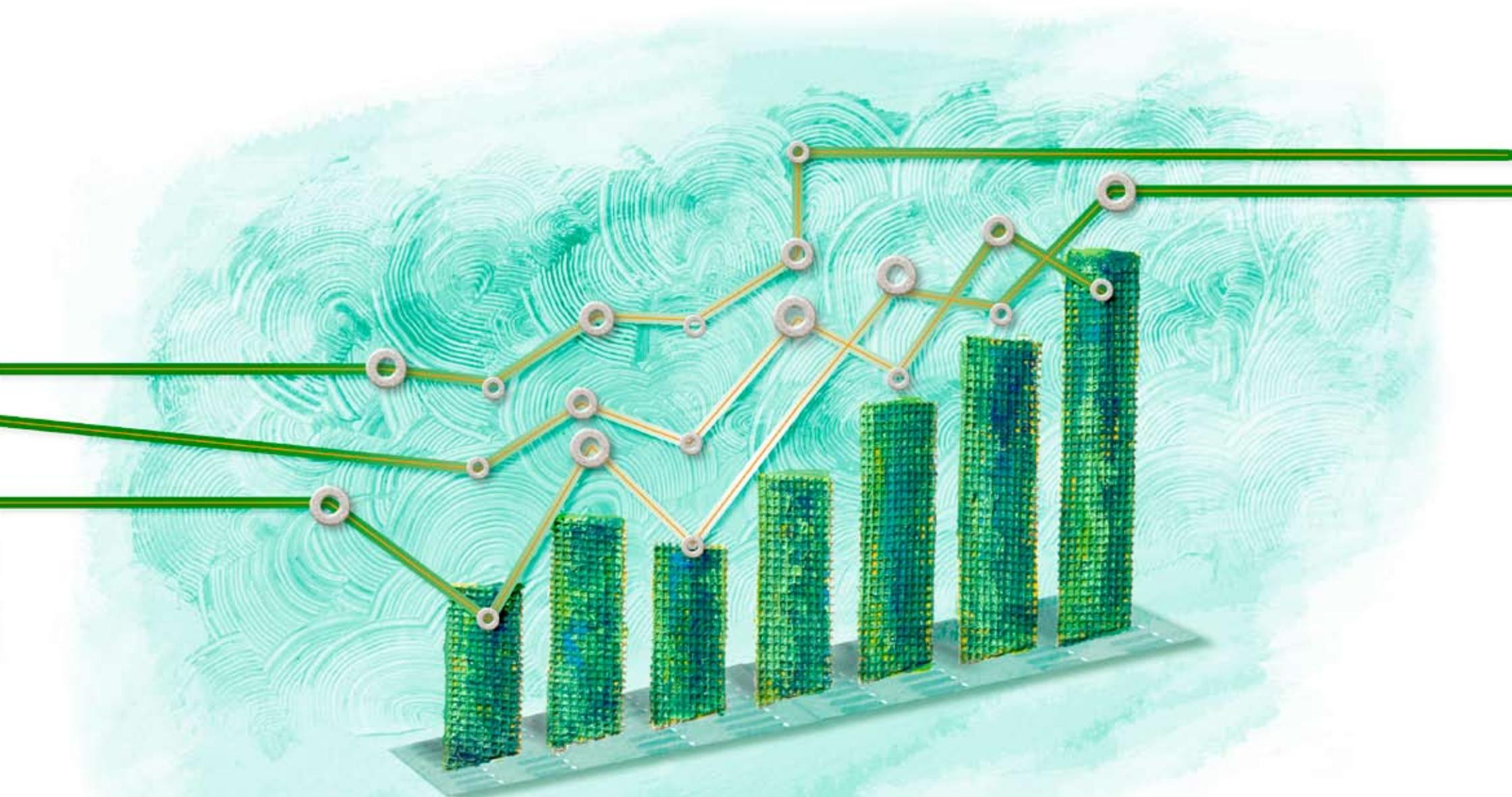
bond issues for a total of approximately US\$29 million, at terms of between 6 and 20 years. In September, Edegel contracted new debt of US\$30 million for a 5-year term. The proceeds of these new financings were used to refinance programmed maturities. In addition, Edegel in March contracted a financial lease for US\$90 million for a 9-year term, to finance the Santa Rosa project.

At the end of December 2008, Endesa Chile's consolidated financial debt amounts to US\$4,343 million, 6.6% higher than at the end of the previous year. The company has a liquidity of US\$1,104 million which enables it to face the next maturities and ongoing investments.

Regarding the financial activities of Endesa Chile's affiliated companies, the financing for GNL Quintero was completed on June 21; Endesa Chile has a 20% holding in this company. The amount of the project financing is for up to US\$1,110 million, with a 15-year term.



DIVIDENDS



01. DIVIDEND POLICY 2009

1. GENERAL

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

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 2009.

The board intends to distribute an interim dividend against the net income for 2009 of up to 15% of the net income to September 30, 2009, according to the financial statements at that date, to be payable in December 2009.

The final dividend will be that approved by the General Ordinary Shareholders' Meeting to be held during the first four months of 2010.

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.

02. DIVIDENDS DISTRIBUTED IN RECENT YEARS

Year	Dividend per Share (Pesos of Each Year)	Amount Restated as of December 31, 2008
2003	2.30000	2.91964
2004	4.13000	5.11925
2005	5.82000	6.97717
2006	13.41000	15.53069
2007	13.75730	14.77353

On December 18, 2008, an interim dividend of Ch\$5.3512 per share was paid, being 15% of the net income as of September 30, 2008.

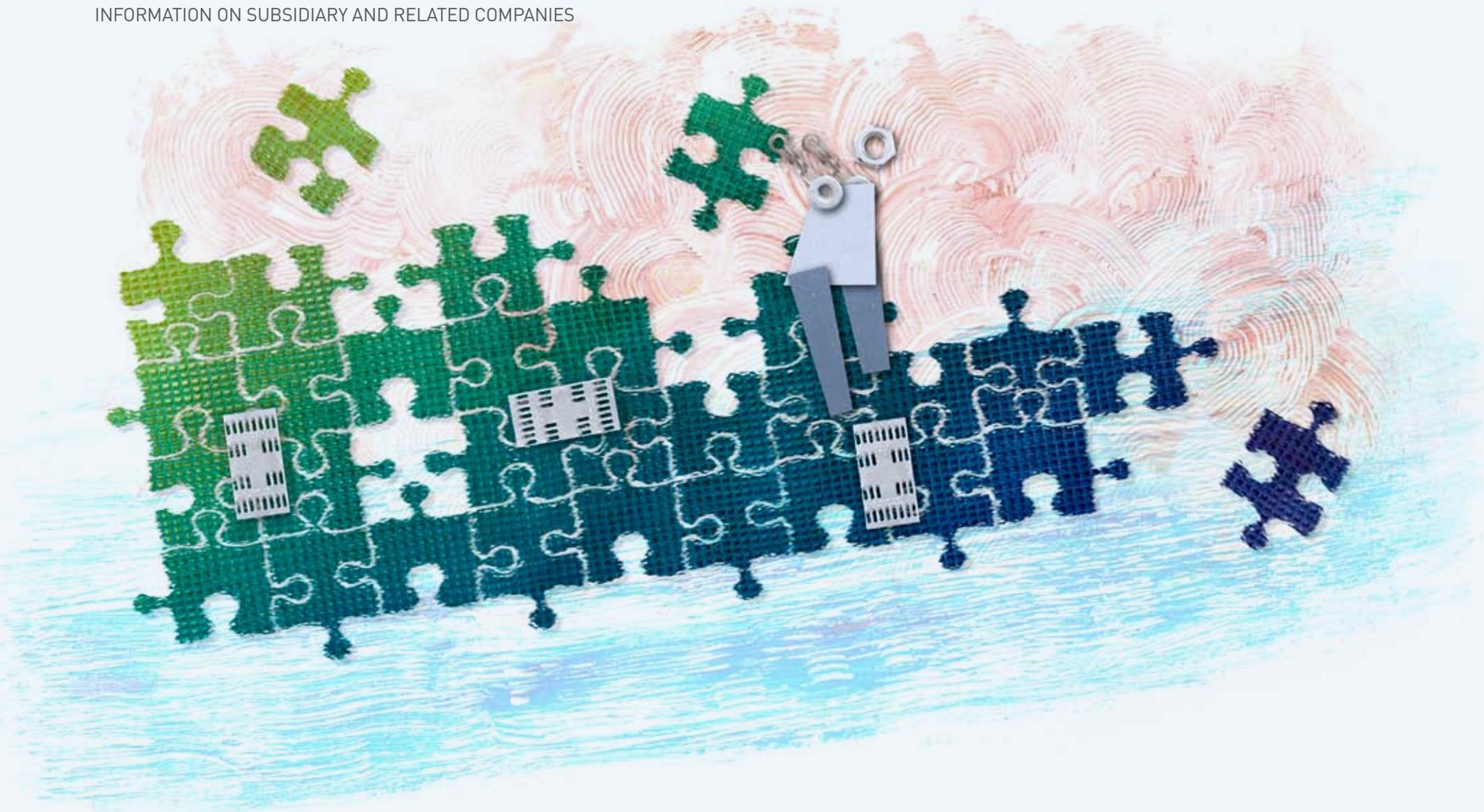
03. DISTRIBUTABLE EARNINGS 2007

Distributable earnings in relation to the net income for 2007 are shown below:

Net Income for the Year	192,439,270	thousands
(Less) Amortization of Negative Goodwill	4,382,076	thousands
Net Income	188,057,194	thousands
(Less) Accumulated Deficit Development Period Subsidiaries	-	thousands
Earnings for Calculation of the Dividend	188,057,194	thousands
60% of Earnings for Calculation of the Dividend	112,834,317	thousands
Number of shares	8,201,754,580	shares
Earnings per share corresponding to the year 2007	13.7573	pesos



INFORMATION ON SUBSIDIARY AND RELATED COMPANIES



01. 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. 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 1,328 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. 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 Curillinque 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 depository and trader of emission reduction certificates obtained from such projects.

CENTRAL EÓLICA CANELA S.A.

Central Eólica Canela S.A. was incorporated in Chile. Its objectives are to develop non conventional renewable energy (NCRE) projects, committed to the reduction of carbon dioxide ("CO2") emissions, which allow the Company to trade so called "carbon bonds" in the international market, associated with non-released greenhouse gases.

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 2,895 MW, of which 2,451 MW corresponds to hydro-generation and 444 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 1,467 MW.

02. 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. The plant started operating in open cycle in the first half of 2008.

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. The plant started operating in open cycle in the first half of 2008.

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 Latinoamérica, 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 GasAtacama Chile S.A. and Gasoducto Atacama Argentina S.A., which are involved in electricity generation and natural gas transportation.

GASATACAMA CHILE S.A.

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. On November 28, 2008, the merger was completed of Gas Atacama Generación S.A. and Gasoducto Atacama Chile S.A., by the absorption of the latter by the former, and the surviving company, Gas Atacama Generación S.A.,

which owns and operates two combined cycle power plants, that together have 780 MW of installed generation capacity, changed its name to GasAtacama Chile 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



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As of December 31, 2007 and 2008 and for each of the three years in the period ended December 31, 2008 together with the Reports of Independent Registered Public Accounting Firms

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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, 2008 purchasing power.



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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 the accompanying consolidated balance sheet of Endesa-Chile and subsidiaries (the Company) as of December 31, 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the consolidated financial statements of certain subsidiaries and nonsubsidiary investees carried on the equity method of accounting, which statements reflect total assets constituting 30.25 percent and total revenues constituting 24.46 percent of the Company's related 2008 consolidated totals. Those financial statements were audited by other auditors whose reports were 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 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. 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Endesa-Chile and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended, 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. Information relating to the nature and effect of such differences is presented in Note 36 to the accompanying consolidated financial statements.

The accompanying consolidated financial statements as of and for the year ended December 31, 2008 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in thousands of Chilean pesos, as restated for general price-level changes, have been translated into United States dollars on the basis set forth in note 2 b) of the notes to the consolidated financial statements.

As discussed in Note 35 to the accompanying consolidated financial statements, the Company adopted International Financial Reporting Standards (IFRS), effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Endesa-Chile's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 29, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG Auditores Consultores Ltda.

Santiago, Chile
May 29, 2009

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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 Endesa-Chile's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Endesa-Chile'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 *Management's Annual Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on Endesa-Chile'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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, Endesa-Chile maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Endesa-Chile and subsidiaries as of December 31, 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, and our report dated May 29, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG Auditores Consultores Ltda.

Santiago, Chile
May 29, 2009

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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 sheet of Endesa-Chile and its subsidiaries (the "Company") as of December 31, 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the two 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 31.39 percent as of December 31, 2007 and total revenues representing of 38.08 percent and 33.76 percent for each of the two years in the period ended December 31, 2007, respectively. We also did not audit the consolidated financial statements of certain investments accounted for under the equity method, which represented 6.84 percent of total consolidated assets as of December 31, 2007 and the equity in their net results represented 19.6 percent and 9.5 percent of the consolidated net income 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 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, 2007 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, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 36 to the consolidated financial statements).

ERNST & YOUNG LTDA.

Santiago, Chile
February 19, 2008
(except for Note 36 for which the date is April 30, 2008)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Emgesa S.A. E.S.P.:

We have audited the balance sheets of Emgesa S.A. E.S.P. (the "Company") as of December 31, 2008 and 2007 and the related statements of income, shareholders' equity and cash flows for the three years in the period ended December 31, 2008, all expressed in thousands of U.S. dollars (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 present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in Chile.

As described in greater detail in Note 1 to the financial statements, on August 17, 2007, the Office of the Superintendent of Corporations in Colombia authorized the merger through absorption between Central Hidroeléctrica de Betania S.A. E.S.P. and Emgesa S.A. E.S.P.

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, 2008 and the determination of shareholders' equity at December 31, 2008 and 2007 to the extent summarized in Note 28.

Our audits also comprehended the translation of U.S. dollar amounts into constant Chilean Peso amounts and, in our opinion; such translation has been made in conformity with the basis stated in Note 2 c). Such constant Chilean Peso amounts are presented solely for the convenience of readers in Chile.

DELOITTE & TOUCHE LTDA.
Bogotá - Colombia
February 27, 2009



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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 the related consolidated 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 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 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, to the extent summarized in Note 36.

DELOITTE & Co. S.R.L.

Carlos A. Lloveras
Buenos Aires, March 27, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors 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, 2007 and 2008, and the related consolidated statements of operations, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2008. 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 certain of its consolidated subsidiaries (hereinafter collectively referred to as the “Subsidiaries”), which statements reflect total assets constituting 30.63% of consolidated total assets at December 31, 2007 and total revenues constituting 27.21% and 36.32% of consolidated total revenues for 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 25, these financial statements reflect 54.43% of the Endesa Brasil consolidated U.S. GAAP adjustments to shareholders’ equity at December 31, 2007 and 56.77% and 55.31% of the Endesa Brasil consolidated U.S. GAAP adjustments to net income for the years ended December 31, 2006 and 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 the Companies, 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 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2007 and 2008, and the results of their operations, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2008, 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, 2008, and the determination of shareholders’ equity as of December 31, 2007 and 2008, to the extent summarized in Note 25 to the consolidated financial statements.

Santiago, Chile
May 29, 2009



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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

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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 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 Energía S.A. - TESA and Compañía 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 Energía S.A. - TESA and Compañía 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
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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 sheet of Transportadora de Energía S.A. (the “Company”) as of December 31, 2007 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 the results of its operations and its 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 to the extent summarized in Note 20.

DELOITTE & Co. S.R.L.

Carlos A. Lloveras
Buenos Aires, 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 sheet of Compañía de Transmisión del Mercosur S.A. (the “Company”) as of December 31, 2007 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 the results of its operations and its 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 to the extent summarized in Note 19.

DELOITTE & Co. S.R.L.

Carlos A. Lloveras
Buenos Aires, March 27, 2008

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Endesa Chile and Subsidiaries
Consolidated Balance Sheets
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

Assets	Note	As of December 31,		
		2007 ThCh\$	2008 ThCh\$	2008 ThUS\$ (Note 2 (b))
Current assets:				
Cash		21,123,564	54,516,339	85,657
Time deposits	4	48,212,900	172,001,465	270,251
Marketable securities		11,221,911	101,229,674	159,054
Accounts receivable, net	5a	230,007,246	276,420,886	434,317
Other accounts receivable, net	5a	65,389,290	32,082,616	50,409
Accounts receivable from related companies	6a	191,610,270	72,262,754	113,540
Inventories	7	56,941,649	44,286,274	69,583
Taxes receivables	8	70,655,942	29,687,065	46,645
Prepaid expenses		4,988,847	6,144,242	9,654
Deferred income taxes	8a	3,141,292	3,750,652	5,893
Other current assets	9	30,299,225	376,410,316	591,422
Total current assets		<u>733,592,136</u>	<u>1,168,792,283</u>	<u>1,836,424</u>
Property, plant and equipment, net	10	<u>4,536,151,170</u>	<u>5,040,756,935</u>	<u>7,920,115</u>
Other assets:				
Investments in related companies	11a	483,551,029	688,882,708	1,082,383
Investments in other companies	13	4,499,098	4,605,373	7,236
Long-term accounts receivables	5a	90,698,407	94,690,545	148,779
Goodwill, net	12a	10,731,594	10,882,321	17,098
Negative goodwill, net	12b	(40,297,249)	(41,092,610)	(64,565)
Accounts receivable from related companies	6a	402	109,601,626	172,208
Other intangibles	14	27,505,392	34,277,280	53,857
Accumulated amortization of other intangibles	14	(10,776,596)	(14,465,911)	(22,729)
Other assets	15	31,199,054	45,425,101	71,373
Total other assets		<u>597,111,131</u>	<u>932,806,433</u>	<u>1,465,640</u>
Total assets		<u>5,866,854,437</u>	<u>7,142,355,651</u>	<u>11,222,179</u>

Endesa Chile and Subsidiaries
Consolidated Balance Sheets
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

Liabilities and Shareholders' equity	Note	As of December 31,		
		2007 ThCh\$	2008 ThCh\$	2008 ThUS\$ (Note 2 (b))
Current liabilities:				
Short-term debt due to banks and financial institutions	16	28,788,252	69,048,007	108,489
Current portion of long-term debt due to banks and financial institutions	17	72,961,594	67,275,418	105,704
Current portion of bonds payable	19	279,464,898	556,888,969	874,992
Current portion of long-term notes payable	19	25,498,337	35,081,124	55,120
Dividends payable		25,619,201	4,604,966	7,235
Accounts payable		210,127,149	264,266,515	415,220
Miscellaneous payables		27,407,092	18,255,074	28,683
Accounts payable to related companies	6a	17,144,245	84,489,283	132,751
Accrued liabilities	20	32,162,898	33,744,756	53,020
Employee withholdings		21,736,924	30,542,779	47,989
Income taxes payable	8	8,980,655	54,688,924	85,928
Deferred revenue		683,953	400,565	629
Other current liabilities		5,897,326	1,824,863	2,867
Total current liabilities		<u>756,472,524</u>	<u>1,221,111,243</u>	<u>1,918,629</u>
Long-term liabilities:				
Long-term debt due to banks and financial institutions	18	316,696,529	614,543,066	965,579
Bonds payable	19	1,395,877,167	1,287,175,391	2,022,430
Long-term notes payable	19	68,659,150	81,088,822	127,408
Miscellaneous payables		79,362,332	125,258,026	196,807
Accrued liabilities	20	30,337,719	30,372,553	47,722
Deferred income taxes	8a	173,087,423	190,779,902	299,756
Other long-term liabilities		28,623,647	34,786,029	54,656
Total long-term liabilities		<u>2,092,643,967</u>	<u>2,364,003,789</u>	<u>3,714,359</u>
Commitments and contingencies	29			
Minority interest	22a	965,815,136	1,192,716,624	1,874,015
Shareholders' equity:				
Stated capital	23	1,331,714,085	1,331,714,085	2,092,410
Additional paid-in capital — share premium		261,232,246	261,232,246	410,452
Other reserves	23d	(176,405,325)	(160,614,415)	(252,360)
Retained earnings		425,815,439	489,600,112	769,267
Net income		209,566,365	442,591,967	695,407
Total Shareholders' equity		<u>2,051,922,810</u>	<u>2,364,523,995</u>	<u>3,715,176</u>
Total Liabilities and Shareholders' equity		<u>5,866,854,437</u>	<u>7,142,355,651</u>	<u>11,222,179</u>

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

Endesa Chile and Subsidiaries
Consolidated Statements of Income
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

Note	For the years ended December 31,			
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$	2008 ThUS\$ (Note 2 (b))
Operating income:				
Sales.....	1,563,877,917	1,880,663,715	2,491,588,673	3,914,822
Cost of sales.....	(927,785,827)	(1,218,648,914)	(1,549,012,893)	(2,433,833)
Gross profit.....	636,092,090	662,014,801	942,575,780	1,480,990
Administrative and selling expenses.....	(46,065,057)	(40,380,822)	(49,215,400)	(77,328)
Operating income.....	<u>590,027,033</u>	<u>621,633,979</u>	<u>893,360,380</u>	<u>1,403,662</u>
Non-operating income and expense:				
Interest income.....	17,330,604	25,346,152	28,675,508	45,055
Equity participation in income of related companies.....	11a 49,672,511	51,125,437	119,628,189	187,962
Other non-operating income.....	24a 35,049,741	19,510,858	79,232,845	124,492
Equity participation in losses of related companies.....	11a (146,441)	(62,508,538)	(5,971,152)	(9,382)
Goodwill amortization.....	12 a (1,102,713)	(991,089)	(1,184,879)	(1,862)
Interest expense.....	(201,074,012)	(193,328,896)	(194,845,084)	(306,144)
Other non-operating expenses.....	24b (50,956,196)	(92,838,176)	(80,093,958)	(125,845)
Price-level restatement, net.....	25 1,739,748	9,642,423	424,645	667
Foreign currency translation, net.....	26 4,219,834	18,090,406	(30,562,735)	(48,021)
Non-operating loss.....	<u>(145,266,924)</u>	<u>(225,951,423)</u>	<u>(84,696,621)</u>	<u>(133,077)</u>
Income before income taxes.....	444,760,109	395,682,556	808,663,759	1,270,585
Income taxes.....	8 (153,048,224)	(123,507,299)	(191,557,383)	(300,978)
Income before minority interest....	291,711,885	272,175,257	617,106,376	969,607
Minority interest.....	22b (77,088,340)	(67,380,973)	(180,686,406)	(283,897)
Income before amortization of negative goodwill.....	214,623,545	204,794,284	436,419,970	685,710
Amortization of negative goodwill.....	12b 7,061,329	4,772,081	6,171,997	9,698
Net income.....	<u>221,684,874</u>	<u>209,566,365</u>	<u>442,591,967</u>	<u>695,407</u>

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

Endesa Chile and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

	Number of outstanding shares (In thousands)	Stated capital ThCh\$	Additional paid- in capital ThCh\$	Development stage companies (3) ThCh\$	Other reserves ThCh\$	Retained earnings ThCh\$	Net income ThCh\$	Total ThCh\$
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, 2008 (1)	<u>8,201,755</u>	<u>1,331,714,085</u>	<u>261,232,246</u>	<u>(354,402)</u>	<u>(43,209,096)</u>	<u>327,531,977</u>	<u>221,684,874</u>	<u>2,098,599,684</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)	—	—	—	—	(94,522,445)	—	—	(94,522,445)
Cumulative translation adjustment	—	—	—	—	(27,788,143)	—	—	(27,788,143)
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>
As of December 31, 2008 (1)	<u>8,201,755</u>	<u>1,331,714,085</u>	<u>261,232,246</u>	<u>—</u>	<u>(176,405,325)</u>	<u>425,815,439</u>	<u>209,566,365</u>	<u>2,051,922,810</u>
As of January 1, 2008	8,201,755	1,222,877,948	239,882,687	—	(161,988,361)	391,015,096	192,439,270	1,884,226,641
Reclassification of prior year net income	—	—	—	—	—	192,439,270	(192,439,270)	—
Price-level restatement of capital	—	108,836,137	21,349,559	—	(14,842,094)	44,885,805	—	160,229,407
Dividends	—	—	—	—	—	(94,850,832)	—	(94,850,832)
Cumulative translation adjustment	—	—	—	—	16,216,041	—	—	16,216,041
Interim dividends	—	—	—	—	—	(43,889,229)	—	(43,889,229)
Net income	—	—	—	—	—	—	442,591,967	442,591,967
As of December 31, 2008	<u>8,201,755</u>	<u>1,331,714,085</u>	<u>261,232,246</u>	<u>—</u>	<u>(160,614,414)</u>	<u>489,600,110</u>	<u>442,591,967</u>	<u>2,364,523,995</u>

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

Endesa Chile and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

- (1) Restated in thousands of constant Chilean pesos as of December 31, 2008.
(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	2006	2007
	ThCh\$ (historic)	ThCh\$ (historic)
Merger Edegel-Etevensa (Note 11 d. (iii)).....	(9,599,504)	—
Liquidation of CESA (Note 11 e. (i))	3,189,180	—
Merger Betania and Emgesa (Note 11 c. (ii))	—	(94,522,106)
Total.....	<u>(6,410,324)</u>	<u>(94,522,106)</u>

- (3) See Note 3.

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

Endesa Chile and Subsidiaries
Consolidated Statements of Cash Flows
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

	For the years ended December 31,			
	2006	2007	2008	2008
	ThCh\$	ThCh\$	ThCh\$	ThUS\$ (Note 2 (b))
Cash flows from operating activities:				
Net income	221,684,874	209,566,365	442,591,967	695,407
(Gain) loss on sales of property, plant and equipment	(3,685,778)	(412,692)	14,735	23
Net gain on sales of investments	—	(3,351,925)	—	—
Charges (credits) to income which do not represent cash flows:				
Depreciation.....	205,036,039	210,150,835	250,505,112	393,597
Amortization of intangibles	1,295,716	1,330,242	1,832,903	2,880
Write-offs and provisions	30,549	154,759	410,510	645
Equity participation in income of related companies.....	(49,672,511)	(51,125,437)	(119,628,189)	(187,962)
Equity participation in losses of related companies	146,441	62,508,538	5,971,152	9,382
Amortization of goodwill.....	1,102,713	991,089	1,184,879	1,862
Amortization of negative goodwill	(7,061,329)	(4,772,081)	(6,171,997)	(9,698)
Price-level restatement, net.....	(1,739,748)	(9,642,423)	(424,645)	(667)
Foreign currency translation, net	(4,219,834)	(18,090,406)	30,562,735	48,021
Dividends received from equity method investees	19,831,393	50,031,975	36,396,113	57,186
Other credits to income which do not represent cash flows.....	(707,032)	(1,077,280)	(35,830)	(56)
Other charges to income which do not represent cash flows	8,096,663	3,522,315	5,064,105	7,957
Income attributable to minority interest.....	77,088,340	67,380,973	180,686,406	283,897
Changes in assets which affect cash flows:				
Increase in trade receivables	(112,290,649)	(138,798,454)	(68,887,357)	(108,237)
Decrease (increase) on inventory	5,102,634	(29,801,961)	12,192,166	19,157
Decrease (increase) in other assets.....	(18,174,606)	(54,719,487)	(5,927,687)	(9,314)
Changes in liabilities which affect cash flows:				
Increase (decrease) in accounts payable associated with operating results	67,442,108	226,732,632	(60,847,263)	(95,604)
Decrease in interest payable.....	(1,927,505)	(20,330,128)	(398,022)	(625)
Increase in income tax payable	71,287,980	19,203,019	118,038,561	185,464
Increase in other accounts payable associated with non-operating results	3,780,459	13,149,581	8,387,633	13,179
Net (decrease) increase in value added tax and other payables.....	8,897,068	(75,388,850)	35,266,215	55,411
Net cash flows provided by operating activities	<u>491,343,985</u>	<u>457,211,199</u>	<u>866,784,202</u>	<u>1,361,905</u>

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

Endesa Chile and Subsidiaries
Consolidated Statements of Cash Flows
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

	For the years ended December 31,			
	2006	2007	2008	2008
	ThCh\$	ThCh\$	ThCh\$	ThUS\$ (Note 2 (b))
Cash flows from financing activities:				
Proceeds from the issuance of debt.....	623,985,442	180,914,780	387,187,168	608,354
Proceeds from bond issuances	54,414,214	166,324,463	232,389,281	365,134
Proceeds from loans obtained from related companies.....	39,435,602	43,255,604	67,650,974	106,294
Dividends paid	(133,692,807)	(257,789,954)	(282,015,440)	(443,107)
Distributions of capital by foreign subsidiaries.....	—	—	456,542	717
Repayment of debt.....	(420,692,640)	(173,692,919)	(165,883,078)	(260,638)
Repayment of bonds	(315,176,115)	(117,891,523)	(227,609,282)	(357,623)
Payment of loans obtained from related companies.....	(6,161,368)	—	(6,565,819)	(10,316)
Other disbursements for financing.....	(1,370,738)	(1,120,954)	(621,018)	(976)
Net cash provided by (used in) financing activities.....	(159,258,410)	(160,000,503)	4,989,328	7,839
Cash flows from investing activities:				
Proceeds from sales of property, plant and equipment	21,431,568	3,244,219	471,007	740
Payments related to loans to related companies.....	14,990,013	—	85,217,248	133,895
Other receipts from investments (1).....	1,212,072	47,014,775	14,205	22
Additions to property, plant and equipment.....	(198,928,912)	(225,455,435)	(290,178,733)	(455,933)
Long-term investments	(24,576,510)	(41,582,252)	(19,864,710)	(31,212)
Proceeds from sales of long-term investments.....	57,768	9,118,784	7,730,911	12,147
Liquidation of subsidiary (2).....	(4,819,794)	—	—	—
Other loans granted to related companies	(48,550,111)	(89,122,732)	(53,161,289)	(83,528)
Other disbursements related to investing activities (1).....	—	(47,553,154)	(8,317,231)	(13,068)
Net cash used in investing activities.....	(239,183,906)	(344,335,795)	(278,088,592)	(436,937)
Net cash flow for the year.....	92,901,669	(47,125,099)	593,684,938	932,807
Effect of price-level restatement and exchange rate difference on cash and cash equivalents	(8,177,113)	(24,788,508)	(1,291,363)	(2,029)
Net increase (decrease) in cash and cash equivalents	84,724,556	(71,913,607)	592,393,575	930,778
Cash and cash equivalents - Beginning of year.....	97,161,511	181,886,067	109,972,460	172,790
Cash and cash equivalents - End of year.....	<u>181,886,067</u>	<u>109,972,460</u>	<u>702,366,035</u>	<u>1,103,568</u>

(1) See Note 27.

(2) See Note 11 (e) (i). As a result of the liquidation of CESA, cash amounting to ThCh\$ 4,819,794 was transferred to CESA's other shareholder, Endesa Latinoamérica S.A.

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

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

1. Description of Business:

Empresa Nacional de Electricidad S.A. ("Endesa Chile" or the "Company", NYSE: EOC) is a publicly held limited liability stock company domiciled in Chile. The Company predominantly obtains its revenues from the sale of electric energy but also provides engineering services and operates a road tunnel under public concession. It is a publicly-traded company, regulated by the Chilean Superintendencia de Seguros y Valores ("SVS") as well as by the United States Securities and Exchange Commission ("SEC") since registering American Depositary Share ("ADSs") in 1994.

As of December 31, 2008 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., or Enersis (NYSE: ENI), which holds 59.98% of the Company's outstanding shares as of December 31, 2008.

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"). No reclassification has occurred in year 2008.

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 accompanying financial statements reflect the consolidated results of operations of Endesa Chile and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. 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 financial statements as of and for the years ended December 31, 2006, 2007 and 2008 of certain of the Company's foreign subsidiaries, have been prepared in accordance to technical bulletins N°72, N°64, and N°42 issued by the Chilean Association of Accountants, prior to consolidation.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

2. Summary of Significant Accounting Policies, continued:

The table below sets forth the percentage participation of Endesa Chile in its consolidated companies:

Company name	Percentage participation in voting rights as of December 31,				
	2006	2007	2008		Total
	Total	Total	Direct	Indirect	
Enigesa S.A. (Chile)	100.00	100.00	99.51	0.49	100.00
Ingendesa S.A. (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
Pangue S.A.(1) (Chile)	94.99	94.99	94.98	0.01	94.99
Hidroinvest S.A. (Argentina) (2)	69.93	96.09	41.94	54.15	96.09
Hidroeléctrica El Chocón S.A. (Argentina) (2)	65.19	67.67	2.48	65.19	67.67
Endesa Costanera S.A. (Argentina) (2) (3)	64.26	69.77	12.33	57.43	69.77
Endesa Brasil Participacoes Ltda. (Brazil)(4)	100.00	100.00	—	—	—
Sociedad Concesionaria Túnel El Melón S.A. (Chile) (5)	99.96	100.00	99.99	0.01	100.00
Compañía Eléctrica Cono Sur S.A. (Pánama) (6)	100.00	100.00	—	—	—
Emgesa S.A. (Colombia) (7) (8)	23.45	26.87	26.87	—	26.87
Central Eólica Canela S.A. (Chile) (9)	—	75.00	—	75.00	75.00
Edegel S.A. (Peru) (10)	55.44	55.44	—	54.20	54.20
Generandes Perú S.A. (Peru) (10)	59.63	59.63	—	61.00	61.00
Southern Cone Power Argentina S.A. (Argentina) (3)	—	100.00	98.00	2.00	100.00
Compañía Eléctrica San Isidro S.A. (Chile)	100.00	100.00	100.00	—	100.00
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	1.00	99.00	100.00
Endesa Eco S.A. (Chile) (9)	100.00	100.00	99.99	0.01	100.00

- (1) See Note 11 (d) (i).
(2) See Note 11 (d) (v).
(3) See Note 11 (d) (iv).
(4) See Note 11 (e) (iii).
(5) See Note 11 (d) (vi).
(6) See Notes 11 (e) (ii) and 11 (c) (i).
(7) Endesa Chile exercises control over this company pursuant to a shareholders' agreement dated August 30, 2007 held between the Company and Endesa Latinoamérica S.A.
(8) See Notes 11 (c) (ii), 11 (d) (i) and 11 (e) (i).
(9) See Note 11 (b) (iii).
(10) See Notes 11 (d) (ii) and 11 (b).
(11) On June 1, 2008, the Scotiabank interest group, which owned 2.27% in Generandes Perú S.A., withdrew its participation in exchange for 1.24% of Edegel S.A. Therefore, Endesa group participation in Generandes Perú S.A. increased from 59.63% to 61%.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

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,		
	2006	2007	2008
	%	%	%
Edegel S.A. (1)	33.06	33.06	33.06
Hidroeléctrica El Chocón S.A. (2)	47.45	65.37	65.37

- (1) See Notes 11 (d) (ii) and 11 (b) (vi).
(2) See Note 11 (d) (v).

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, 2008 was approximately 18.4%.

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 25).

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.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

2. Summary of Significant Accounting Policies, continued:

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") for accounting purposes are as follows:

	<u>Index</u>	<u>Change over Previous November 30,</u>
December 31, 2006	100.00	2.1%
December 31, 2007	107.40	7.4%
December 31, 2008	116.96	8.9%

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>
November 30, 2006	100.00	2.6%
November 30, 2007	107.80	7.8%
November 30, 2008	115.45	7.1%

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. When 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, 2006	18,336.38
December 31, 2007	19,622.66
December 31, 2008	21,452.57

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2. Summary of Significant Accounting Policies, continued:

Comparative financial statements

For comparative purposes, the historical December 31, 2006 and 2007 consolidated financial statements and their accompanying notes have been presented in constant Chilean pesos as of December 31, 2008. 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, 2008 as follows:

<u>Year</u>	<u>Change in Index</u>
2007	7.4%(1)
2008	8.9%(2)

(1) Equivalent to the amounts for 2006 multiplied by the change in the CPI for 2007, then by the change in the CPI for 2008.

(2) Equivalent to the amounts for 2007 multiplied by the change in the CPI for 2008.

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 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, 2008 of Ch\$ 636.45 for \$ 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 dollars at this or any other exchange rate.

c) Assets and liabilities denominated in foreign currencies:

Assets and liabilities denominated in foreign currencies are detailed in Note 31. 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>Currency</u>	<u>Symbol used</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
		<u>Ch\$</u>	<u>Ch\$</u>	<u>Ch\$</u>
United States dollar (observed)	US\$	532.39	496.89	636.45
Colombian Peso	\$ Col	0.24	0.25	0.28
New Peruvian Sol	Soles	166.58	165.65	202.69
Brazilian real	Rs	249.01	280.52	272.34
Euro	€	702.08	730.94	885.80
Argentine peso	\$ Arg	173.87	157.79	184.32
<u>Index</u>	<u>Symbol used</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
		<u>Ch\$</u>	<u>Ch\$</u>	<u>Ch\$</u>
"Unidad de Fomento"	UF	18,336.38	19,622.66	21,452.57
Annual Tax Unit	UTA	386,472	410,664	451,824

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2. Summary of Significant Accounting Policies, continued:

d) Time deposits and Marketable securities:

Time deposits are presented at cost plus accrued interest and UF indexation adjustments, as applicable (see Note 4). Marketable securities consist primarily of common stock and are stated at the lower of cost or market value.

e) 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.

f) 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.

g) Other current assets:

This caption is mostly composed of guarantee deposits, investment securities under agreements to repurchase, fair value of derivatives and others. Investments securities under agreements to repurchase are carried at cost of purchase plus an accumulated and earned portion of the agreed repurchase price at year-end (see Note 9).

h) 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.

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, 2006, 2007 and 2008.

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2. Summary of Significant Accounting Policies, continued:

i) 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 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.

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

k) 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.

l) 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 II).

Investments in foreign affiliates are recorded in accordance with Technical Bulletin No. 64 and No. 72 of the Chilean Association of Accountants, which amended Technical Bulletin No. 42.

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2. Summary of Significant Accounting Policies, continued:

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 11 f., 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 (historical) 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 in connection with the investment (see Note 12 (a)).

m) 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, 2006, 2007 and 2008.

n) 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.

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2. Summary of Significant Accounting Policies, continued:

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 assets at fair value over the CGU's net identifiable assets. 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 (historical)

o) Investments in other companies:

Investments in other companies are recorded at their acquisition cost adjusted for inflation.

p) Bonds:

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the issuance proceeds, equal to the premium or discount, is deferred and amortized over the term of the bonds (see Note 19). Discounts on the bond issuances of Endesa Chile and its subsidiaries are deferred over the term of the respective bonds amounted to ThCh\$ 7,523,412 and ThCh\$ 8,104,292 as of December 31, 2007 and 2008, respectively, presented in "Other assets" (see Note 15).

q) 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.

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

r) 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.

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

s) 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.

t) 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.

u) 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.

v) Operating income

Operating income includes energy supplied but not invoiced as of each year-end, valued at the sales price based on current rates. These amounts are recorded as current assets in Accounts receivables. The cost of this energy is included in cost of sales. The Company has also recognized revenue from motor vehicle tolls and engineering and inspection services.

w) 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.

Additionally any taxes collected from customers and remitted to governmental authorities (i.e. VAT, sales taxes or excise) are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

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2. Summary of Significant Accounting Policies, continued:

x) 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,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Cash	24,977,853	21,123,564	54,516,339
Time deposits	107,959,764	48,212,900	172,001,465
Repurchase agreements	42,834,417	29,420,343	374,618,557
Marketable securities	6,114,033	11,215,653	101,229,674
Total cash and cash equivalents	<u>181,886,067</u>	<u>109,972,460</u>	<u>702,366,035</u>

y) Financial derivative contracts:

As of December 31, 2007 and 2008, the Company has 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.

z) Research and development:

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.

aa) Computer software:

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

bb) 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.

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2. Summary of Significant Accounting Policies, continued:

cc) 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.

dd) Advertising costs:

Advertising costs are expensed as incurred. During the years ended December 31, 2006, 2007 and 2008, the Company recorded ThCh\$ 570,248 ThCh\$ 324,421 and ThCh\$ 382,352 of advertising expense in the income statement in the administrative and selling expense line.

ee) Debt issuance costs:

Costs incurred in the public registration and issuance of debt is capitalized and amortized on a straight-line basis over the term of the respective obligation (see Note 15).

ff) Use of estimates:

The preparation of the consolidated financial statements, in accordance with generally accepted principles in Chile, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangibles and goodwill; valuation allowances for receivables, inventories and deferred income tax assets; valuation of derivative instruments; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

3. Change in accounting policy:

No changes of accounting policy occurred in 2008. 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\$ 303,015 (historical Chilean pesos). Pursuant to the transitory provision of Circular 1819, prior year income statement and balance sheet were not restated.

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4. Time deposits:

Time deposits as of December 31, 2007 and 2008 and the applicable annual interest rates and scheduled maturities as of December 31, 2008 are as follows:

Financial Institution	Annualized Interest Rates %	Scheduled Maturity	As of December 31,	
			2007 ThCh \$	2008 ThCh\$
Banco Santander	1.27	January 29, 2009	251,349	76,833,576
Citibank N.A. (Overnight)	0.08	January 2, 2009	28,220,999	42,333,634
Banco BBVA	2.35	January 29, 2009	—	19,151,871
Banco Rio	3.23	January 2, 2009	2,981,364	10,071,363
Banco JP Morgan Chase	1.74	January 5, 2009	—	7,156,625
Banco Río de la Plata	3.23	January 5, 2009	37,878	3,764,602
Banco Nación Argentina	3.23	January 2, 2009	—	3,687,668
Corficolombiana Valor Plus	0.92	January 1, 2009	68,285	2,190,103
Bank of America	3.23	January 5, 2009	3,560,526	2,092,648
Standard Bank	1.58	January 28, 2009	—	1,680,228
Fondo Suvalor	0.77	January 1, 2009	—	1,347,216
Banco Galicia	1.52	January 5, 2009	798,945	1,308,541
Citibank	2.21	January 5, 2009	3,177,768	382,047
Fiducolumbia	0.80	January 1, 2009	6,645	633
Fidubogotá	0.93	January 1, 2009	23,456	581
Corficolombiana Multiplicar	1.10	January 1, 2009	8,185	129
Citibank New York	1.38	October 1, 2008	8,135,836	—
Banco Itau Corp Plus	1.84	October 1, 2008	941,664	—
Total			48,212,900	172,001,465

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5. Accounts receivable and other receivables:

- a. Current accounts receivable, other accounts receivable and related allowances for doubtful accounts as of December 31, 2007 and 2008 are as follows:

Account	As of December 31,							
	2007				2008			
	Under 91 days	91 days to 1 year	Allowance	Total	Under 91 Days	91 days to 1 year	Allowance	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Accounts Receivable	225,142,414	6,227,522	(1,362,690)	230,007,246	253,230,862	24,742,452	(1,552,428)	276,420,886
Other Accounts Receivable (1).....	63,236,486	3,065,435	(912,631)	65,389,290	29,280,329	3,877,485	(1,075,198)	32,082,616
Total	<u>288,378,900</u>	<u>9,292,957</u>	<u>(2,275,321)</u>	<u>295,396,536</u>	<u>282,511,191</u>	<u>28,619,937</u>	<u>(2,627,626)</u>	<u>308,503,502</u>

Long-term receivables as of December 31, 2007 and 2008, are ThCh\$ 90,698,407 and ThCh\$ 94,690,545, respectively, with no valuation allowance. 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, 2007 and 2008 the balances include amounts of ThCh\$ 31,995,105 and ThCh\$ 10,720,714, respectively, that will be reimbursed to Endesa Chile and its subsidiaries for transmission line use.

- b. Current and long-term accounts receivable, net of the related allowances for doubtful accounts by country as of December 31, 2007 and 2008, are as follows:

Country	As of December 31,			
	2007		2008	
	ThCh\$	%	ThCh\$	%
Chile	163,509,271	42.35%	144,105,484	35.74%
Peru	17,052,156	4.42%	40,672,289	10.09%
Argentina	130,623,646	33.83%	151,986,806	37.69%
Colombia	56,757,363	14.70%	66,429,468	16.48%
Panama (1)	18,152,507	4.70%	—	—
Total	<u>386,094,943</u>	<u>100.00%</u>	<u>403,194,047</u>	<u>100.00%</u>

(1) Country of incorporation of the wholly-owned subsidiary, Compañía Eléctrica Cono Sur S.A. (See note 11 (e) (ii))

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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,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Beginning balance	3,792,358	3,058,924	2,275,321
Charged to expense	432,979	512,408	306,714
Write-offs	(603,652)	(702,612)	(46,566)
Price-level restatement and conversion adjustment.....	(562,761)	(593,399)	92,157
Ending balance	<u>3,058,924</u>	<u>2,275,321</u>	<u>2,627,626</u>

- d. Sales recorded but not invoiced are ThCh\$ 111,610,824 ThCh\$ 163,547,931 and ThCh\$ 194,398,173 as of December 31, 2006, 2007 and 2008, 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 notes and accounts receivable and payable classified according to the nature of the related company transaction are as follows as of December 31, 2007 and 2008:

a. Notes and accounts receivable from related companies:

Company Name	As of December 31,			
	Short-term		Long-term	
	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$
Transmisora Eléctrica de Quillota Ltda.,	2,020,666	4,257,321	—	—
Atacama Finance Co.	97,663,785	313,383	—	109,601,626
CEMSA.....	1,739,037	3,634,618	—	—
Chilectra S.A.....	18,802,565	23,879,572	402	—
CIEN.....	816,052	993,290	—	—
Codensa S.A.....	20,774,661	26,451,167	—	—
Edelnor S.A.....	2,752,347	5,734,712	—	—
Empresa Eléctrica Piura S.A.....	98,377	2,121	—	—
Enersis S.A.	88,268	362,058	—	—
Endesa Brasil S.A.	59,455	90,524	—	—
Gasoducto Tal Tal Ltda.	196	246	—	—
Gas Atacama Generación S.A.....	20,060	39,531	—	—
GNL Quintero S.A.	43,751,232	4,198,715	—	—
Endesa Fortaleza.....	1,951	7,997	—	—
Cam Colombia Ltda.....	62,817	18,789	—	—
Synapsis Soluciones y Servicios IT Ltda.,.....	14,777	88,763	—	—
GNL Chile S.A.	2,040,429	725,127	—	—
Gasoducto Atacama Chile S.A.....	14,262	—	—	—
Consortio Ara — Ingendesa Ltda.....	54,911	63,130	—	—
Hidroaysen.....	819,838	1,315,318	—	—
Sociedad Consortio Ingendesa Ara Ltda.....	787	—	—	—
Endesa Latinoamérica S.A.	13,797	27,382	—	—
Empresa Eléctrica de Colina S.A.....	—	21,072	—	—
CAM.....	—	19,739	—	—
GasAtacama S.A.....	—	12,459	—	—
Edesur S.A.	—	4,175	—	—
Luz Andes S.A.....	—	1,545	—	—
Total.....	<u>191,610,270</u>	<u>72,262,754</u>	<u>402</u>	<u>109,601,626</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
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Chilean pesos as of December 31, 2008, except as stated)

6. Transactions with Related Companies, continued:

a. Notes and accounts payable due to related companies (continued):

Company Name	As of December 31,			
	Short-term		Long-term	
	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$
CEMSA.....	11,196,449	14,433,685	—	—
CTM.....	816,052	879,934	—	—
Chilectra S.A.....	118,255	235,031	—	—
Codensa S.A.....	3,099,260	64,864,048	—	—
Enersis S.A.	295,669	271,958	—	—
Synapsis Soluciones y Servicios IT Ltda. ...	635,510	823,391	—	—
Transmisora Eléctrica de Quillota Ltda.	35,048	172,749	—	—
CAM.....	92,275	30,272	—	—
Electrogas S.A.	228,055	1,784,801	—	—
Cam Colombia Ltda.....	272,673	459,933	—	—
Synapsis Perú Ltda.....	38,118	168,973	—	—
Synapsis Colombia Ltda.	—	246,280	—	—
Synapsis Argentina Ltda.....	87,098	27,589	—	—
Gas Atacama Generación S.A.....	34,003	23,316	—	—
Gasoducto Tal Tal Ltda.	50,731	39,743	—	—
Consortio Ara-Ingendesa Ltda.	363	—	—	—
Edelnor S.A.....	99,503	11,085	—	—
Cam Perú.....	30,307	16,485	—	—
Empresa Eléctrica Piura S.A.....	14,876	10	—	—
Total.....	<u>17,144,245</u>	<u>84,489,283</u>	<u>—</u>	<u>—</u>

Balances of notes and accounts receivable from and payable to related companies correspond mainly to:

- Operations within the Company's line of business and various services, which are due in 30 days and whose values are not readjusted.
- Operating loans, which include readjustment clauses and interest payments.

The balance receivable from GNL Quintero S.A. corresponds to financing operations that are denominated in dollars and accrue interest at an average annual rate of 3.50%, maturing in 2009.

The balance receivable from Atacama Finance Co. corresponds to loans granted by the dissolved subsidiary, Compañía Eléctrica Cono Sur S.A. (see Note 11 (e) (ii)), to finance the construction of Gasoducto Atacama Argentina S.A. and Gas Atacama Chile S.A. The loans are expressed in US dollars and accrue interest at an average annual rate of 7.5%. On September 15, 2008, (date on which the loans originally matured) the loans were renegotiated and whilst conditions were maintained, maturity was extended to March 15, 2010. This loan also includes a guarantee.

The balance payable to Enersis S.A. in both years was generated by financing operations, expressed in Chilean pesos and US dollars, which accrue interest at market rates.

Endesa Chile and Subsidiaries
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6. Transactions with Related Companies, continued:

b. 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)		
		2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Atacama Finance Co.	Interest	7,597,511	7,735,811	7,485,097
	Price-level restatement	2,206,193	7,374,963	7,941,886
	Foreign currency translation	1,921,769	(14,148,359)	16,639,067
CAM	Services provided	—	265	98,408
Endesa Fortaleza S.A.,	Services provided	272,002	84,449	43,951
CEMSA.....	Sales of energy	6,834,491	10,146,955	20,669,866
	Purchases of energy	(48,568)	(90,366)	(94,195)
	Services received	—	(17,124,607)	—
Codensa S.A.....	Purchases of energy	(21,214,567)	(17,499,060)	(22,617,524)
	Sales of energy	60,135,547	65,319,938	114,110,393
	Services provided	70,984	80,501	104,362
	Services received	(822,565)	(564,703)	(523,660)
	Interest	1,204,255	28,679	(184,570)
CTM.....	Purchases of energy	(774,609)	—	—
CIEN.....	Sales of energy	774,609	—	—
	Foreign currency translation	768,487	750,007	726,480
Chilectra S.A.....	Sales of energy	177,439,565	203,075,567	255,452,943
	Services provided	2,910,184	2,972,033	2,783,160
	Services received	(116,172)	(762,548)	(785,707)
Gas Atacama Generación S.A.....	Services provided	1,134,771	384,654	100,887
Empresa Eléctrica Piura S.A.....	Sales of energy	793,340	284,927	—
	Services provided	108,903	15,280	9,928
Enersis S.A.	Interest	(215,181)	(1,312,460)	(103,603)
	Services provided	154,329	1,182,461	1,072,658
	Foreign currency translation	119,206	—	531,196
	Services received	—	(1,067,295)	1,167,488
EndesaLatinoamérica S.A.....	Services received	(4,821,252)	—	—
	Interest	(87,782)	—	—
	Price-level restatement	(70,498)	—	—
	Foreign currency translation	(14,845)	—	—
Consortio Ingendesa ARA Ltda. ...	Services provided	192,709	675,910	—
Electrogas S.A.	Purchases of gas	(2,300,926)	(2,984,422)	(4,576,224)
Endesa Brasil S.A.	Services provided	212,589	291,948	981,558
Edelnor S.A.....	Sales of energy	29,495,598	27,489,949	51,420,380
Synapsis Argentina Ltda.	Services received	—	(121,099)	(98,013)

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
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6. Transactions with Related Companies, continued:

The most significant transactions and their effects in income (expense) for each year ended December 31, continued:

Company	Nature of Transaction	Income (expense)		
		2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Cam Colombia Ltda.....	Services received	(583,219)	(645,010)	(833,906)
Cam Perú S.A.	Services received	(381,942)	(6,587)	(71,909)
Synapsis Sol y Serv. IT Ltda.....	Services received	(2,303,322)	(2,742,590)	(2,860,109)
	Services provided	—	597,481	686,527
Synapsis Colombia	Services received	(571,833)	(815,374)	(784,088)
Synapsis Brasil Ltda.	Services received	2,014	—	—
Synapsis Perú Ltda.....	Services received	(324,348)	(192,068)	(146,934)
Consortio ARA — Ingendesa Ltda.	Services provided	935,725	32,839	505,331
Cachoeira Dourada S.A.	Services provided	10,082	19,453	1,848
Transmisora Eléc, De Quillota Ltda.,....	Interest	31,449	—	(184,781)
	Services provided	5,986	—	—
Sociedad Agrícola Pastos Verdes	Services provided	10,504	7,908	—
Consortio Ingendesa Minmetal Ltda.	Services provided	73,753	—	—
GNL Quintero S.A.	Interest	—	873,402	1,748,868
	Exchange rate difference	—	(3,392,004)	1,902,123
	Price-level restatement	—	1,426,636	1,744,270
Hidroaysen.....	Services provided	—	3,221,315	4,678,724
	Price-level restatement	—	25,966	—
	Interest	—	6,180	—

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.

7. Inventories:

Inventories are mostly composed of fuel to be used in the powerplants, and they are accounted for based on what is described in Note 2 (e).

Endesa Chile and Subsidiaries
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8. Income taxes:

General information: Recoverable taxes as of each year-end are as follows:

	As of December 31,	
	2007	2008
	ThCh\$	ThCh\$
Income tax payable	8,980,655	54,688,924
Value added tax recoverable	(64,102,767)	(29,680,259)
Income tax recoverable	(6,553,175)	(6,806)
Net tax position recoverable.....	<u>(70,655,942)</u>	<u>(29,687,065)</u>

a. In accordance with technical bulletins No. 60 and No. 69 issued by the Chilean Association of Accountants, and circular No. 1466 issued by the SVS, the Company and its subsidiaries have recorded consolidated deferred income taxes as of December 31, 2007 and 2008 as follows:

	As of December 31, 2007				As of December 31, 2008			
	Asset		Liability		Asset		Liability	
	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$
Accounts receivables	430	7,918,695	—	—	36	9,313,978	—	—
Deferred income	113,864	984,081	—	—	41,587	890,862	—	—
Vacation accrual	596,929	—	—	—	615,518	—	—	—
Assets in leasing.....	—	—	—	1,153,164	—	—	—	429,069
Depreciation.....	—	—	—	314,863,026	—	—	—	318,018,746
Severance indemnities	—	—	—	1,073,384	—	—	—	984,623
Deferred expenses.....	—	—	—	768,619	—	—	—	824,839
Capitalized interest	—	—	—	15,354,890	—	—	—	14,612,551
Tax loss carryforwards.....	—	25,598,038	—	—	—	17,238,948	—	—
Contingencies.....	1,232,980	2,973,347	—	—	1,997,148	5,213,711	—	—
Imputed interest on construction.....	—	—	—	4,311,595	—	—	—	4,041,198
Costs of studies.....	—	—	—	9,758,104	—	—	—	7,659,391
Spare parts used	—	—	—	878,155	—	—	—	807,175
Accrued liabilities.....	670,440	—	—	—	556,894	—	—	—
Bonds discount.....	—	—	—	256,601	—	—	—	2,288,016
Intangibles.....	—	—	—	361,853	—	—	—	332,227
Recoverable contributions to assets....	—	—	—	346,813	—	—	—	236,352
Provision for obsolete spare parts	—	1,574,685	—	—	—	1,515,433	—	—
Pension benefits	526,649	969,748	—	—	539,469	641,657	—	—
Deferred bond discount.....	—	—	—	977,207	—	—	—	904,815
Capitalized commission for loans	—	—	—	55,303	—	—	—	10,947
Other events	—	—	—	1,039,524	—	—	—	858,564
Complementary accounts, net.....	—	(4,667,196)	—	(146,094,182)	—	(4,432,430)	—	(137,199,934)
Earned exigible	—	—	—	—	—	—	—	3,279,627
Valuation allowance	—	(3,334,765)	—	—	—	(3,073,855)	—	—
Total	<u>3,141,292</u>	<u>32,016,633</u>	<u>—</u>	<u>205,104,056</u>	<u>3,750,652</u>	<u>27,308,304</u>	<u>—</u>	<u>218,088,206</u>
Net deferred tax balance	—	—	—	<u>(173,087,423)</u>	—	—	—	<u>(190,779,902)</u>

Endesa Chile and Subsidiaries
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8. Income taxes, continued:

b. Income tax expense for the years ended December 31, 2006, 2007 and 2008 is as follows:

	As of December 31,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Current income tax (expense) benefit			
Income tax provision	(121,203,005)	(87,941,346)	(163,041,786)
Adjustment from prior periods	4,929,566	815,665	(1,321,215)
Deferred tax (expense) benefit			
Deferred taxes.....	(26,035,437)	(54,063,095)	(17,148,607)
Amortization of complementary accounts.....	(10,631,679)	(10,612,664)	(10,849,504)
Change in valuation allowance (1)	(126,973)	28,312,191	575,353
Other charges or credits.....	19,304	(18,050)	228,376
Total	<u>(153,048,224)</u>	<u>(123,507,299)</u>	<u>(191,557,383)</u>

(1) During the year ended December 31, 2007, due to the reorganization of subsidiaries in Colombia (see Note 11 (c) (ii)), 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.

9. Other current assets:

Other current assets as of each year-end are as follows:

	As of December 31,	
	2007 ThCh\$	2008 ThCh\$
Advance payments	145,731	133,821
Investment securities under agreements to repurchase (1)	29,420,347	374,618,557
Other	733,147	1,657,938
Total	<u>30,299,225</u>	<u>376,410,316</u>

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9. Other current assets, continued:

(1) The detail of investment securities under agreements to repurchase as of December 31, 2008 is as follows:

Code	Dates		Counter-party	Currency	Acquisition	Interest	Nominal	Instrument	Current
	Inception	Maturity			cost	rate			Amount
					ThCh\$	%			ThCh\$
CRV.....	12-16-2008	1-5-2009	Central Bank	Ch\$	10,056,476	0.60	10,096,703	Bond	10,086,645
CRV.....	12-16-2008	1-5-2009	Central Bank	Ch\$	10,041,193	0.55	10,078,010	PDBC	10,068,806
CRV.....	12-16-2008	1-5-2009	Central Bank	Ch\$	707	0.55	710	Zero	709
CRV.....	12-19-2008	1-5-2009	Central Bank	Ch\$	29,107,162	0.55	29,197,880	Bond	29,171,198
CRV.....	12-19-2008	1-5-2009	Central Bank	Ch\$	10,892,838	0.55	10,926,787	PDBC	10,916,802
CRV.....	12-19-2008	1-5-2009	Central Bank	Ch\$	23,023,000	0.55	23,107,801	Bond	23,082,860
CRV.....	12-17-2008	1-6-2009	Central Bank	Ch\$	4,029	0.55	4,044	Zero	4,039
CRV.....	12-17-2008	1-6-2009	Central Bank	Ch\$	10,067,171	0.55	10,104,084	PDBC	10,093,010
CRV.....	12-26-2008	1-6-2009	Central Bank	Ch\$	12,048,003	0.55	12,072,300	Bond	12,059,047
CRV.....	12-26-2008	1-6-2009	Central Bank	Ch\$	1,581,214	0.55	1,584,403	Zero	1,582,664
CRV.....	12-26-2008	1-6-2009	Central Bank	Ch\$	2,891,183	0.55	2,897,013	PDBC	2,893,833
CRV.....	12-19-2008	1-7-2009	Central Bank	Ch\$	4,628	0.55	4,644	Zero	4,638
CRV.....	12-19-2008	1-7-2009	Central Bank	Ch\$	69,995,373	0.55	70,239,190	Zero	70,149,364
CRV.....	12-19-2008	1-12-2009	Central Bank	Ch\$	19,014,393	0.55	19,098,057	Bond	19,056,225
CRV.....	12-19-2008	1-12-2009	Central Bank	Ch\$	6,675,212	0.55	6,704,583	Zero	6,689,898
CRV.....	12-19-2008	1-12-2009	Central Bank	Ch\$	14,310,395	0.55	14,373,360	PDBC	14,341,878
CRV.....	12-23-2008	1-14-2009	Central Bank	Ch\$	15,098,985	0.40	15,143,276	Bond	15,115,090
CRV.....	12-23-2008	1-14-2009	INP	Ch\$	3,115	0.40	3,124	Bond	3,118
CRV.....	12-29-2008	1-19-2009	Central Bank	Ch\$	41,980,000	0.41	42,100,483	Bond	41,991,475
CRV.....	12-29-2008	1-19-2009	Central Bank	Ch\$	4,005	0.54	4,020	Zero	4,006
CRV.....	12-29-2008	1-19-2009	Central Bank	Ch\$	15,831,395	0.54	15,891,238	PDBC	15,837,094
CRV.....	12-22-2008	1-26-2009	Central Bank	Ch\$	23,710,553	0.48	23,843,332	Bond	23,744,696
CRV.....	12-22-2008	1-26-2009	Central Bank	Ch\$	3,647	0.48	3,667	Bond	3,652
CRV.....	12-30-2008	1-28-2009	Central Bank	Ch\$	14,573,586	0.40	14,629,938	Bond	14,575,529
CRV.....	12-30-2008	1-28-2009	Central Bank	Ch\$	3,714	0.40	3,728	Bond	3,714
CRV.....	12-30-2008	1-28-2009	Central Bank	Ch\$	4,236,400	0.54	4,258,514	Bond	4,237,163
CRV.....	12-17-2008	1-29-2009	Central Bank	Ch\$	7,000,950	0.17	7,017,674	Bond	7,014,065
CRV.....	11-27-2008	1-14-2009	Treasury - Republic of Chile	US\$	7,877,796	0.17	7,898,803	Bond	7,890,911
CRV.....	11-27-2008	1-14-2009	Central Bank	US\$	12,553,962	0.17	12,587,439	PDBC	12,580,192
CRV.....	11-27-2008	1-14-2009	Central Bank	US\$	1,871,261	0.17	1,876,251	Zero	1,871,261
CRV.....	11-27-2008	1-14-2009	Central Bank	US\$	9,531,858	0.17	9,557,276	Bond	9,544,975
			Total		<u>373,994,204</u>		<u>375,308,332</u>		<u>374,618,557</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
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10. 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,	
		2007	2008
		ThCh\$	ThCh\$
Land.....	—	57,654,357	62,246,145
Buildings and infrastructure.....	35 – 65	3,368,228,041	6,995,618,412
Distribution and transmission lines and public lighting.....	35	32,574,505	29,184,829
Machinery and equipment.....	10 – 30	1,246,792,593	1,480,903,737
Construction in progress.....	—	59,546,743	165,426,608
Property, plant and equipment in leasing (*).....	—	85,157,084	118,628,151
Furniture and fixtures, tools, software and IT equipment.....	3 – 10	24,100,150	26,611,228
Vehicles.....	6 – 10	1,865,450	2,319,453
Other assets.....	3 – 8	13,428,760	19,213,941
Sub-total.....		184,098,187	332,199,381
Technical appraisal.....	—	13,975,667	14,012,301
Total Property, plant and equipment.....		7,903,323,350	8,914,164,805
Less: Accumulated depreciation.....		(3,367,172,180)	(3,873,407,870)
Total Property, plant and equipment, net.....		<u>4,536,151,170</u>	<u>5,040,756,935</u>

Depreciation expense, including depreciation of assets held in capital leases, was ThCh\$ 205,036,039 ThCh\$ 210,150,835 and ThCh\$ 250,505,112 for the years ended December 31, 2006, 2007 and 2008, respectively.

(*) Refers to leasing contracts listed below:

- (a) A leasing contract exists between the Company and Huelpil S.A. for the 2x220KV Ralco-Charrúa transmission lines and the related technical installations amounting to ThCh\$ 34,343,714 in 2007 and 2008. This contract has a duration of 20 years and the annual interest rate per year is 6.5% (see also Note 36 (p)).
- (b) Corresponds to certain contracts to convert the ventanilla thermopower plant to a combined cycle plant (ex-Etevensa) amounting to ThCh\$ 50,813,370 in 2007 and ThCh\$ 84,284,437 in 2008. The project is being carried out by the Company's subsidiary Endegel S.A. and the financial institutions: Banco de Crédito del Perú and BBVA-Banco Continental. These contracts are for 8 years and bear annual interest rates ranging from Libor + 2.5% to Libor + 3% (see also Note 36 (p)).

The Company and its subsidiaries have all risk, earthquake and machinery breakdown insurance policies on their property with maximum coverage limits of ThUS\$ 200,000 including losses for business interruption. Generally, these costs are recorded as part of prepaid expenses, to the extent they are paid in advance.

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11. Investments in related companies:

a. Investments in related companies and respective equity in net earnings (losses) as of and for each year-ended are as follows:

Related Companies	As of December 31, 2007		As of December 31, 2008		Carrying Value		Equity in Net Earnings (Losses)		
	Percentage Owned	Number of Shares	Percentage Owned	Related Equity	2007	2008	2006	2007	2008
	%		%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Gas Atacama Generación S.A.	0.05%	—	—	—	(2,727)	—	(9,016)	(15,935)	—
Gasoducto Atacama Argentina S.A.	0.03%	5	0.03%	149,546,537	38,549	44,877	6,166	(476)	(464)
Gasoducto Atacama Chile S.A.	0.05%	50	0.05%	113,785,208	51,033	56,893	6,610	10,274	367
Hidroaysen. (4) (5)	51.00%	3,369,824	51.00%	67,071,658	16,249,871	34,206,512	—	(1,072,903)	(1,908,047)
Hydroaysen Transmisión S.A. (4).....	—	51	0.51%	22,368	—	114	—	—	—
Inversiones Electrogas S.A.	42.50%	425	42.50%	21,330,980	7,988,511	9,065,667	2,183,805	2,446,804	2,697,740
Inversiones Gas Atacama Holding Ltda. (6).....	50.00%	—	50.00%	188,984,690	29,681,532	41,250,713	3,325,420	(61,033,655)	(2,747,294)
CEMSA (2).....	45.00%	6,305,400	45.00%	9,632,067	3,718,827	4,334,430	920	(57,997)	(39,604)
Transmisora Eléctrica de Quillota Ltda.	50.00%	—	50.00%	9,332,138	4,396,883	4,666,069	250,422	361,173	269,186
Endesa Brasil S.A.	40.45%	67,256,360	40.45%	1,405,498,495	417,689,806	568,566,260	43,634,505	48,040,436	116,243,794
Gas Atacama S.A.	0.001%	1,147	0.001%	201,085,532	1,969	2,306	85	(123)	(2)
Electrogas S.A.	0.02%	85	0.02%	20,118,448	3,709	4,275	1,126	1,264	1,399
Distrilec Inversora S.A.	0.89%	4,416,141	0.89%	331,108,611	2,441,617	2,938,476	(137,425)	111,679	66,679
Consortio ARA — Ingendesa Ltda.(1).....	50.00%	—	50.00%	624,116	115,583	312,058	108,854	152,995	346,325
Sociedad Consortio Ingendesa ARA Ltda. (1).....	50.00%	—	50.00%	1,276	12,970	638	68,631	(15,209)	1,411
Consortio Ingendesa — Minmetal Ltda. (1).....	50.00%	—	50.00%	32,028	17,860	16,014	85,967	812	(1,847)
Consortio ARA Ingendesa Sener Ltda. (1).....	33.33%	—	33.33%	675	(1,918)	225	—	(2,280)	1,288
GNL Chile S.A. (4) (8)	33.33%	3,023,642	33.33%	(2,244,975)	(620,315)	(748,325)	—	(149,733)	(655,168)
GNL Quintero S.A. (4) (7).....	20.00%	200	20.00%	120,633,413	1,731,556	24,126,683	—	(160,227)	(618,726)
Central Térmica San Martín S.A. (3).....	20.86%	104,300	20.86%	93,290	17,857	19,412	—	—	—
Central Térmica Manuel Belgrano S.A. (3).....	20.86%	104,300	20.86%	93,290	17,856	19,411	—	—	—
Total					<u>483,551,029</u>	<u>688,882,708</u>	<u>49,526,070</u>	<u>(11,383,101)</u>	<u>113,657,037</u>

- (1) These companies are non-consolidated affiliates of the Company's subsidiary Ingendesa.
- (2) This company is a non-consolidated affiliate of the Company's subsidiary Endesa Argentina.
- (3) These companies are non-consolidated affiliates of the Company's subsidiaries Endesa Costanera S.A. and Hidroeléctrica El Chocón S.A.
- (4) Non-consolidating affiliates of the Company in development stage.
- (5) See Notes 11 (b) (i), 11 (b) (iv), and 11 (b) (v).
- (6) See Note 11 (f).
- (7) See Note 11 (b) (vi) and 11(b) (ii).
- (8) See Notes 11 (b) (vii) and 11 (b) (ii).

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11. Investment in related companies, continued:

b. Constitution of companies

- (i) On September 4, 2006, Endesa Chile and its subsidiary, Endesa Inversiones Generales S.A., created a new subsidiary named Hidroaysen, 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\$ 1,169, 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\$ 1,169 for all 99 shares; Endesa Inversiones Generales S.A. subscribed 1 share, representing 1% of the paid-in capital and effectively paid ThCh\$ 12 for 1 share.

On September 21, 2006, Hidroaysen celebrated its First General Shareholders' Meeting and approved a capital increase of ThCh\$ 23,391,720 divided into 2,000,000 nominative shares, all of the same unique series, of equal value and without par value. All of which would 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 subscribed 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., subscribed to 980,000 shares representing 49% of the capital increase. Endesa Inversiones Generales S.A. did not exercise its preferential right to subscribe to shares. Therefore, its participation in the shareholders' equity remained at 0.00005%

As of October 10, 2006, Endesa Chile subscribed to and effectively paid ThCh\$ 11,880,881 for 1,019,899 shares, which corresponds to Ch\$ 11,650 per share. This amount is equal to the placement price agreed to in Aysén's First General Shareholders' Meeting. In the same transaction, the Company subscribed to and effectively paid Ch\$ 11,650 for 1 share, an amount that is equal to the placement price agreed to in Aysén'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 Ch\$ 11,650 paid in cash and through contribution of the bare property of the groundwater rights that are described in the aforementioned deed.

- (ii) On March 9, 2007, the Company subscribed 200 of the 1,000 registered shares issued by Sociedad GNL Quintero S.A., which it paid ThCh\$2,190,919 by ceding, transferring and capitalizing the accounts receivable from its affiliate GNL Chile S.A. The Company's participation in GNL Quintero S.A. totals 20%. On May 31, 2007, a pending contribution of ThCh\$771 was made to GNL Chile S.A. by capitalizing an account receivable.
- (iii) 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.
- (iv) On April 15, 2008, the Company made a final payment of ThCh\$2,108,778 to its affiliate Centrales Hidroeléctricas de Aysén S.A. ("Hidroaysen") for certain shares subscribed on October 16, 2007 (see Note 11 (c) (i)).

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11. Investment in related companies, continued:

- (v) On April 30, 2008, the Company additionally subscribed 1,667,700 shares in Hidroaysen, which were paid in three different installments on June 5, 2008, August 20, 2008, and September 22, 2008, for ThCh\$7,236,710 (685,950 shares), ThCh\$5,044,622 (490,722 shares), and ThCh\$5,474,600 (491,028 shares), respectively.
- (vi) On July 15, 2008, the Company made a capital contribution of US\$35,680,377 to GNL Quintero S.A., which is equivalent to ThCh\$18,472,192, by capitalizing loans, maintaining its participation of 20%.
- (vii) On August 20, 2008, the Company made a capital contribution of US\$1,000,000 to GNL Chile S.A., which is equivalent to ThCh\$538,137, maintaining its participation of 33.33%.

c. Reorganizations of entities under common control

- (i) On August 3, 2007, the 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 surviving 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.
- (ii) On September 1, 2007, the Company's subsidiaries Betania and Emgesa were merged, by Betania absorbing Emgesa and the changing its name back 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 Latinoamérica are under common control of Endesa S.A., the Company's ultimate parent company. 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\$ 102,934,573.

All the transfers were recorded at book value of the related investments.

d. Acquisitions

- (i) 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.

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11. Investment in related companies, continued:

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 Superintendencia de 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 did 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\$ 8,554,907.

(ii) On January 13, 2006, the Company acquired 5,500 shares in Empresa Eléctrica Pangué S.A. for the sum of ThCh\$ 6,594, maintaining 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\$ 4,110, increasing its participation to 94.98%.

(iii) On June 1, 2006, Empresa de Generación Termoeléctrica Ventanilla S.A. ("Etevensa") was upstream merged into the 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\$ 11,227,445.

(iv) 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\$ 5,995,273 in cash. The acquired entity owns 8,081,160 (5.5%) of the outstanding class A shares of Endesa Costanera S.A., which is the acquired entity's only asset. Through the purchase of Southern Cone Power Argentina, the Company increased its participation in Endesa Costanera S.A. to 69.77%.

(v) On March 8, 2007, the Company purchased all of the shares in Hidroeléctrica El Chocón S.A. that were directly and indirectly held by CMS Generation S.R.L. The Company exercised the right of first refusal that it was given in an agreement with shareholders. The Company paid US\$ 50,000,000 (ThCh\$31,394,520 in December 2008 pesos), for 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, with 59%, of Endesa Chile's subsidiary Hidroeléctrica el Chocón S.A. and additionally 7,405,768 shares of Hidroeléctrica el Chocón S.A. equivalent to 2.4803% of the outstanding shares. As a result, the Company increased its direct and indirect participation in Hidroeléctrica el Chocón S.A. to 67.67%.

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11. Investment in related companies, continued:

In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants and Circular No. 1,697 of the Superintendencia de Securities and Insurance, the Company assessed the assets and liabilities acquired from Endesa Costanera S.A. and Central Hidroeléctrica El Chocón S.A., at their respective fair values and concluded that their fair values did not differ significantly from their book values. As a result, this purchase of minority interest was accounted for as required by Technical Bulletin No. 72, recording negative goodwill of ThCh\$ 2,216,534 related to Endesa Costanera and negative goodwill of ThCh\$ 5,833,599 related to Hidroeléctrica el Chocón S.A. (see Note 11).

(vi) 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\$ 34,893,978, with the Company subscribing for 100%, through a cash payment of ThCh\$ 18,433,872 and capitalization of loans in the amount of ThCh\$ 16,460,040, thereby increasing the Company's participation in that company by 0.01% to 100%.

(vii) On October 16, 2007, at an Extraordinary Shareholders' Meeting of Centrales Hidroeléctricas de Aysén S.A., shareholders increased their paid-in capital by ThCh\$ 14,565,375 by issuing 1,337,500 shares without par value that had to be subscribed and paid within three years of the date of that meeting. The Company subscribed 682,125 shares for a total of ThCh\$7,428,341, of which it paid ThCh\$1,219,136 by capitalizing loans and ThCh\$ 2,106,746 in cash. On December 17, 2007, the Company paid an additional ThCh\$2,083,823 in cash.

e. Dissolution of related parties

(i) As a result of an agreement signed on October 5, 2004, Corporación Financiera del Valle (Corfivalle) withdrew 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 parties were 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, had granted usufruct of political and economic rights of the aforementioned assets, which was exchanged on January 1, 2004.

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 a 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\$ 3,730,019 and a negative goodwill of ThCh\$ 8,554,907 was registered.

(ii) On September 1, 2008, Compañía Eléctrica Cono Sur S.A., a Panamanian subsidiary of Endesa Chile S.A., was dissolved. This dissolution was approved by this entity's shareholders in an Extraordinary Shareholders' Meeting on September 1, 2008. This dissolution had no effect on the Company's accounting as Endesa Chile owned 100% of this company. Therefore, all of its assets and liabilities were absorbed by Endesa Chile.

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11. Investment in related companies, continued:

(iii) On December 22, 2008, Endesa Brasil Participacoes Ltda., a Brazilian subsidiary in which Endesa Argentina S.A. and Endesa Chile had participation of 95% and 5%, respectively, was dissolved. This dissolution had no effect on the Company's accounting as Endesa directly and indirectly owned 100% of this company.

f. *Impairment of investment accounted for under the equity-method:*

During the year ended December 31, 2007, the Company recorded an impairment charge of ThCh\$48,890,387 (in historical pesos) on its investment in Inversiones Gas Atacama Holding Limitada and subsidiaries ("Gas Atacama"), as the Company believed that at the time the investment was other-than-temporary impaired. Gas Atacama operates gas pipelines between Argentina and Chile, as well as power-generating thermo-electrical plants in the north of Chile.

Gas Atacama Generación S.A. ("GAG"), a subsidiary of Gas Atacama, was notified of the arbitration ruling in its arbitration suit with the electricity distributors Empresa Eléctrica de Arica S.A., Empresa Eléctrica de Iquique S.A. and Empresa Eléctrica de Antofagasta S.A., decided by arbitrator Ricardo Peralta, in which GAG demanded termination of the electricity supply contracts signed with these distributors. The arbitration ruling was unfavorable for GAG, which further aggravated the entity's sensitive operating and financial situation.

On April 29, 2008, GAG signed a contract with large mining companies in the north of Chile and its owners, Endesa Chile and Southern Cross, which enables GAG to continue operating while a final solution for its situation is identified.

The main objects of this contract include: (1) continuing to supply electricity in the SING—at least 600 MW can be supplied continuously until December 31, 2013, with diesel if necessary—to minimize the risk of electricity rationing and the consequential production losses for mining companies, and (2) securing generation capacity until 2013, which would allow room for other operating units to fail or for delays in start-up of new coal-fired plants. At the same time, GAG entered into a long-term contract with Compañía de Petróleos de Chile COPEC S.A., for daily consumption of up to 3,400 cubic meters of diesel, in order to guarantee availability of this fuel until the end of 2013.

In the contract, the mining companies must pay for the backup service that amounts to approximately 71% of the Empresas EMEL's deficit, with the remaining 29% financed by GAG, Southern Cross and Endesa Chile, with maximum limits of US\$50 million for each owner. The mining companies limit their contribution to US\$650 million and if oil prices exceed US\$120/barrel during the period or if this limit of US\$650 million is reached for any other reason, they have the right to early termination of the contract.

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11. Investment in related companies, continued:

g. *Net investment hedge*

In accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants for the years ended December 31, 2006, 2007 and 2008, 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, 2007 and 2008, the corresponding investments and associated liabilities are as follows:

Company	As of December 31, 2008			
	Country of Origin	Investment ThCh\$	Functional Currency	Associated Liability ThCh\$
Emgesa S.A.....	Colombia	246,295,371	US\$	291,989,846
Endesa Brasil S.A.	Brazil	509,753,175	US\$	442,980,964
Edegel S.A.	Peru	166,512,773	US\$	134,553,414
Hidroeléctrica el Chocón S.A.	Argentina	260,039,949	US\$	90,445,806
CEMSA.....	Argentina	4,334,430	US\$	3,040,052
Endesa Costanera S.A.....	Argentina	97,040,474	US\$	53,349,910
Distrilec Inversora S.A.....	Argentina	2,938,476	US\$	1,438,581
Total.....		<u>1,286,914,648</u>		<u>1,017,798,573</u>

Company	As of December 31, 2007			
	Country of Origin	Investment ThCh\$	Functional Currency	Associated Liability ThCh\$
Emgesa S.A.....	Colombia	194,015,987	US\$	248,251,337
Endesa Brasil S.A.	Brazil	374,483,862	US\$	376,624,796
Edegel S.A.	Peru	134,515,725	US\$	114,398,035
Hidroeléctrica el Chocón S.A.	Argentina	228,069,515	US\$	76,304,626
CEMSA.....	Argentina	3,718,827	US\$	2,535,385
Endesa Costanera S.A.....	Argentina	83,461,096	US\$	46,000,548
Distrilec Inversora S.A.....	Argentina	2,441,617	US\$	1,223,089
Total.....		<u>1,020,706,629</u>		<u>865,337,816</u>

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12. Goodwill and Negative Goodwill:

a. Goodwill as of December 31, 2007 and 2008 and the related amortization for each of the years ended December 31, is as follows:

Company	As of December 31,			Net Balance	
	Amortization			2007	2008
	2006	2007	2008	2007	2008
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Emgesa S.A.....	846,838	674,227	938,764	7,301,241	7,648,856
Gasoducto Atacama Chile Ltda. (1)	6,113	74,366	—	—	—
Edegel S.A.	35,544	28,278	31,897	306,341	323,671
Pangue S.A.	214,218	214,218	214,218	3,124,012	2,909,794
Total	<u>1,102,713</u>	<u>991,089</u>	<u>1,184,879</u>	<u>10,731,594</u>	<u>10,882,321</u>

(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 11 (d) for details).

b. Negative goodwill as of December 31, 2007 and 2008 and the related amortization for each of the years ended December 31, is as follows:

Company	As of December 31,			Net Balance	
	Amortization			2007	2008
	2006	2007	2008	2007	2008
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Edegel S.A.	1,981,209	1,721,696	2,407,115	20,803,821	21,956,856
Endesa Costanera S.A.	3,016,162	2,717,463	3,218,905	6,803,434	4,783,203
Emgesa (see Note 11 (c))	2,063,958	105,638	189,540	6,856,395	7,847,590
Hidroeléctrica el Chocón (see Note 11 (c))	—	227,284	356,437	5,833,599	6,504,961
Total	<u>7,061,329</u>	<u>4,772,081</u>	<u>6,171,997</u>	<u>40,297,249</u>	<u>41,092,610</u>

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13. Investments in other companies:

Investments in other companies as of December 31, 2007 and 2008 are as follows:

Company	Number of shares	Percentage owned as of December 31, 2008 %	As of December 31,	
			2007	2008
			ThCh\$	ThCh\$
Club de la Banca y Comercio	1	—	2,060	3,267
Club Empresarial	1	—	23,455	26,744
Empresa Eléctrica de Aysén S.A.	2,516,231	6.70%	2,533,354	2,533,354
Cooperativa Eléctrica de Chillán Ltda.	—	—	16,531	16,531
CDEC-SIC Ltda.	—	13.57%	191,485	173,225
CDEC-SING Ltda.	—	7.69%	303,133	303,133
Financiera Eléctrica Nacional S.A.	4,098	0.10%	112,064	0
Electrificadora de la Costa S.A.	6,795,148	0.14%	92,999	0
Electrificadora del Caribe S.A.	109,353,394	0.22%	1,224,017	1,549,119
Total			<u>4,499,098</u>	<u>4,605,373</u>

These investments are stated at price-level restated cost as they are not traded on an open market.

14. 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,					
		2007			2008		
		Total	Accumulated Amortization	Net Balance	Total	Accumulated Amortization	Net Balance
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Easements	24	3,718,704	(2,874,742)	843,962	3,684,657	(2,885,990)	798,667
Water rights	1,440	13,943,505	(2,134,601)	11,808,904	18,050,259	(3,626,735)	14,423,524
Salex-fourth line Comahue ...	60	7,060,445	(3,801,861)	3,258,584	8,304,400	(5,024,773)	3,279,627
Software	36	2,527,870	(1,731,013)	796,856	3,847,825	(2,553,636)	1,294,189
Other	36-50	254,867	(234,378)	20,490	390,139	(374,777)	15,362
Total		<u>27,505,391</u>	<u>(10,776,595)</u>	<u>16,728,796</u>	<u>34,277,280</u>	<u>(14,465,911)</u>	<u>19,811,369</u>

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15. Other assets:

Other assets as of each year-end are as follows:

	As of December 31,	
	2007	2008
	ThCh\$	ThCh\$
Bond discount (1)	7,523,412	8,104,292
Reimbursable contributions	2,040,073	1,390,305
Deferred commissions on loans and lines of credit	6,757,517	6,984,439
Minimum tax on productive assets (Argentina).....	8,969,959	11,608,900
Capitalized debt issuance costs (1)	3,725,701	5,916,785
Unrealized loss on derivative contracts	1,470,114	7,292,840
Other	712,278	4,127,540
Total.....	31,199,054	45,425,101

(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.

16. Debt due to banks and financial institutions — short term:

Short-term debt due to banks and financial institutions:

Financial Institution	Foreign Currency				Local Currency		Total	
	US\$		Other Foreign Currencies		Ch\$		2007	2008
	2007	2008	2007	2008	2007	2008		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco BBVA	—	—	12,604,378	—	—	—	12,604,378	—
Banco Santander RIO	—	404,811	6,740,006	—	—	—	7,144,817	—
Banco Santander Santiago	—	—	—	—	1,257,313	—	1,257,313	—
Banco de Crédito	—	—	2,795,380	—	—	—	2,795,380	—
Banco BBVA Bhif.....	—	—	—	—	1	1	1	1
Banco Nacion Argentina	—	—	4,617,885	—	—	—	4,617,885	—
Scotiabank	2,213,299	2,621,179	—	—	—	2,213,299	2,621,179	—
Banco Ciudad de Buenos Aires.....	—	—	1,120,666	—	—	—	1,120,666	—
Banco de Crédito e Inversiones								
Perú.....	4,800,556	12,827,084	—	—	—	4,800,556	12,827,084	—
Banco de Bogotá.....	—	—	4,842,201	—	—	—	4,842,201	—
Banco Itau.....	1,118,298	1,298,740	—	—	—	1,118,298	1,298,740	—
Citibank	—	—	8,569,590	—	—	—	8,569,590	—
AVVillas	—	—	10,788,396	—	—	—	10,788,396	—
Banco Provincia de Buenos								
Aires.....	964,512	1,046,049	—	—	—	964,512	1,046,049	—
Banco Santander.....	—	—	1,430,703	8,527,153	—	1,430,703	8,527,153	—
Citibank	—	3,321,777	—	—	—	—	3,321,777	—
Banco Bladex.....	2,630,286	1,295,995	—	—	—	2,630,286	1,295,995	—
Total.....	11,726,951	22,815,635	17,061,300	44,975,058	1	1,257,314	28,788,252	69,048,007
Total outstanding principal.....	4,620,319	19,238,865	17,061,300	44,950,365	—	1,257,313	21,681,619	65,446,543
Weighted average interest rate	6.47%	6.80%	11.95%	12.99%	—	—	9.72%	10.72%

	As of December 31,	
	2007	2008
	%	%
Percentage of debt in foreign currency ...	100.00%	98.18%
Percentage of debt Chilean Peso	—	1.82%
Total	100.00%	100.00%

Endesa Chile and Subsidiaries
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17. Debt due to banks and financial institutions — current portion of long-term debt:

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\$		2007	2008
	2007	2008	2007	2008	2007	2008		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Bancolumbia.....	—	—	3,141,715	5,354,867	—	—	3,141,715	5,354,867
Banesto	2,229,889	—	—	—	—	—	2,229,889	—
Banco Continental.....	1,618,405	1,591,666	10,655,714	—	—	—	12,274,119	1,591,666
Banco Bilbao Vizcaya								
Argentaria S.A.	—	72,555	2,671,550	1,076,528	—	—	2,671,550	1,149,083
Banco de Crédito	—	60,507	10,940,072	—	—	—	10,940,072	60,507
Banco Mediocredito Italiano.....	—	—	2,182,005	2,523,313	—	—	2,182,005	2,523,313
Banco Nationale Paris	3,517,450	3,270,303	—	—	—	—	3,517,450	3,270,303
Banco Santander Central								
Hispano.....	—	—	3,041,596	3,205,326	—	—	3,041,596	3,205,326
Caja Madrid Miami Agency.....	20,003	16,298	—	—	—	—	20,003	16,298
Davienda.....	—	—	1,021,538	771,146	—	—	1,021,538	771,146
Export Development								
Corporation.....	1,777,642	1,965,537	—	—	—	—	1,777,642	1,965,537
Citibank	5,415,491	6,365,817	—	—	—	—	5,415,491	6,365,817
Kreditanstalt für Wiederaufbau.....	301,452	176,238	—	—	—	—	301,452	176,238
Credit Suisse First Boston	4,659,830	10,921,057	—	—	—	—	4,659,830	10,921,057
Deutsche Bank.....	3,252,091	7,484,652	—	—	—	—	3,252,091	7,484,652
Standard Bank	3,252,091	7,484,652	—	—	—	—	3,252,091	7,484,652
The Bank of Tokyo-Mitsubishi,								
Ltd. New York Branch.....	30,385	12,508	—	—	—	—	30,385	12,508
WestLB AG. New York								
Branch.....	142,839	10,334,519	—	—	—	—	142,839	10,334,519
Scotiabank	3,963,075	4,587,929	9,126,761	—	—	—	13,089,836	4,587,929
Total.....	30,180,643	54,344,238	42,780,951	12,931,180	—	—	72,961,594	67,275,418
Total outstanding principal.....	29,697,834	53,966,152	42,652,652	12,918,647	—	—	72,350,486	66,884,799
Weighted average interest rate	7.85%	6.32%	7.19%	10.10%	—	—	7.46%	7.05%

	As of December 31,	
	2007	2008
	%	%
Percentage of debt in foreign currency	100.00%	100.00%
Percentage of debt in Chilean Peso	0.00%	0.00%
Total.....	100.00%	100.00%

Endesa Chile and Subsidiaries
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18. Debt due to banks and financial institutions — long term:

Long-term portion of debt due to banks and financial institutions were denominated as follows:

Financial Institution	Currency	As of	As of December 31, 2008						Total long-term portion	Annual interest rate
		December 31, 2007	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			
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			
ABN Amro Bank	US\$	1,916,443	6,629,688	—	—	—	—	6,629,688	1.96%	
Instituto de Crédito Oficial	US\$	9,005,026	6,629,688	12,729,000	—	—	—	19,358,688	1.96%	
Bancolombia	SCol	26,057,081	—	—	27,522,189	—	—	27,522,189	12.13%	
Banco Bilbao Viscaya Argentaria	US\$	5,749,328	19,889,063	—	—	37,550,550	—	57,439,613	1.96%	
Banco Bilbao Viscaya Argentaria	SCol	22,159,071	—	—	23,404,940	—	—	23,404,940	12.13%	
Banco Estado	US\$	4,873,401	—	8,751,187	—	—	—	8,751,187	1.96%	
Banco Nacionales de Paris	US\$	1,781,152	—	—	—	—	—	—	—	
Banco Nacionales de Paris	US\$	6,197,103	1,041,278	1,041,278	2,082,556	2,082,555	—	6,247,667	5.98%	
Banco Medio Crédito	\$Arg	5,420,564	2,510,735	1,255,233	—	—	—	3,765,968	1.75%	
Banco Santander Central Hispano	US\$	15,871,526	13,524,562	21,480,187	—	21,002,850	—	56,007,599	1.96%	
Banco Santander Central Hispano	SCol	25,228,247	—	—	26,646,842	—	—	26,646,842	12.13%	
Bank Of Tokio Mitsubishi Ltda	US\$	16,561,446	15,911,250	21,480,188	—	21,002,850	—	58,394,288	1.96%	
Caja Madrid, Miami Agency	US\$	2,989,650	10,342,312	—	—	31,822,500	—	42,164,812	1.96%	
Citibank N.A.	US\$	17,711,311	19,889,062	21,480,188	—	—	—	41,369,250	1.96%	
Citibank	US\$	5,411,132	—	—	—	—	—	—	—	
Daviivienda	SCol	8,473,106	—	—	8,949,497	—	—	8,949,497	12.13%	
Export Development Corporation	US\$	4,648,282	911,208	911,208	1,822,416	911,208	—	4,556,040	4.12%	
Export Development Corporation	US\$	1,178,616	462,087	—	—	—	—	462,087	3.75%	
Banco Santander RIO	US\$	—	849,749	—	—	—	—	849,749	5.61%	
Export Development Canada	US\$	8,860,729	—	15,911,250	—	—	—	15,911,250	1.96%	
Kreditanstalt für Wiederaufbau	US\$	148,004	—	—	—	—	—	—	—	
WestLB AG, New York Branch	US\$	8,657,811	—	—	—	—	—	—	—	
Banco de Crédito	US\$	—	7,637,400	11,456,100	—	—	—	19,093,500	5.19%	
Banco Continental	US\$	11,426,419	4,291,045	7,556,887	—	—	—	11,847,932	3.97%	
Banco Continental	Soles	—	11,951,162	—	—	—	—	11,951,162	6.50%	
The Bank of Nova Scotia	US\$	1,839,784	6,364,500	—	—	—	—	6,364,500	1.96%	
Credit Suisse First Boston	US\$	11,595,281	2,727,643	—	—	—	—	2,727,643	8.55%	
Scotiabank	US\$	13,636,053	9,164,880	2,291,220	—	—	—	11,456,100	3.08%	
Deutsche Bank AG, New York	US\$	1,533,154	5,303,750	—	—	—	—	5,303,750	1.96%	
Deutsche Bank AG, New York	US\$	23,899,077	7,425,143	13,259,482	—	—	—	20,684,625	9.19%	
ING Bank N.V., Curacao Branch	US\$	7,359,140	25,458,000	—	—	—	—	25,458,000	1.96%	
San Paolo	US\$	4,599,462	15,911,250	—	—	—	—	15,911,250	1.96%	
HSBC	US\$	3,832,886	13,259,375	—	—	—	—	13,259,375	1.96%	
The Royal Bank of Scotland PLC	US\$	3,544,292	—	6,364,500	—	—	—	6,364,500	1.96%	
B.N.P. Paribas Panama Branch	US\$	7,088,583	—	12,729,000	—	—	—	12,729,000	1.96%	
Banesto N.Y. Branch	US\$	3,544,292	—	6,364,500	15,911,250	—	—	22,275,750	1.96%	
Standard Bank	US\$	23,899,077	7,425,144	13,259,481	—	—	—	20,684,625	9.19%	
Total		316,696,529	215,509,974	178,320,889	106,339,690	114,372,513	—	614,543,066		

	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%

Endesa Chile and Subsidiaries
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18. Debt due to banks and financial institutions — long term, continued:

Debt priority: Except for certain debts, which are collateralized by liens on specific assets (see Note 29), all of these debts rank *pari passu* the same in priority of payment.

On November 5, 2004, Endesa Chile S.A. entered into a credit for the amount of US\$250 million, maturing on November 11, 2010 with an interest rate of Libor + 0.375%, which had been completely drawn as of December 31, 2008.

On January 26, 2006, Endesa Chile entered into a second credit (Revolving Facility) for the amount of ThUS\$ 200,000 with maturity on July 26, 2011 and an interest rate of Libor +0.300%.

On December 7, 2006, Endesa Chile entered into a third credit (Revolving Facility) for the amount of ThUS\$ 200,000 with maturity on December 7, 2009 and an interest rate of Libor+0.25%. As of December 31, 2008, the Company has not drawn any amount of this credit line.

On June 16, 2008, Endesa Chile entered into a fourth credit that was 50% fixed term and 50% revolving for the amount of US\$400 million, maturing on June 16, 2014 with an interest rate of Libor + 0.750%, of which US\$200 million had been drawn as of December 31, 2008.

These transactions were all senior unsecured facilities governed by the laws of the State of New York.

The revolving credits of Endesa Chile can be paid down and drawn at any moment prior to expiration.

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19. Bonds and notes payable:

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\$ 2007	ThCh\$ 2008
Endesa Chile	1	US\$	205,881,000	7.88%	02-01-2027	3,669,749	4,299,519
Endesa Chile	2	US\$	220,000,000	7.33%	02-01-2037	3,633,349	144,292,497
Endesa Chile	3	US\$	40,416,000	8.13%	02-01-2097	837,824	870,822
Endesa Chile	1	US\$	400,000,000	7.75%	07-15-2008	224,133,600	—
Endesa Chile	1	US\$	400,000,000	8.50%	04-01-2009	4,599,462	259,989,824
Endesa Chile	F	U.F.	1,500,000	6.20%	08-01-2022	1,456,673	1,445,988
Endesa Chile	144A	US\$	400,000,000	8.35%	08-01-2013	7,530,493	8,857,263
Endesa Chile	144A	US\$	200,000,000	8.63%	08-01-2015	3,889,251	4,574,484
Endesa Chile	M	U.F.	10,000,000	4.75%	12-15-2029	—	419,648
Endesa Chile	H	U.F.	4,000,000	6.20%	10-15-2008	1,087,466	1,091,714
Endesa Chile	K	U.F.	4,000,000	3.80%	04-15-2027	670,384	673,003
Edegel-Peru	5A	US\$	10,000,000	3.75%	01-26-2009	86,804	6,466,597
Edegel-Peru	6A	Soles	30,000,000	5.88%	02-27-2008	5,525,275	—
Edegel-Peru	6 B	Soles	20,000,000	8.50%	06-18-2008	3,621,264	—
Edegel-Peru	7A	US\$	10,000,000	4.94%	07-26-2009	165,628	6,498,945
Edegel-Peru	8A	Soles	22,370,000	6.00%	03-10-2008	4,112,986	—
Edegel-Peru	8 B	Soles	25,700,000	6.47%	03-30-2008	4,715,218	—
Edegel-Peru	9A	Soles	70,000,000	6.91%	06-01-2009	72,738	14,260,949
Edegel-Peru	10A	Soles	35,000,000	6.72%	10-21-2010	81,378	91,298
Edegel-Peru	11A	US\$	20,000,000	6.06%	11-18-2012	76,544	90,031
Edegel-Peru	13 A	Soles	25,000,000	6.47%	10-20-2013	56,775	63,696
Edegel-Peru	13 B	Soles	25,000,000	6.16%	01-15-2014	127,362	142,888
Edegel-Peru	14 A	Soles	25,000,000	6.09%	10-27-2010	48,135	54,003
Edegel-Peru	14 B	Soles	25,000,000	5.91%	02-22-2011	94,790	106,345
Edegel-Peru	15 A	Soles	30,000,000	6.16%	11-27-2011	30,567	34,293
Edegel-Peru	1°A	Soles	25,000,000	6.31%	06-21-2022	7,123	7,992
Edegel-Peru	2°A	US\$	8,000,000	5.97%	07-18-2011	116,271	136,757
Edegel-Peru	3°A	Soles	25,000,000	6.28%	07-03-2019	139,399	156,392
Edegel-Peru	4°A	Soles	20,000,000	6.75%	08-31-2014	81,248	91,153
Edegel-Peru	5°A	Soles	25,000,000	6.50%	03-18-2013	83,944	93,263
Edegel-Peru	6°A	Soles	25,000,000	6.44%	05-21-2013	32,286	35,316
Edegel-Peru	7°A	Soles	25,000,000	6.63%	06-13-2013	14,951	16,775
Edegel-Peru	8°A	US\$	10,000,000	6.34%	01-25-2028	—	173,836
Edegel-Peru	9°A	Soles	28,300,000	6.59%	07-03-2014	—	118,646
Edegel-Peru	10°A	US\$	9,720,000	9.00%	12-11-2014	—	74,237
Emgesa-Colombia	B 1°	\$Col.	400,000,000,000	14.73%	11-10-2011	1,627,978	2,260,188
Emgesa-Colombia	A-10 3°	\$Col.	210,000,000,000	13.15%	02-23-2015	621,777	778,697
Emgesa-Colombia	A-10 3°	\$Col.	40,000,000,000	13.15%	02-23-2015	118,434	148,323
Emgesa-Colombia	B-10 4°	\$Col.	170,000,000,000	13.28%	02-20-2017	4,270,761	5,544,669
Emgesa-Colombia	B-10 1°	\$Col.	229,825,000,000	12.73%	10-09-2009	1,606,953	4,840,736
Emgesa-Colombia	B-10 1°	\$Col.	60,000,000,000	13.49%	11-10-2009	247,163	17,332,484
Emgesa-Colombia	C-10 1°	\$Col.	17,235,158,229	10.25%	10-09-2009	60,735	65,264,107
Emgesa-Colombia	C-10 1°	\$Col.	9,684,517,481	10.25%	10-09-2009	112,160	5,491,591
Total						<u>279,464,898</u>	<u>556,888,969</u>

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19. Bonds and notes payable, continued:

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	
						2007 ThCh\$	2008 ThCh\$
Endesa Chile	1	US\$	205,881,000	7.88%	02-01-2027	111,404,929	131,032,962
Endesa Chile	2	US\$	220,000,000	7.33%	02-01-2037	119,044,906	—
Endesa Chile	3	US\$	40,416,000	8.13%	02-01-2097	21,869,629	25,722,763
Endesa Chile	1	US\$	400,000,000	8.50%	04-01-2009	216,445,284	—
Endesa Chile	F	U.F.	1,500,000	6.20%	08-01-2022	31,412,543	30,891,701
Endesa Chile	144A	US\$	400,000,000	8.35%	08-01-2013	216,445,284	254,580,000
Endesa Chile	144A	US\$	200,000,000	8.63%	08-01-2015	108,222,642	127,290,000
Endesa Chile	H	U.F.	4,000,000	6.20%	10-15-2028	85,476,307	85,810,280
Endesa Chile	K	U.F.	4,000,000	3.80%	04-15-2027	85,476,307	85,810,280
Endesa Chile	M	U.F.	10,000,000	4.75%	12-15-2029	—	214,525,700
Edegel-Peru	5A	US\$	10,000,000	3.75%	01-26-2009	5,411,132	—
Edegel-Peru	7A	US\$	10,000,000	4.94%	07-26-2009	5,411,132	—
Edegel-Peru	9A	Soles	70,000,000	6.91%	06-01-2009	12,638,614	—
Edegel-Peru	10A	Soles	35,000,000	6.72%	10-21-2010	6,319,307	7,089,672
Edegel-Peru	11A	US\$	20,000,000	6.06%	11-18-2012	10,822,263	12,729,000
Edegel-Peru	13 A	Soles	25,000,000	6.47%	10-20-2013	4,513,791	5,064,052
Edegel-Peru	13 B	Soles	25,000,000	6.16%	01-15-2014	4,513,791	5,064,052
Edegel-Peru	14 A	Soles	25,000,000	6.09%	10-27-2010	4,513,791	5,064,052
Edegel-Peru	14 B	Soles	25,000,000	5.91%	02-22-2011	4,513,791	5,064,052
Edegel-Peru	15 A	Soles	30,000,000	6.16%	11-27-2011	5,416,548	6,076,862
Edegel-Peru	1°A	Soles	25,000,000	6.31%	06-21-2022	4,513,791	5,064,052
Edegel-Peru	2°A	US\$	8,000,000	5.97%	07-18-2011	4,328,903	5,091,600
Edegel-Peru	3°A	Soles	25,000,000	6.28%	07-03-2019	4,513,791	5,064,052
Edegel-Peru	4°A	Soles	20,000,000	6.75%	08-31-2014	3,611,032	4,051,240
Edegel-Peru	5°A	Soles	25,000,000	6.50%	03-18-2013	4,513,791	5,064,052
Edegel-Peru	6°A	Soles	25,000,000	6.44%	05-21-2013	4,513,791	5,064,052
Edegel-Peru	7°A	Soles	25,000,000	6.63%	06-13-2013	4,513,791	5,064,052
Edegel-Peru	8°A	US\$	10,000,000	6.34%	01-25-2028	—	6,364,500
Edegel-Peru	9°A	Soles	28,300,000	6.59%	07-03-2014	—	5,732,505
Edegel-Peru	10°A	US\$	9,720,000	9.00%	12-11-2014	—	6,186,293
Emgesa (ex Betania)	B 1°	\$Col.	400,000,000,000	14.73%	11-10-2011	107,429,933	113,470,139
Emgesa-Colombia	A-10 3°	\$Col.	210,000,000,000	13.15%	02-23-2015	56,400,651	59,571,713
Emgesa-Colombia	A-10 3°	\$Col.	40,000,000,000	13.15%	02-23-2015	10,742,981	11,346,993
Emgesa-Colombia	B-10 4°	\$Col.	170,000,000,000	13.28%	02-20-2017	45,657,669	48,224,720
Emgesa-Colombia	B-10 1°	\$Col.	229,825,000,000	12.73%	10-09-2009	61,725,140	—
Emgesa-Colombia	B-10 1°	\$Col.	60,000,000,000	13.49%	11-10-2009	16,114,471	—
Emgesa-Colombia	C-10 1°	\$Col.	17,235,158,229	10.25%	10-09-2009	4,719,100	—
Emgesa-Colombia	C-10 1°	\$Col.	9,684,517,481	10.25%	10-09-2009	2,706,341	—
Total						<u>1,395,877,167</u>	<u>1,287,175,391</u>

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19. Bonds and notes payable, continued:

Bonds payable by entities:

Endesa Chile (individual legal entity):

1) As of December 31, 2008, the following local bond offerings were outstanding:

- On August 9, 2001, the fourth bond issuance of UF 7,500,000 was placed under inscription No. 264 and was entirely subscribed by December 31, 2001. Series E1 and E2 were entirely paid by July 31, 2006.
- On November 26, 2002, the fifth bond issuance of UF 8,000,000 was placed under inscription No. 317 and 318 (an amendment), and was entirely subscribed by December 31, 2003.
- On April 15, 2007, series G of the UF 4,000,000 issuance was early redeemed with the proceeds of series K for the same amount, both series had an inscription of No. 318, dated November 26, 2002.
- On December 26, 2007, the sixth issuance of UF 10,000,000 was registered under No. 522 and was entirely subscribed by December 18, 2008.
- At December 31, 2008, the following coupons on series F were paid:

Coupon 1 paid on January 29, 2008	UF	15,000
Coupon 2 paid on July 2008	UF	15,000

Risk ratings of the last two bonds issuances are as follows:

<u>Rating Entity</u>	<u>Category</u>
Feller - Rate Clasificadora de Riesgo Ltda,	AA-
Fitch Chile Clasificadora de Riesgo Ltda,	AA-

Characteristics of each issuance:

<u>Fourth Issuance</u>	<u>Issuance Terms</u>
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bearer bonds in local currency, denominated in UF
Issuance Value	Seven and a half million (UF 7,500,000) divided into: Series E-1: 1000 bonds at UF 1,000 each. (Paid) Series E-2: 500 bonds at UF 10,000 each. (Paid) Series F: 150 bonds at UF 10,000 each.
Indexation	Based on variations in UF index
Amortization period	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 UF. 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 paid semi-annually each August 1 and February 1, starting August 1, 2001. Accrued interest as of December 31, 2008 amounted to ThCh\$ 802,411 (ThCh\$ 815,600 in 2007) and is presented under current liabilities.

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19. Bonds and notes payable, continued:

<u>Fifth Issuance</u>	<u>Issuance Terms</u>
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bearer bonds in local currency, denominated in UF
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 UF 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 UF. The interest rate applied semi-annually equal to 1.8823%. Series H: 6.2% annually, in semi-annual installments, compounded on outstanding capital, readjusted by the value of the UF. The interest rate applied semi-annually 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 paid semi-annually each April 15 and October 15, starting April 15, 2007. Accrued interest as of December 31, 2008 amounted to ThCh\$ 1,764,717 (ThCh\$ 1,757,850 in 2007) and is presented under current liabilities.

<u>Sixth Issuance</u>	<u>Issuance Terms</u>
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bearer bonds in local currency, denominated in UF
Issuance Value	Ten million (UF 10,000,000) divided into: Series M: 10,000 bonds at UF 1,000 each.
Indexation	Based on variations in UF index
Amortization period	Semi-annual installments from June 15, 2019.
Early Redemption	Beginning December 15, 2011.
Nominal interest rate	4.75% annually, in semi-annual installments, compounded on outstanding capital, readjusted by the value of the UF. The interest rate applied semi-annually will be equal to 2.34740%.
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 paid semi-annually each June 15 and December 15, starting June 15, 2009. Accrued interest as of December 31, 2008 amounted to ThCh\$ 419,648 and is presented under current liabilities.

Endesa Chile and Subsidiaries
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19. Bonds and notes payable, continued:

2) The Company has issued and placed four public bond offerings 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

First Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Notes denominated in dollars (Yankee bonds) registered in the SEC.
Issuance Value	Six hundred and fifty million US Dollars (US\$ 650,000,000) divided into: Tranche 1:US\$ 230,000,000 Tranche 2:US\$ 220,000,000 Tranche 3:US\$ 200,000,000
Indexation	Variation of the US Dollar
Capital Amortization	Tranche 1 full expiration on February 1, 2027. Tranche 2 full expiration on February 1, 2037, (put option exercisable on February 1, 2009, on which date the holders may redeem 100% of the securities plus accrued interest). Tranche 3 full expiration on February 1, 2097
Nominal interest rate	Tranche 1: 7.875% annually Tranche 2: 7.325% annually Tranche 3: 8.125% annually
Interest Payments	Interest paid semi-annually each February 1 and August 1 annually, starting January 27, 1997. Accrued interest as of December 31, 2008 amounts to ThCh\$ 9,443,838 (ThCh\$ 8,140,922 in 2007), which is shown under current liabilities.

Second Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Notes denominated in dollars (Yankee bonds) registered in the SEC.
Issuance Value	Four hundred million US Dollars (US\$ 400,000,000)
Indexation	Variation in the US Dollar
Capital amortization	Tranche 1 full expiration on July 15, 2008.
Nominal interest rate	Tranche 1: 7.75% annually
Interest Payments	Interest paid semi-annually each January 15 and July 15 annually, starting January 15, 1999, as of December 31, 2008 no accrued interest had been recorded (ThCh\$ 7,688,316 in 2007), since the bonds had been entirely redeemed.

Third Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Notes denominated in dollars (Yankee bonds) registered in the SEC.
Issuance Value	Four hundred million US Dollars (US\$ 400,000,000)
Indexation	Variation in the US Dollar
Capital amortization	Tranche 1 full expiration on April 1, 2009.
Nominal interest rate	Tranche 1: 8.50% annually
Interest Payments	Interest paid semi-annually each October 1 and April 1 annually, starting October, 1 1999. Accrued interest as of December 31, 2008 amounts to ThCh\$ 5,409,825 (ThCh\$ 4,599,462 in 2007), which is shown under current liabilities.

Endesa Chile and Subsidiaries
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19. Bonds and notes payable, continued:

Fourth Issuance	Issuance Terms
Issuer	Empresa Nacional de Electricidad S.A.
Securities issued	Bonds denominated in dollars under the Rule 144-A, with SEC registration rights, and "Regulation S".
Issuance Value	Six hundred million dollars (US\$ 600,000,000) divided in two tranches.
Indexation	Variation in the US Dollar
Capital amortization	Tranche 1: expiration on August 1, 2013: US Dollars 400,000,000; Tranche 2: expiration on August 1, 2015: US Dollars 200,000,000
Nominal interest rate	Tranche 1: 8.35% annually Tranche 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, 2008 amounts to ThCh\$ 13,431,747(ThCh\$ 11,419,744 in 2007), which is shown under current liabilities.

Repurchase of Yankee Bonds

During November 2001, the Company's former subsidiary Compañía Eléctrica Cono Sur S.A. made a tender offer to repurchase all of a portion of the First Issuance of the following series of Yankee Bonds:

- Tranche 1: US\$ 230,000,000; 30 years term with maturity in 2027.
- Tranche 3: US\$ 200,000,000; 100 years term with maturity in 2097.

As of result the Company repurchased a total of US\$ 24,119,000 and US\$ 159,584,000 of tranches 1 and 3 bonds, respectively, with accrued interest, at prices of US\$ 21,324,000 and US\$ 134,828,000 for tranches 1 and 3, respectively.

On December 31, 2008, the Company redeemed the repurchased bonds entirely.

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19. Bonds and notes payable, continued:

Edegel S.A.

Edegel S.A. made twenty eight bond issues in 2008. The following bonds had not matured as of December 31, 2008:

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in dollars (10,000 bonds).
Issuance Value	One hundred and ten million dollars (US\$10,000,000)
Capital amortization	Full expiration as of January 26, 2009
Nominal interest rate	3.75% annually .
Interest Payments	Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 102,097 (ThCh\$ 86,804 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in dollars (10,000 bonds).
Issuance Value	Ten million dollars (US\$ 10,000,000).
Capital amortization	Full expiration as of July 26, 2009
Nominal interest rate	4.94% annually.
Interest Payments	Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 134,445 (ThCh\$ 165,628 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in Peruvian Soles (14,000 bonds).
Issuance Value	Sixty million Peruvian Soles (Peruvian Soles 70,000,000)
Capital amortization	Full expiration as of June 1, 2009
Nominal interest rate	6.91 % annually.
Interest Payments	Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 81,605 (ThCh\$ 72,738 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 91,298 (ThCh\$ 81,378 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in dollars (20,000 bonds).
Issuance Value	Twenty million dollars (US\$ 20,000,000)
Capital amortization	Full expiration as of November 18, 2012
Nominal interest rate	6.06% annually,
Interest Payments	Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 90,031 (ThCh\$ 76,544 in 2007) and is shown under other current liabilities.

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19. Bonds and notes payable, continued:

Edegel S.A.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 63,696 (ThCh\$ 56,775 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 54,003 (ThCh\$ 48,135 in 2007) 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 November 27, 2011
Nominal interest rate	6.16% annually.
Interest Payments	Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 34,293 (ThCh\$ 30,567 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer	Edegel S.A.
Securities issued	Marketable securities denominated in 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 142,888 (ThCh\$ 127,362 in 2007) 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 106,345 (ThCh\$ 94,790 in 2007) and is shown under other current liabilities.

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19. Bonds and notes payable, continued:

Edegel S.A.

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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 7,992 (ThCh\$ 7,123 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer Edegel S.A.
Securities issued Marketable securities denominated dollars (8,000 bonds).
Issuance Value Eight million dollars (US\$8,000,000)
Capital amortization Full expiration as of July 18, 2011
Nominal interest rate 5.97% annually.
Interest Payments Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 136,757 (ThCh\$ 116,271 in 2007) 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 July 3, 2019.
Nominal interest rate 6.28% annually.
Interest Payments Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 156,392 (ThCh\$ 139,399 in 2007) 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 91,153 (ThCh\$ 81,248 in 2007) 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 93,263 (ThCh\$ 83,944 in 2007) and is shown under other current liabilities.

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19. Bonds and notes payable, continued:

Edegel S.A.

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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 35,316 (ThCh\$ 32,286 in 2007) 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 paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 16,775 (ThCh\$ 14,951 in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer Edegel S.A.
Securities issued Marketable securities denominated dollars (10,000 bonds).
Issuance Value Ten million dollars (US\$10,000,000)
Capital amortization Full expiration as of January 25, 2028
Nominal interest rate 6.34375% annually.
Interest Payments Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 173,836 (none in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer Edegel S.A.
Securities issued Marketable securities nominated Peruvian Soles (5,660 bonds).
Issuance Value Twenty eight million three hundred thousand Peruvian Soles (Peruvian Soles 28,300,000)
Capital amortization Full expiration as of March 7, 2014.
Nominal interest rate 6.59375% annually.
Interest Payments Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 118,646 (none in 2007) and is shown under other current liabilities.

Issuance Terms

Issuer Edegel S.A.
Securities issued Marketable securities denominated dollars (9,720 bonds).
Issuance Value Nine million seven hundred twenty thousand dollars (US\$ 9,720,000)
Capital amortization Full expiration as of November 12, 2014.
Nominal interest rate 9.00% annually.
Interest Payments Interest paid semi-annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 74,237 (none in 2007) and is shown under other current liabilities.

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19. Bonds and notes payable, continued:

Emgesa S.A.

Emgesa S.A. made four bond issues in 2008. The following bonds had not matured as of December 31, 2008:

First Issuance	Issuance Terms
Issuer	Emgesa S.A. (from formerly Central Hidroeléctrica de Betania S.A. E.S.P.)
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	14.73% effective annual rate
Interest Payments	Interest paid quarterly. Accrued interest as of December 31, 2008 amounts to ThCh\$ 2,260,188 (ThCh\$ 1,627,978 in 2007) and is shown under current liabilities.
First Issuance	Issuance Terms
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 durante 2009 at the amount of \$Col 316,744,675,710
Nominal interest rate	11.77% annual average rate
Interest Payments	Interest paid quarterly and annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 2,333,080 (ThCh\$ 2,027,011 in 2007) and is shown under current liabilities.
Third Issuance	Issuance Terms
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	13.15% annual average rate
Interest Payments	Interest paid annually. Accrued interest as of December 31, 2008 amounts to ThCh\$ 927,020 (ThCh\$ 740,211 in 2007) and is shown under current liabilities.
Fourth Issuance	Issuance Terms
Issuer	Emgesa S.A.
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	13.28% annual average rate
Interest Payments	Interest paid quarterly. Accrued interest as of December 31, 2008 amounts to ThCh\$ 5,544,669 (ThCh\$ 4,270,761 in 2007) and is shown under current liabilities.

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, 2007 and 2008, such discounts amounted to ThCh\$ 7,523,412 and ThCh\$ 8,104,292, respectively.

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20. 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,	
	2007	2008	2007	2008
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Employee salaries	10,895,457	15,856,229	—	—
Provision for contingences, lawsuits, and others	7,472,746	12,094,488	—	—
Provision for expenses, costs and investments	10,874,311	5,240,472	—	—
Post retirement benefits.....	—	—	4,351,565	3,822,534
Employee severance indemnities (Note 21).....	14,328	—	6,997,150	7,277,677
Pensions and post-retirement benefits of foreign subsidiaries ...	—	—	18,404,557	19,247,134
Others.....	2,906,056	553,567	584,447	25,208
Total	32,162,898	33,744,756	30,337,719	30,372,553

21. Staff Severance Indemnities:

This caption within long-term accruals include severance indemnities to personnel, calculated in accordance with the policy described in Note 2 (r), and an analysis of the changes in the accrual in each year is as follows:

	As of December 31,	
	2007	2008
	ThCh\$	ThCh\$
Opening balance as of January 1.....	6,950,223	6,997,150
Net increase in accrual	877,830	828,170
Payments during the year	(830,903)	(547,643)
Total.....	6,997,150	7,277,677

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22. 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, 2007			As of December 31, 2008		
	Equity ThCh\$	Participation %	Total ThCh\$	Equity ThCh\$	Participation %	Total ThCh\$
Endesa Costanera S.A. (2)	129,922,855	30.23%	39,282,055	146,468,784	30.23%	44,284,702
Edegel S.A.	443,276,162	44.56%	197,512,656	542,604,216	45.80%	248,514,901
Emgesa S.A. (1)	747,460,237	73.13%	546,609,664	945,683,872	73.13%	691,540,911
Empresa Eléctrica Pangué S.A.	128,603,931	5.01%	6,451,030	150,796,031	5.01%	7,564,231
Endesa Argentina S.A.	146,354,700	0.01%	14,635	167,765,147	0.01%	16,777
Generandes Perú S.A.	225,066,542	40.37%	90,857,157	272,448,080	39.00%	106,259,110
Hidroeléctrica El Chocón S.A. (3)	185,335,604	32.33%	59,911,588	207,232,574	32.33%	66,990,002
Hidroinvest S.A. (4)	112,899,066	3.91%	4,409,161	131,448,184	3.91%	5,133,577
Pehuenche S.A.	282,546,801	7.35%	20,767,190	304,930,787	7.35%	22,412,413
Total			965,815,136			1,192,716,624

(1) See Notes 11 (c) (ii), 11 (d) (i). and 11 (e) (i).

(2) See Note 11 (d) (v) and 11 (d) (v).

(3) See Note 11 (d) (v).

(4) See Note 11 (d) (v).

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, 2006			Year-ended December 31, 2007			Year-ended December 31, 2008		
	Net Income ThCh\$	Participation	Total ThCh\$	Net Income ThCh\$	Participation	Total ThCh\$	Net Income ThCh\$	Participation	Total ThCh\$
Endesa Costanera S.A. ...	(7,236,116)	35.74%	(2,585,819)	(12,125,856)	30.23%	(3,666,242)	(6,344,711)	30.23%	(1,918,318)
Edegel S.A.	10,102,858	44.56%	4,501,579	4,141,590	44.56%	1,845,388	42,835,262	45.80%	19,606,857
Emgesa S.A.	73,270,271	76.55%	56,086,122	55,552,308	73.13%	50,415,261	185,177,674	73.13%	135,413,050
Empresa Eléctrica Pangué S.A.	45,553,449	5.01%	2,285,052	37,176,490	5.01%	1,864,847	59,061,346	5.01%	2,962,635
Endesa Argentina S.A. ...	(2,822,942)	0.01%	(282)	41,777,734	0.01%	4,177	(2,825,294)	0.01%	(283)
Generandes Perú S.A.	7,453,707	40.37%	3,008,988	3,827,262	40.37%	1,545,029	24,148,892	39.00%	9,433,768
Hidroeléctrica El Chocón S.A.	16,161,552	34.81%	5,625,836	9,599,349	32.33%	3,115,153	(2,137,199)	32.33%	(690,871)
Hidroinvest S.A.	7,812,532	30.07%	2,349,228	22,768,646	3.91%	1,152,299	467,468	3.91%	18,256
Pehuenche S.A.	79,136,500	7.35%	5,816,532	151,089,268	7.35%	11,105,061	215,800,169	7.35%	15,861,312
Tunel el Melon	2,065,788	0.05%	1,032	—	—	—	—	—	—
Betania	1,185,578	0.01%	72	—	—	—	—	—	—
Total			77,088,340			67,380,973			180,686,406

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23. 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 2006, 2007 and 2008 related to 2005, 2006, 2007 and 2008 net income, as follows:

Payment date	Historical value	Type of dividend
	Ch\$ per share	
April 2002	0.94000	Final
April 2004	2.30000	Final
April 2005	4.13000	Final
March 2006	5.82000	Final
December 2006	2.57000	Interim
May 2007	10.84000	Final
December 2007	2.1926	Interim
April 2008	11.56470	Final
December 2008	5.35120	Interim

b. Number of shares

During each of the years ended December 31, 2006, 2007 and 2008, 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, 2006, 2007 and 2008 amounted to ThCh\$ 1,331,714,085.

Endesa Chile and Subsidiaries
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23. Shareholders' equity, continued:

d. Other reserves

Other reserves are composed of the following as of December 31, of each year:

	As of December 31,	
	2007	2008
	ThCh\$	ThCh\$
Accumulated capital revaluation.....	2,114,927	2,114,927
Revaluation of property, plant and equipment under Decree Law No. 4.....	1,450,000	1,449,999
Other revaluations.....	94,357	94,356
Reserve for technical revaluation of property, plant and equipment (Circulars 550 and 566).....	36,272,954	36,272,954
Reserve for technical revaluation of investments in subsidiaries subsequently sold (Circulars 550 and 566).....	30,502,828	30,502,828
Equity adjustment of unconsolidated subsidiaries.....	(413,305)	(413,305)
Reserve for reorganization of entities under common control.....	(150,668,583)	(150,668,584)
Reduction of capital in foreign subsidiaries.....	(7,698,843)	(7,698,843)
Accumulated translation adjustment of Chilean entities reporting in foreign currency.....	(33,870,779)	(14,716,325)
Accumulated foreign currency translation adjustment related to foreign subsidiaries, net (1).....	(54,188,881)	(57,552,422)
Total.....	<u>(176,405,325)</u>	<u>(160,614,415)</u>

(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, 2006, 2007 and 2008, respectively are as follows:

	As of December 31,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Endesa Argentina S.A.	(5,358,148)	(12,557,381)	(5,677,519)
Endesa Chile Internacional ...	2,085,343	2,085,342	2,085,342
Distrilec Inversora S.A.	(127,986)	(294,823)	(80,135)
Gas Atacama.....	—	(315)	25
Electrogas.....	—	(516)	(245)
Inversiones Electrogas.....	—	(740,987)	(115,890)
Hidroeléctrica El Chocón	—	195,726	(69,931)
Hidroinvest.....	—	(3,058,330)	(197,059)
Southern Cone Power Argentina, S.A.	—	(721,077)	122,206
Ingendesa Do Brasil Ltda.	(271,538)	(452,453)	640
Endesa Costanera S.A.	(1,507,754)	(3,061,830)	(1,046,979)
Endesa Brasil S.A.	—	(18,547,471)	(21,581,342)
Enigesas S.A.	—	—	(131,604)
Ingendesa S.A.	—	—	(148,852)
Emgesa S.A.	—	(12,406,185)	(33,310,682)
Edegel S.A.	—	(4,628,581)	2,599,603
C.H. Betania S.A.	(211,282)	—	—
Cono Sur S.A.	(32,521,432)	—	—
Total.....	<u>(37,912,797)</u>	<u>(54,188,881)</u>	<u>(57,552,422)</u>

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24. Other income and expenses:

a. The detail of other non-operating income in each year is as follows:

	Year ended December 31,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Gain from foreign currency transaction.....	40,417	99,237	46,735,217
Gain on sale of property, plant and equipment.....	3,888,814	489,269	505,774
Energy and power contract settlement.....	5,944,656	7,035,141	20,927,728
Indemnities and commissions.....	9,335,126	2,344,556	2,083,493
Gains on service and other contracts.....	637,983	231,726	850,757
Gain on sale of investments.....	—	3,351,925	—
Recovery of expenses and clients' portfolios.....	1,027,210	2,582,587	3,114,376
Reversal of contingency provision.....	10,165,978	957,033	587,086
Other.....	4,009,557	2,419,384	4,428,414
Total.....	<u>35,049,741</u>	<u>19,510,858</u>	<u>79,232,845</u>

b. Other non-operating expenses in each year are as follows:

	Year ended December 31,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Loss from foreign currency transaction.....	18,354,140	44,427,419	6,973,089
Loss on sale of property, plant and equipment.....	203,035	76,577	716,437
Costs of sales of property, plant and equipment.....	652,428	—	—
Obsolescence provision of fixes assets.....	—	—	1,327,027
Retirement benefits and severance indemnities.....	1,256,576	850,243	871,549
Board of directors compensation.....	281,826	295,592	216,168
Contingencies and litigation.....	9,608,563	13,207,932	8,315,954
Energy and power settlement.....	7,680,162	9,260,626	28,883,052
Tax penalties.....	3,495,832	3,695,267	2,102,707
Tax on equity, Colombia.....	3,481,437	15,286,613	5,323,658
Tax on liquidation/dissolution of subsidiaries.....	—	—	18,594,642
Other.....	5,942,197	5,737,907	6,769,675
Total.....	<u>50,956,196</u>	<u>92,838,176</u>	<u>80,093,958</u>

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25. Price-level restatement:

The gain (loss) from price-level restatement as of each year is as follows:

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Assets and expenses			
Current assets.....	6,734,971	943,273	6,542,725
Accounts receivable from subsidiaries.....	2,135,696	8,801,599	9,686,156
Property, plant and equipment.....	44,675,434	158,434,824	193,893,936
Investment in subsidiaries.....	11,545,333	42,167,977	39,518,863
Goodwill and negative goodwill.....	(557,797)	(3,328,016)	(2,988,542)
Other assets.....	19,561,034	84,863,853	56,712,238
Expense accounts.....	5,771,919	46,730,823	59,199,643
Net gain from asset and expense accounts.....	<u>89,866,590</u>	<u>338,614,333</u>	<u>362,565,019</u>
Liabilities, shareholders' equity and income			
Shareholders' equity.....	(38,989,598)	(137,952,661)	(160,229,407)
Current and long-term liabilities.....	(36,028,880)	(119,839,352)	(112,678,576)
Minority interest.....	(3,305,612)	(9,027,999)	(8,856,880)
Income accounts.....	(9,802,752)	(62,151,898)	(80,375,511)
Net loss from Liabilities, shareholders' equity and income accounts.....	<u>(88,126,842)</u>	<u>(328,971,910)</u>	<u>(362,140,374)</u>
Net gain from price level restatement.....	<u>1,739,748</u>	<u>9,642,423</u>	<u>424,645</u>

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26. Foreign currency translation:

The (charge) credit to income for foreign currency translation as of each year is as follows:

	Currency	As of December 31,		
		2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Current assets				
Assets				
Cash.....	US\$	493,518	369,035	619,136
	Other	(3,013)	(54,158)	14,627
Time deposits.....	US\$	(528,968)	(167,760)	2,939,335
	Other	—	—	1,766,069
Other accounts receivable, net.....	US\$	3,002	(490)	55,847
	Other	13,566	(302,229)	388,093
	Other	(10,596)	—	—
	US\$	—	(2,032,617)	(10,405,877)
Other current assets.....	US\$	671	—	17,734,457
	Other	(2,891)	(959)	71,632
Accounts due from related companies.....	US\$	168,037	—	—
Non-current assets				
Accounts due from related companies.....	US\$	2,641,426	(16,790,354)	19,798,866
Forward contracts.....	US\$	43,104	—	—
Other non-current assets.....	US\$	11,913,525	(6,100,673)	—
Subtotal foreign currency translation.....		<u>14,731,381</u>	<u>(25,080,205)</u>	<u>32,982,185</u>
Current liabilities				
Liabilities				
Short-term debt due to banks and financial institutions.....	US\$	—	90,581	95,481
Current portion of long-term debt due to banks and financial institutions.....	US\$	23,501	1,611,972	498,743
Current portion of bonds payable.....	US\$	(4,183,778)	2,177,963	(55,401,874)
Current portion of long-term notes pay.....	US\$	—	—	(19,493)
Accrued liabilities.....	US\$	—	620,745	(1,447,082)
	Other	2,166	(13,881)	(18,554)
Miscellaneous payables.....	US\$	(247,304)	893,732	(251,914)
Other current liabilities.....	US\$	(353,416)	(378,899)	(172,182)
	Other	123	27,224	—
Long-term liabilities				
Debt due to banks and fin. institutions.....	US\$	1,572,854	23,282,378	(74,921,266)
Bonds payable.....	US\$	(6,755,298)	17,217,235	75,248,554
Accounts payable.....	US\$	—	1,694,945	(8,064,293)
Other long-term liabilities.....	US\$	(555,549)	1,065,135	—
Accts. payable to related companies.....	US\$	(14,845)	—	—
Forwards.....	US\$	—	(5,118,518)	908,960
Subtotal foreign currency translation.....		<u>(10,511,547)</u>	<u>43,170,611</u>	<u>(63,544,920)</u>
Net effect on income.....		<u>4,219,834</u>	<u>18,090,406</u>	<u>(30,562,735)</u>

27. Other cash-flow items:

The detail of other disbursements for financing purposes as of December 31, 2006, 2007 and 2008 are as follows:

	As of December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Realization of forward and swaps contracts.....	(623,605)	(501,662)	(621,018)
Revolving Facility Mitsubishi Fees.....	(667,190)	—	—
Other.....	(79,943)	(619,293)	—
Total cash-outflow.....	<u>(1,370,738)</u>	<u>(1,120,955)</u>	<u>(621,018)</u>

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27. Other cash-flow items, continued:

Cash flows related to other receipts from investment activities are as follows:

	Year ended December, 31		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Forward.....	—	—	2,428
Sale of participation in Gas Atacama to Southern Cross (1).....	—	47,014,775	—
Receipt of Loans granted to former subsidiaries of Infraestructura 2000 S.A.....	634,900	—	—
Others.....	577,172	—	11,777
Total Cash flows related to other receipts from investments.....	<u>1,212,072</u>	<u>47,014,775</u>	<u>14,205</u>

Cash flows related to other disbursements from investment activities are as follows:

	Year ended December, 31		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Liquidation Swap.....	—	—	(3,785,243)
Intangibles.....	—	—	(3,998,246)
Purchase of participation in Gas Atacama from CMS (1).....	—	(47,200,351)	—
Others.....	—	(352,803)	(533,742)
Total Cash flows related to other disbursements from investments.....	<u>—</u>	<u>(47,553,154)</u>	<u>(8,317,231)</u>

(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 granted 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 the Company's 50% 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.

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28. Financial derivatives:

As of December 31, 2008, 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 (I)	Nominal amount US\$	Period Of Maturity	Item	Sales (S)/ Purchase (P)	Hedged Item	As of December 31, 2008	
						Hedged Amount ThCh\$	Deferred Fair Value Change ThCh\$
						EO...	40,000,000
EO...	40,000,000	3 rd Quarter 2009	Interest rate	P/S	Bank-debt	25,458,000	(3,794)
EO...	20,000,000	4 th Quarter 2009	Interest rate	P/S	Bank-debt	12,729,000	(1,799)
S.....	44,166,667	3 rd Quarter 2011	Interest rate	P	Bank-debt	28,109,875	(1,031,634)
S.....	57,020,000	4 th Quarter 2012	Interest rate	P	Bank-debt	36,290,380	(3,120,587)
S.....	30,000,000	1 st Quarter 2013	Interest rate	P	Bank-debt	19,093,500	(843,690)

(1) EO = European Option, S = Swap

29. Commitments and contingencies:

The detail of liens and guaranties granted by the Company and its subsidiaries as of December 31, 2008, is as follows:

a. Liens held by third parties:

Guarantee	Subsidiary	As of December 31, 2008			
		Book value of remaining encumbered assets and schedule to be released			
		2008 ThCh\$	2009-2010 ThCh\$	After 2010 ThCh\$	Total ThCh\$
Banks	Pangue S.A.	1,586,879	—	—	1,586,879
Soc. de Energia de la República Argentina	Endesa Argentina,	—	—	—	—
Mitsubishi	Endesa Costanera	6,289,281	—	—	6,289,281
Credit Suisse First Boston.....	Endesa Costanera	48,567,006	—	—	48,567,006
	Endesa Costanera	25,458,000	—	—	25,458,000
Miscellaneous	Endesa parent company	508,461	—	—	508,461
Miscellaneous	Edegel	57,563,928	—	—	57,563,928
Banco Santander (agente de garantía).....	G.N.L. Quintero	94,205,737	—	—	94,205,737
Total.....		<u>234,179,292</u>	<u>—</u>	<u>—</u>	<u>234,179,292</u>

b. No guarantees of subsidiary obligations existed at December 31, 2008.

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29. 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\$ 7,472,746 and ThCh\$ 12,094,488 as of December 31, 2007 and 2008, 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 Court of Santiago
Case No.:	8895-2003
Plaintiffs:	Juan Francisco Aranguiz Córdova plus 24 other people.
Defendant:	PANGUE S.A. ("Pangue") and Endesa Chile
Cause:	The plaintiffs, former shareholders of Pangue, seek annulment of a contract signed on September 25, 2000, between this company and Endesa Chile to establish a voluntary easement over Pangue's water rights in favor of Endesa Chile, allowing the point of restitution of the Ralco Power Plant, located upstream, to occupy the final part of the tailwaters of the Pangue reservoir. They also claim that, as a consequence of signing this contract, their shares in Pangue lost value, for which they are demanding the sum of Ch\$ 2.5 billions. Lastly, they claim that had this contract not been signed, Pangue would have distributed dividends to them.
Process status:	The court ruled in favor of the defendants, rejecting the lawsuit in all its parts. The plaintiff filed an appeal before the Appeals Court of Santiago. The plaintiffs have adhered to the appeal which is awaiting its review.
Amount involved:	Ch\$ 3,604 million or US\$ 5.7 millions.
ii. Court:	24th Civil Court of Santiago
Case No.:	3622-2003
Plaintiffs:	Francisco Javier Errázuriz Talavera, Francisco Javier Errázuriz Ovalle and Matías Errázuriz Ovalle
Defendants:	Endesa Chile, Francisco Fernández Montero, Luis Felipe Acuña Rivas, Rene Agustín Lara Montoya and Inversiones Cirrus
Cause:	The lawsuit is based on the fact that the defendants initiated criminal actions against the plaintiffs based on incidents that occurred at a property called "La Esperanza de Marchigüe", owned by the plaintiffs, on August 21, 1998, for the crime of kidnapping, claims that were finally dismissed by the court. The plaintiffs believe that these criminal charges against them caused moral damage, for which they are seeking restitution.
Process status:	Sentence was given favorable to Endesa Chile, which was appealed against by the plaintiffs. The appeal is pending.
Amount involved:	Ch\$ 1,400 millions or US\$ 2.2 millions.

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29. Commitments and contingencies, continued:

iii. Court:	24th Civil Court of Santiago
Case No.:	7957-2005 (accumulated Case No 15279-05 Ninth Civil Court of Santiago, Case No 1608-2005 Tenth Civil Court of Santiago)
Plaintiffs:	Inversiones M.D. Ltda. Inversiones Facona Ltda., Inversiones Huilo S.A, María Teresa Navarro Haeussler, Marcela Correa Pero, María Cecilia Navarro Haeussler, Jaime Arrieta Correa, A. Combeau Ingeniería Ltda., Alberto Combeau Vergara, Guillermo Villaseca Castro, Inversiones Teigo Ltda., Inmobiliaria Santa Inés Ltda., Gregorio Echeñique Larrain and Inmobiliaria Pirehueico S.A., and José Manuel Jordán Barahona on behalf of 38 plaintiffs.
Defendants:	Chilean Treasury, Department of Water Resources and Endesa Chile
Cause:	The Plaintiffs are suing for a public right annulment of Dept. of Water Resolution No. 134 dated March 22, 2000, which gives Endesa non-consumptive water rights to carry out the Central Neltume project, with indemnities for damages. Alternatively, the plaintiffs are suing for damages allegedly suffered by the plaintiffs for the quality loss as lakefront owners at Pirehueico and for the property devaluation.
Process Status:	An order for evidence was issued for the base of the matter, with reversal proceedings against it brought by the parties.
Amount involved:	Undetermined.
iv. Court:	Civil Court of Santa Bárbara
Case No.:	3938
Plaintiff:	Endesa Chile
Defendants:	Bunster Barraeto and others
Cause:	A case brought by Endesa Chile for the deposit made based on the amount determined by the "Commission of Wise Men" paid to the defendants for the easements established in relation to the electricity concession granted by Supreme Decree No. 31 on January 18, 2000, for the construction of the Ralco power plant. In the same case, the defendants presented a claim against the appraisals performed by the Commission.
Process Status:	The court of first instance ruled in favor of Endesa Chile. The defendants appealed but this was rejected by the Concepción Court of Appeal. The defendant filed an appeal for annulment before the Supreme Court which is pending resolution.
Amount involved:	Ch\$ 2,574 millions or US\$ 4.0 millions.
v. Court:	Santiago Court of Appeal
Case No.:	5783-04
Plaintiff:	Endesa Chile
Defendant:	SEF
Cause:	Claim Resolution number No.1439 of August 14, 2003. Generalized fault on the SIC on September 23, 2002
Process status:	The Court is waiting to hear allegations jointly on several claims deriving from the same circumstances.
Amount involved:	Ch\$ 677.7 millions or US\$ 1.1 millions.

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29. Commitments and contingencies, continued:

vi. Court:	9th Civil Court of Santiago
Case No.:	13084-04
Plaintiffs:	Endesa Chile, Pangué and PEHUENCHE S.A. ("Pehuenche")
Defendant:	Chilean Treasury
Cause:	The annulment is sought of public right of Ministerial Resolution No. 35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, which pronounced on a matter that was not originally a matter of dispute, by instructing the CDEC-SIC to define the hours of greatest probability of load loss.
Process Status:	The lawsuit was rejected in the first instance. The defendants presented appeal and annulment in the form, proceedings before the Santiago Court of Appeal, which are pending resolution.
Amount involved:	Undetermined.
vii. Court:	19th Civil Court of Santiago
Case No.:	2487-2005
Plaintiff:	Empresa Eléctrica Guacolda S.A.
Defendants:	Endesa Chile, Pangué, Pehuenche and SAN ISIDRO S.A. ("San Isidro")
Cause:	It is sought that the court declare that Guacolda has the right to receive from each of the defendants, in its position as owner of the transmission lines between the Maitencillo and Cardones substations on SIC, for electricity transmissions by each of the defendants during the period from October 9, 2003 to March 12, 2004, part of the remuneration relating to basic tolls.
Process Status:	Final sentence was given accepting the demand. The defendants presented an appeal.
Amount involved:	Ch\$ 423.6 millions or US\$ 0.7 millions.
viii. Court:	12th Civil Court of Santiago
Case No.:	2838-2005
Plaintiff:	Sociedad Agrícola Ganadera y Forestal Las Cruces Ltda.
Defendant:	Endesa Chile
Cause:	The demand is based on the fact that Endesa Chile had made arbitrary and indiscriminate use of legal proceedings in order to deprive the plaintiff of its rights to use water. The plaintiff alleges that these actions against the company had caused it material and moral damages and is seeking restitution.
Process Status:	Final sentence was given favor of Endesa, rejecting the demand in all its parts. The plaintiff has lodged an appeal with the Santiago Court of Appeal.
Amount involved:	Ch\$ 2,423.7 millions or US\$ 3.8 millions.
ix. Court:	Civil Court of Santa Bárbara
Case No.:	4563
Plaintiff:	Luis Danús Covian and another fifteen people
Defendant:	Endesa Chile and Pangué
Cause:	The plaintiffs are demanding that the court declare that the plaintiffs and defendants form part of a community with respect to the Fundo Ralco and therefore they have co-ownership rights.
Process Status:	Final sentence given in favor of the defendants, rejecting the demand in all its parts and ordering the plaintiff to pay costs. The plaintiffs have presented appeal and annulment proceedings before the Appeals Court of Concepción, which are pending resolution.
Amount involved:	Undetermined

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29. Commitments and contingencies, continued:

x. Court:	19th Civil Court of Santiago
Case No.:	7361-2005
Plaintiffs:	María Victoria Errázuriz Ovalle, María Victoria Ovalle Ovalle, María Ignacia Errazuriz Ovalle
Defendants:	Endesa Chile, Francisco Fernández Montero, Luis Felipe Acuña Rivas, René Agustín Lara Montoya and Inversiones Cirrus S.A.
Cause:	The demand is based on the fact that the defendants had brought criminal actions 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 court. The plaintiffs allege that these criminal charges against them caused moral damage, for which they are seeking restitution.
Process Status:	Order for evidence was notified to the parties which brought annulment proceedings which are pending resolution.
Amount involved:	Ch\$ 3,200 millions or US\$ 5.0 millions
xi. Court:	29th Civil Court of Santiago
Case No.:	575-2006
Plaintiff:	José María Lladser Prado
Defendant:	Endesa Chile
Cause:	The plaintiff is suing for payment of damages suffered when Endesa Chile opened the sluice-gates of the Rapel dam in June 2005, which produced alleged damage to property owned by the plaintiff.
Process status:	Final sentence was given in favor of Endesa, rejecting the demand in all its parts. The plaintiff has appealed against this resolution.
Amount involved:	Ch\$ 192 millions or US\$ 0.3 millions.
xii. Court:	Civil Court of Santa Bárbara
Case No.:	3.362
Plaintiff:	Forestal Agrícola Industria Maderera Los Ángeles Limitada
Defendant:	Endesa Chile
Cause:	The plaintiff seeks the recovery of a piece of land of 405 hectares that it believes forms part of its "Los Prados de Quillaileo" property, located at Santa Bárbara in Chile's 8th Region, which land is currently occupied by Pehuenches to whom Endesa assigned rights and actions related to the construction of the Ralco dam.
Process status:	The Concepción Court of Appeal previously ordered the first instance tribunal to complement the definitive sentence, resolving the peremptory exceptions; the Court of Appeal rejected them. Endesa presented proceedings of appeal and annulment in the form against the complementary sentence.
Amount involved:	Undetermined.
xiii. Court:	Santiago Court of Appeal
Case No.:	10805-05
Plaintiff:	Endesa Chile
Defendant:	SEF
Cause:	Claim Resolutions No.817 from April 27, 2004 and No. 1838 from November 3, 2005. Black-out of January 13, 2003.
Process status:	The court is waiting the joint overview of several claims deriving from the same incident, which are being examined together, starting with the oldest.
Amount involved:	Ch\$ 253 millions or US\$ 0.4 millions.

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29. Commitments and contingencies, continued:

xiv. Court: Arbitration tribunal
Case No.: 2144-J
Plaintiff: Endesa Chile
Defendant: CMPC Celulosa S.A.
Cause: The disputes between the parties originated from the supply contract signed by Endesa Chile and CMPC Celulosa S.A. on May 31, 2003, relating to supplies for the defendant's plants in the Eighth Region and relating mainly to Endesa's decision to dispute part of the usage required by CMPC Celulosa S.A. as it does not consider this usage to be covered by the contract.
Process Status: The parties have been notified to hear sentence.
Amount Involved: Undetermined

xv. Court: 2nd Civil Court of Coronel
Case No.: 6940-2006
Plaintiffs: Marlana Breve Toledo and Others
Defendant: Endesa Chile
Cause: A group of mothers from the Coronel region has sued Endesa Chile for moral damages allegedly suffered by their children due to burns they sustained on lands surrounding the Bocamina Power Plant. These events occurred during January and February 2002.
Process status: Sentence was given favorable to Endesa Chile, rejecting the demand in all its parts. The plaintiffs have brought appeal and annulment proceedings in the form before the Concepción Court of Appeal.
Amount involved: Ch\$ 460 millions or US\$ 0.7 millions.

xvi. Court: 16th Civil Court of Santiago
Case No.: 14234-2007
Plaintiffs: Enrique Herrera Brondi and another 10 people.
Defendants: Endesa Chile and Pangué
Cause: The plaintiffs, former shareholders of Pangué, seek annulment of a contract signed on September 25, 2000, between Pangué and Endesa Chile to establish a voluntary easement over Pangué's water rights, allowing the point of return of the Ralco power plant located upstream, to be located in the final part of the tail of the Pangué reservoir. The plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangué lost value and they are seeking Ch\$ 1,037 millions to compensate for damages arising from the signing of this contract.
Process status: An order for evidence was issued, pending notification to both parties.
Amount involved: Ch\$ 1,037 millions or US\$ 1.6 millions.

xvii. Court: 18th Civil Court of Santiago
Case No.: 13577-2007
Plaintiffs: Ana Luisa Aránguiz Escobar and Others
Defendant: Endesa Chile
Cause: The Plaintiff is suing for compensation for damages as in the final electricity concession given to Endesa to establish and exploit the Rapel power plant, Endesa established easements for flooding the lands in the area due to the water and reservoir works, paying the property owners the corresponding compensation. The plaintiff alleges that the land was excluded without reason from the concession's special plans and therefore did not receive compensation.
Process status: An order for evidence was issued but has not been notified to the parties.
Amount involved: Ch\$ 548.5 millions or US\$ 0.9 millions.

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29. Commitments and contingencies, continued:

xviii. Court: Third Civil Court of Santiago
Case No.: 26.499-2007
Plaintiff: Endesa Chile
Defendant: Chilean Treasury
Cause: Endesa Chile has sued the Treasury in order for the court to declare that Endesa Chile, as a generating company, with respect to the operation of its power plants and artificial dams, is subject to the General Electricity Services Law and all other legal regulations affecting the electricity industry and the instructions issued by the SIC CDEC of the respective interconnected system, and not by decisions and guidelines issued by the Control Committees (regulated by the Waters Code).
Process status: The court did not give order for evidence and called the parties to hear sentence. Endesa Chile appealed against the first resolution and replacement of the second against it, proceedings are awaiting resolution.
Amount involved: Undetermined

Pangué S.A.

i. Court: 7th Civil Court of Santiago
Case No.: 8895-2003
Plaintiffs: Juan Francisco Aranguiz Córdoba and another 24 people.
Defendants: Pangué and Endesa Chile
Cause: The plaintiffs, former shareholders of Pangué, seek annulment of a contract signed on September 25, 2000, between Pangué and Endesa Chile to establish a voluntary easement over Pangué's water rights, allowing the point of return of the Ralco Power Plant located upstream, to be located in the final part of the tail of the Pangué reservoir. The Plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangué lost value and they are seeking Ch\$ 2,522 millions. Lastly, they claim that had the contract not been signed, Pangué would have distributed dividends to them. Dilatory exceptions were presented which are awaiting the court's resolution. The court decreed an injunction prohibiting any new contracts involving water rights registered in the name of Pangué
Process Status: The court ruled in favor of the defendants, rejecting the demand in all its parts. The plaintiff filed an appeal with the Santiago Appeals Court. The defendants adhered to the appeal which is pending resolution.
Amount involved: Ch\$ 3,604 millions or US\$ 5.7 millions.

ii. Court: Santiago Court of Appeal
Case No.: 5785-04
Plaintiff: Pangué
Defendant: SEF
Cause: Claim Resolution No.1432 of August 14, 2003. Generalized SIC black-out on September 23, 2002
Process status: The court is waiting the joint overview of several claims deriving from the same incident.
Amount of fine: Ch\$ 451.8 millions, or US\$ 0.7 millions.

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29. Commitments and contingencies, continued:

iii. Court:	Santiago Court of Appeal
Case No.:	10803-05
Plaintiff:	Pangue
Defendant:	SEF
Cause:	Claim Resolutions No.818 of April 27, 2004 and No.1834 of November 3, 2005. Blackout January 13, 2003.
Process status:	The Appeals Court is waiting the joint overview of several electricity claims deriving from the same incident, which are being examined together, starting with the oldest.
Amount of fine:	Ch\$ 253 millions, or US\$ 0.4 millions.
iv. Court:	Ninth Civil Court of Santiago
Case No.:	13084-04
Plaintiff:	Endesa Chile, Pangue and Pehuenche
Defendant:	Chilean Treasury
Cause:	The plaintiffs are seeking a declaration of nullity of public right of the Ministerial Resolution No.35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, whereby this authority pronounces on a matter that was not originally one of dispute, by instructing the CDEC-SIC to define the hours of greatest probability of load loss.
Process Status:	The demand was rejected in the first instance. The plaintiffs filed proceedings of appeal and annulment before the Santiago Appeals Court, which are currently pending resolution.
Amount involved:	Undetermined.
v. Court:	Civil Court of Santa Bárbara
Case No.:	4563
Plaintiffs:	Luis Danús Covian and fifteen other people
Defendants:	Endesa Chile and Pangue
Cause:	The plaintiffs have demanded that the court declare that the plaintiffs and defendants form part of a community with respect to the Fundo Ralco and therefore they have co-ownership rights.
Process Status:	The court gave definitive sentence in favor of the defendants, rejecting the demand in all its parts and ordering that the plaintiff pay costs. The plaintiffs filed appeal and nullity proceedings before the Concepción Appeal Court, which are currently pending resolution.
Amount involved:	Undetermined
vi. Court:	19th Civil Court of Santiago
Case No.:	2487-2005
Plaintiff:	Empresa Eléctrica Guacolda S.A.
Defendants:	Endesa Chile, Pangue, Pehuenche and San Isidro
Cause:	It is sought that the court declare that Guacolda has the right to receive payment from each of the defendants in its position as owner of the transmission lines between the Maitencillo and Cardones Substations on the SIC, for remuneration related to basic tolls with respect to electricity transmitted by each defendant during the period from October 9, 2003 to March 12, 2004.
Process Status:	Definitive sentence was given accepting the demand, against which the defendants has filed an appeal.
Amount involved:	Ch\$ 423 millions or US\$ 0.7 millions.

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29. Commitments and contingencies, continued:

vii. Court:	16th Civil Court of Santiago
Case No.:	14234-2007
Plaintiffs:	Enrique Herrera Brondi along with another 10 people
Defendants:	Endesa Chile and Pangue
Cause:	The plaintiffs, former shareholders of Pangue, seek a declaration of nullity of a contract signed on September 25, 2000, between this company and Endesa Chile whereby the former established a voluntary easement over water rights, allowing the point of return of the Ralco power plant located upstream, to be located in the final part of the tail-end of the Pangue reservoir. The plaintiffs also claim that, as a consequence of signing this contract, their shares in Pangue lost value and they are seeking ThCh\$ 1,036,809 to compensate for damages arising from the signing of this contract.
Process status:	An order for evidence has been issued, which has not been notified to the parties.
Amount involved:	Ch\$ 1,036.8 millions or US\$ 1.6 millions.
viii. Court:	Civil Court of Nacimiento
Case No.:	16.757-2007
Plaintiff:	Municipality of Nacimiento
Defendant:	Pangue
Cause:	Based on Law 19,300 governing General Environmental Standards, the Municipality of Nacimiento seeks the repair and compensation for the environmental damage allegedly caused by the operation of the Pangue power plant, particularly from spills occurring during July 2006; these damages amount to Ch\$13.2 millions. The plaintiff is also specifically demanding that the defendant be ordered to adopt the following protective and mitigation measures: construction of a containment wall and a bridge that connects Nacimiento to other nearby towns and community buildings, at a cost of Ch\$4,914 millions.
Process status:	The proceedings are in the evidence stage, with some parts still pending.
Amount involved:	Ch\$ 4,927.2 millions or US\$ 7.7 millions.
ix. Court:	12th Civil Court of Santiago
Case No.:	2.657-2008
Plaintiff:	José Manuel Gajardo Sepúlveda, on behalf of 749 people.
Defendant:	Pangue
Cause:	The plaintiff is suing Pangue for the repair and compensation for the environmental damage allegedly caused by the operation of the Pangue plant, particularly spillages that occurred in July 2006, amounting to Ch\$1,916.5 millions.
Process status:	Parties have been called for conciliation proceedings, but this did not occur.
Amount involved:	Ch\$ 1,916.5 millions or US\$ 4.6 millions.
x. Court:	Family, civil and criminal Court of Laja
Case No.:	11.642-2008
Plaintiffs:	Iris Carrasco Jara and another 418 people
Defendant:	Pangue
Cause:	The plaintiff is suing Pangue for the repair and damages allegedly caused by the operation of the Pangue plant due to spillages that occurred on the river Bio Bio in July 2006, particularly the flooding that occurred in the town of Laja in Chile's 8th Region, amounting to ThCh\$12,570,000 plus interest.
Process status:	Pangue was notified of the demand on October 27, 2008, having opposed dilatory exceptions which have still not been resolved by the court.
Amount involved:	Ch\$ 12,570 millions or US\$ 19.8 millions plus interests.

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29. Commitments and contingencies, continued:

Pehuenche S.A.

i. Court: Santiago Court of Appeal
Case No.: 5784-04
Plaintiff: Pehuenche
Defendant: SEF
Cause: Claim Resolution No.1429 of August 14, 2003. Generalized black-out on the SIC on September 23, 2002
Process status: The court is awaiting the joint overview of several claims deriving from the same incident.
Amount of fine: Ch\$ 677.7 millions or US\$ 1.1 millions.

ii. Court: Ninth Civil Court of Santiago
Case No.: No.13084-04
Plaintiff: Endesa Chile, Pangué and Pehuenche
Defendant: Chilean Treasury
Cause: The Plaintiffs are seeking the annulment in public right of Ministerial Resolution No.35 issued by the Ministry of Economy, Development and Reconstruction on June 15, 2004, in which this authority pronounces on issues that were not originally matters of dispute, by instructing the CDEC-SIC to define the hours of greatest probability of load loss.
Process Status: The court ruled first instance rejecting the demand. The plaintiffs filed appeal and annulment proceedings with the Santiago Appeals Court which are pending resolution.
Amount involved: Undetermined.

iii. Court: 19th Civil Court of Santiago
Case No.: 2487-2005
Plaintiff: Empresa Eléctrica Guacolda S.A.
Defendants: Endesa Chile, Pangué, Pehuenche and San Isidro
Cause: It is sought that the court declare that Guacolda has the right to receive payment from each of the defendants in its position as owner of the transmission lines between the Maitencillo and Cardones substations on the SIC, for remuneration related to basic tolls with respect to electricity transmitted by each defendant during the period from October 9, 2003 to March 12, 2004.
Process Status: Definitive sentence was given accepting the demand, against which the defendants have filed an appeal.
Amount involved: Ch\$ 423.6 millions or US\$ 0.7 millions.

iv. Court: Santiago Court of Appeal
Case No.: 10801-05
Plaintiff: Pehuenche
Defendant: SEF
Cause: Claim Resolutions No.806 of April 27, 2004 and No.1836 of November 3, 2005. Black-out on January 13, 2003
Process status: The Appeals Court is awaiting the joint overview of several claims deriving from the same incident, which are being examined together, starting with the oldest.
Amount of fine: Ch\$ 158 millions or US\$ 0.2 millions.

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29. Commitments and contingencies, continued:

San Isidro S.A.

i. Court: Santiago Court of Appeal
Case No.: 5782-04
Plaintiff: San Isidro
Defendant: SEF
Cause: Claim Resolution No.1428 of 14.08.2003. Generalized fault on SIC on 23.09.2002
Process stage: Awaiting joint overview of claims referring to the same incident.
Amount of fine: Ch\$ 226 millions or US\$ 0.4 millions.

ii. Court: 19th Civil Court of Santiago
Case No.: 2487-2005
Plaintiff: Empresa Eléctrica Guacolda S.A.
Defendants: Endesa Chile, Pangué, Pehuenche and San Isidro
Cause: It is sought that the court declare that Guacolda has the right to receive payment from each of the defendants in its position as owner of the transmission lines between the Maitencillo and Cardones substations on the SIC, for remuneration related to basic tolls with respect to electricity transmitted by each defendant during the period from October 9, 2003 to March 12, 2004.
Process Status: Definitive sentence was given accepting the demand, against which the defendants have filed an appeal.
Amount involved: Ch\$ 424 millions or US\$ 0.7 millions.

iii. Court: Santiago Court of Appeal
Case No.: 10799-05
Plaintiff: San Isidro
Defendant: SEF
Cause: Claim Resolutions No.819 of April 27, 2004 and No.1830 of November 3, 2005. Black-out on January 13, 2003
Process status: The Appeals Court is awaiting the joint overview of several claims deriving from the same incident, which are being examined together, starting with the oldest.
Amount of fine: Ch\$ 158 millions or US\$ 0.2 millions.

Edegel S.A.A.

i. Tribunal: SUNAT
Case No.: n/n
Plaintiff: National Superintendence of Tax Administration ("SUNAT")
Defendant: Edegel
Cause: On July 10, 2003, Edegel was notified of a SUNAT resolution which objected to the depreciation recorded on assets reappraised on their disposal.
Process Status: The claim that is still pending resolution by the tribunal is related to fiscal year 1999 and refers only to the objection to the 15% "financing interest" in the appraisal.
Amount involved: Soles 26.8 millions or US\$ 8.5 millions.

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29. Commitments and contingencies, continued:

ii. Tribunal:	SUNAT
Case No.:	0150340004124
Plaintiff:	SUNAT
Defendant:	Edegel
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:	Pending pronouncement by the fiscal tribunal of the appeal made by Edegel with respect to the resolutions of determination and fine that were not the subject of abandonment.
Amount involved:	Soles 44.5 millions or US\$ 14.2 millions.
iii. Tribunal:	SUNAT
Case No.:	n/n
Plaintiff:	SUNAT
Defendants:	Talleres Mayopampa/Edegel
Cause:	Tax comment (joint and several liability of Edegel attributed with Talleres Moyopampa — Payment of income taxes — Regularization Tax Year 1994 — Legal Entities. Period from May 1994 to June 1994).
Process Status:	Pending ruling.
Amount involved:	Soles 6.2 millions or US\$ 2.0 millions.
iv. Tribunal:	ESSALUD
Case No.:	603-REC-GCC-GCR-IPSS-97
Plaintiff:	ESSALUD
Defendant:	Edegel
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.
Amount involved:	Soles 8.2 millions or US\$ 2.6 millions, plus interests.
v. Tribunal:	ESSALUD
Case No.:	n/n
Plaintiff:	ESSALUD
Defendant:	Edegel
Cause:	Payment orders issued for alleged omission of social security contributions during period from April 1997 to December 1998.
Process Status:	Pending ruling.
Amount involved:	Soles 29 millions or US\$ 9 millions, plus interests.

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29. Commitments and contingencies, continued:

vi. Tribunal:	District Municipality of San Ramón
Case No.:	n/n
Plaintiff:	District Municipality of San Ramón
Defendant:	Edegel
Cause:	Comment on municipal taxes (Property tax and fine — Fiscal years 2000 to 2004).
Process Status:	The District Municipality of San Ramón persists in not complying with the tax tribunal's order and has not sent the records to that entity for its pronouncement. The Second Public Prosecutor of La Merced — Chanchamayo formalized criminal actions against the mayor of the Municipality of San Ramón for crimes of omission, refusal or delay in functional acts, following which the Second Criminal Court of La Merced — Chanchamayo began criminal actions against the mayor. Edegel has joined the process as having been considered the presumed injured party.
Amount involved:	Soles 5.8 millions or US\$ 1.8 millions, plus interests.
vii. Court:	SUNAT
Case No.:	n/n
Plaintiff:	SUNAT
Defendant:	Edegel
Cause:	Tax comment — Income Taxes (Fiscal Year 2000) - Income taxes — Third Category — Prepayments — Fiscal Year 2001.
Process Status:	On October 9, 2008, Edegel made a partial appeal against the Resolution of Governor's Office of August 29, 2008. The following objections were appealed against: (i) Foward 2001, (ii) Services Generandes 2000 — 2001, (iii) Excess depreciation 2000 — 2001, (iv) Loan for purchase of shares 2000 — 2001, (v) REI 2001. The amount appealed reaches approximately S/. 44,822,640 for the year 2000 and S/. 20,624,492 for 2001.
Amount:	Soles 65.4 millions or US\$ 20.8 millions.
viii. Tribunal:	Specialized civil court of La Merced
Case No.:	168-2008
Plaintiff:	District Municipality of San Ramón
Defendant:	Edegel
Cause:	Contentious administrative action brought against the Resolution of the Mayor's Office No.019-2008-MDSR which ratified the fine demanded by the municipality alleging that Edegel has not regularized some buildings of the Yanango plant.
Process Status:	Pending pronouncement of the judge with respect to the exceptions of prescription and res judicata presented by the District Municipality of San Ramón.
Amount involved:	Soles 4.7 millions or US\$ 1.5 millions, plus interests.

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29. Commitments and contingencies, continued:

ix. Court: 3rd Labor Court of Lima
Case No.: 254-2001
Plaintiffs: José Carlos de la Flor Arizaga, Sergio E.Palomino, Rigoberto Mendieta Vedia, Luis Ampuero Salas, Manuel Salazar López and Oscar Curay Rivera
Defendant: Edegel
Cause: Payment of labor benefits: a) profits 1994-1995, b) bonuses from 1994-1996, c) compensation for not buying shares due to privatization, d) double vacations for 1994-1995, e) CTS for the period 1995-June 1996, f) recalculation of the incentives paid at termination, g) benefits agreed upon with Electroperu.
Process status: A date for the hearing is still pending.
Amount involved: Soles 7.2 millions or US\$ 2.3 millions.

x. Tribunal: National and International Arbitration Tribunal of the Lima Chamber of Commerce.
Case No.: 1236-009-2007
Plaintiff: PROINVERSION
Defendant: Edegel
Arbitrators: Lorenzo Zolezzi Ibárcena (chairman), Shoschanna Zusman and Delia Revoredo
Cause: PROINVERSIÓN considers that the former ETEVENSA complied fully but late in the first and second stages of investment commitment.
Process Status: Following the arbitration award that resolves this litigation, EDEGEL paid to PROINVERSIÓN the amount awarded, thus concluding these proceedings.
Amount involved: US\$ 900,000

xi. Tribunal: Osinergmin
Case Nos.: CC-33-2007, CC-35-2007 and CC-38-2007
Plaintiffs: ELECTROANDES, DUKE ENERGY, ENERSUR, ELECTROPERÚ and CAHUA
Defendant: Edegel
Cause: EDEGEL has been demanded to credit the corresponding reimbursement for having been responsible for certain events according to the Technical Quality Standards of Electricity Services (NTCSE).
Process Status: In the contentious administrative process brought against Duke and Electroandes, sentence was given declaring the demand brought by Edegel to be unfounded. Edegel appealed against this sentence. Regarding the contentious administrative proceedings brought against ENERSUR and ELECTROPERU, it remains pending for the court to declare each process resolved and the files sent to the Public Prosecutor for promulgation of law.
Regarding the claim presented by Cahua, Edegel appealed against the resolution of the ad-hoc Collegiate Body of Osinergmin which pronounced that Edegel comply in paying the compensations for interruptions in supplies due to rejections of load in 2006.
Amount involved: Soles 33 millions or US\$ 10 million.

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29. Commitments and contingencies, continued:

xii. Tribunal: SUNAT
Case No.: 0150340008058
Plaintiff: SUNAT
Defendant: Edegel
Cause: Tax Limit - Audit from 2002 and 2003 (Income Taxes)
Process Status: By Governor's Resolution No., 01501140007736 of October 31, 2008, part of the claim presented by Edegel was declared founded and consequently rectified. It was resolved to follow the charging of the debts contained in Determination Resolutions 012-003-0012226 to 012-003-0012239 and the Fine Resolutions 012-002-0011741 and 012-002-0011742. On December 10, 2008, Edegel lodged a partial appeal against the above Governor's resolution.
Amount: Soles 3.2 millions or US\$ 1 million.

xiii. Court: Mixed Court of Ventanilla
Case No.: 2008-4570
Plaintiff: Association of Owners Casa Huerta Virgen de las Mercedes.
Defendant: Edegel
Cause: The Association of Owners Casa Huerta Virgen de las Mercedes has demanded the closure of the register entry No.53972, in which the Ventanilla plant is registered, due to duplicated registration and superposition with register entry No.38115, in which land owned by it is registered. As an accessory claim, it demands the recovery of 65,867.83 square meters of land occupied by the Ventanilla thermal plant due the entry whose closure is sought.
Process Status: Edegel and the Fiduciaria have absolved the transfer of the demand. In the case of Edegel, together with the answer of the demand, presented a counterclaim for declaring that the Association of Owners Casa Huerta Virgen de las Mercedes is not the owner of the land and ordering the closure of the record card, where the title to the property in their favor is registered.
Amount: US\$ 658,678

Generandes Perú S.A.

Tribunal: SUNAT
Case No.: 0260340031172
Plaintiff: SUNAT
Defendant: GENERANDES PERU S.A.
Cause: Tax annotation against various determination resolutions and general sales tax and income tax fines - Audit 2000.
Process Status: The process is awaiting resolution by the SUNAT.
Amount involved: Soles 50 millions or US\$ 15.9 millions.

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29. Commitments and contingencies, continued:

Emgesa S.A. ESP, (Colombia)

i. Court:	Neiva Administrative Court (Huila)
Case No.:	2004-645
Plaintiffs:	Consultoría Colombiana S.A. and Consultores Regionales Asociados Ltda
Defendants:	ICEL — Electricadora del Huila S.A. and Central Hidroeléctrica de Betania S.A. E.S.P. (now Emgesa)
Cause:	Damages for not awarding the contract to the plaintiffs after performing preliminary feasibility study in 1992 relating to the El Quimbo project.
Process Status:	The evidence stage has been concluded.
Amount involved:	Col\$ 2,000 millions or US\$ 0.9 millions.
ii. Court:	Various Courts in the Huila and Tolima Jurisdictions
Case Nos.:	Various
Plaintiffs:	325 individuals in various jurisdictions
Defendant:	Central Hidroeléctrica de Betania S.A. (Now Emgesa)
Cause:	The defendant is being sued in different proceedings and courts for extra-contractual civil liability by Central Hidroeléctrica de Betania S.A. ESP. for the flooding that occurred during 1986, 1989, 1994, 1999 and 2007, which allegedly washed away and damaged the crops and property of the plaintiffs.
Process Status:	First instance rulings have already been handed down for some lawsuits, with unfavorable sentences for the Company, which have been appealed against. The remaining cases are either in the evidence stage or are being answered (i.e. in initial stage). During this quarter, Emgesa has been notified of another 25 demands.
Amount involved:	Col\$ 18,066 millions or US\$ 7.9 millions.
iii. Court:	1st Circuit Court of Neiva
Case No.:	2003-123
Plaintiff:	Empresa Antioqueña de Energía (EADE)
Defendant:	Central Hidroeléctrica de Betania S.A. ESP (now Emgesa)
Cause:	Ordinary proceedings intended to obtain a declaration of liability by CHB for alleged non-compliance with energy supply obligations between July 1, 1997 and May 31, 1999.
Process Status:	The conciliatory hearing was postponed until the plaintiff can determine who was in charge of the rights originating the lawsuit following the dissolution of EADE, a company that was absorbed by Empresas Públicas de Medellín.
Amount involved:	Col\$ 7,805 millions or US\$ 3.4 millions..
iv. Tribunal:	Administrative tribunal of Huila
Case No.:	2004-1328
Plaintiff:	Central Hidroeléctrica de Betania S.A. ESP (now Emgesa)
Defendant:	Municipality of Yaguará
Cause:	The municipality is seeking to sanction the company for not presenting its declaration of ICA (Industrial and Commerce Tax) under Law 14 of 1981, ignoring the payments made by Betania under a special law that regulates electricity generation companies (Law 56 of 1981). The company presented a request to nullify the acts that imposed the sanction (Sanction Resolutions years 1998 to 2002).
Process Status:	This case is in the evidence stage.
Amount Involved:	Col\$ 98,438 millions or US\$ 43.3 millions.

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29. Commitments and contingencies, continued:

v. Tribunal:	Administrative Tribunal of Huila
Case No.:	2005-1743
Plaintiff:	Central Hidroeléctrica de Betania S.A. ESP (now Emgesa)
Defendant:	Municipality of Yaguará
Cause:	The incorrect application of the Industry and Commerce Tax regulation by the municipality, ignoring the special regulation (Law 56 of 1981) that affects generating companies only for their plants' installed generating capacity and not their revenues as the municipality claims by applying the general regulation (Law 14 of 1983). the Plaintiff on their revenue instead of the installed capacity of their plant. The company objected to the authority's assessments correspondig for the years 1998-2002.
Process Status:	This case is in the stage of concluding arguments.
Amount Involved:	Col\$ 4,160 millions or US\$ 1.8 millions.
vi. Tribunal:	Administrative Tribunal of Huila
Case No.:	2006-1024
Plaintiff:	Central Hidroeléctrica de Betania S.A. ESP (now Emgesa)
Defendant:	Municipality of Yaguará
Cause:	Summons to declare the Industry and Commerce Tax 2003. The Municipality of Yaguará ignored the statement presented by Betania, based on Law 56 of 1981 (a special law applicable to generating companies) and penalized the company by applying a sanction of 20% of reported revenues. In addition, reassessment of the tax, applying a regulation of general nature (Law 14 of 1983) that does not apply for energy generation companies, thus increasing the tax charge of Betania.
Process Status:	This case is at the stage of concluding arguments.
Amount Involved:	Col\$ 23,116 millions or US\$ 10.2 millions.
vii. Tribunal:	4th Section of the Administrative Tribunal of Cundinamarca
Case No.:	2004-238
Plaintiff:	Emgesa
Defendant:	Municipality of Ubalá
Cause:	The municipality incorrectly applied an Industry and Commerce Tax to the plaintiff, ignoring the special regulation (Law 56 of 1981) which taxes generating companies on their plants' installed capacity and not their revenue, as the municipality intends by the application of the general regulation (Law 14 of 1983).
Process Status:	Sentence in the first instance is expected.
Amount Involved:	Col\$ 40,593 millions or US\$ 17.9 millions.
viii. Tribunal:	Administrative Tribunal of Cauca — fourth section
Case No.:	2007-125
Plaintiff:	Emgesa
Defendant:	Municipality of Caloto
Cause:	Summons for not declaring for the years 2003 to 2005. Incorrect application of the Industry and Commerce Tax by the municipality, ignoring the special regulation (Law 56 of 1981) which taxes generating companies only on their plants' installed capacity and not their revenue, as the municipality intends by the application of the general regulation (Law 14 of 1983).
Process Status:	The case is at the evidence stage
Amount Involved:	Col\$ 374 millions or US\$ 0.2 millions.

Endesa Chile and Subsidiaries
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29. Commitments and contingencies, continued:

ix. Tribunal:	4th Section of the Administrative Tribunal of Cauca
Case No.:	2007-00127
Plaintiff:	Emgesa
Defendant:	Municipality of Puerto Tejada
Cause:	Summons for not declaring for the years 2002 to 2004. Incorrectly application of the Industry and Commerce Tax by the municipality, ignoring the special regulation (Law 56 of 1981) which taxes generating companies only on their plants' installed generating capacity and not their revenue, as the municipality intends by the application of the general regulation (Law 14 of 1983).
Process Status:	The case is at the evidence stage
Amount Involved:	Col\$ 1,189 millions or US\$ 0.5 millions.
x. Tribunal:	Administrative Tribunal of Bolivar
Case No.:	2007-242
Plaintiff:	Emgesa
Defendant:	Bolívar Department
Cause:	The Bolívar Department wrongly charged the company for Pro-Development and Pro-Culture stamps related to the purchase of the Cartagena power plant.
Process Status:	The case is at the evidence stage
Amount Involved:	Col\$ 276 millions or US\$ 0.1 millions.
xi. Tribunal:	Administrative Tribunal of Cundinamarca, First Section
Case No.:	2001-016
Plaintiffs:	Orlando Enrique Guaqueta and Sibaté residents (class action Miguel Ángel Chávez - Nancy Stella Martínez Pulido and others)
Defendants:	Emgesa, Empresa de Energía de Bogotá S.A. ESP ("EEB") and Corporación Autónoma Regional ("CAR")
Cause:	The plaintiffs seek the joint liability of the defendants related to the damages produced in the Muña reservoir due to contaminated water from the Bogota river pumped in by Emgesa.
Process Status:	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 in the case. Once these motions are ruled on, the first instance evidence stage should begin.
Amount involved:	Col\$ 3,000,000 millions or US\$ 1,320 millions.

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29. Commitments and contingencies, continued:

xii. Tribunal:	Administrative Tribunal of Cundinamarca, Fourth Section
Case No.:	2001-479
Plaintiff:	Gustavo Moya
Defendants:	Emgesa, EEB, the Capital District of Bogotá, Empresa de Acueducto y Alcantarillado de Bogotá, the Municipality of Sibaté and other industries and government entities that allegedly contribute to the pollution of the Bogotá River by action or omission.
Cause:	Class action seeking to declare the defendants responsible for damages caused to the environment produced by storing contaminated water in the Muña reservoir, and thus compensate for the collective damage caused.
Process Status:	Appeal proceedings pending against the first instance sentence before the State Council, which exonerated Emgesa from responsibility and a compliance agreement was approved. For its part, the Administrative Tribunal of Cundinamarca has held various audiences for checking compliance with the Bogotá river decontamination works. The audience of December 16, 2008 Emgesa reaffirmed that the company has complied with all its commitments under the agreement signed.
Amount Involved:	Undetermined
xiii. Tribunal:	Administrative Circuit Court (10)
Case No.:	2004-1348
Plaintiffs:	José Edgar Bejarano and Others
Defendants:	Emgesa and Chivor S.A. ESP.
Cause:	Liability is demanded for the flooding of the Upia river-banks in 2002, arguing negligence in operating the Guavio dam's sluice-gates. The defendants are therefore being sued for payment of the respective damages.
Process Status:	Pending resolution of the proceedings brought by those called in guarantee by the plaintiff entities. Presently with the State Council.
Amount Involved:	Col\$2,000 millions or US\$ 0.9 millions.
xiv. Tribunal:	Administrative Tribunal of Cundinamarca — first section
Case No.:	2005-1476
Plaintiff:	Emgesa
Defendant:	CAR
Cause:	Action of nullity and re-establishment of law by which it seeks to be declared invalid administrative acts given by the CAR (Resolutions 506 of March 28, 2005 and 1189 of July 8, 2005) and reestablish the rights of Emgesa that were violated by these resolutions because they impose the carrying out of works at the Muña reservoir as a condition of the maintenance of the water concession.
Process status:	On November 19, 2008, an order was issued notifying CAR to pronounce with respect to the suspension of the process requested by Emgesa.
Amount involved:	Col\$2,000 millions or US\$ 0.9 millions.

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29. Commitments and contingencies, continued:

xv. Court: Administrative Circuit Court (40)
Case No.: 2005-1990
Plaintiffs: Juan Andrés Cano García and others
Defendants: Emgesa and 18 other entities, including the ministries of mining and the environment, CAR, National Institute of Mines and various municipalities in the zone of influence.
Cause: Class Action for claiming that Emgesa is responsible for environmental damage at the Tominé dam and specifically the reduction of the volume of water in the reservoir since 1997 and an abundance of non-native vegetation, thus neglecting to comply with its function of guaranteeing public assets that it uses to carry on business. The plaintiffs argue that Emgesa has not invested in the recovery and conservation of water resources and to date has not carried out any kind of work to clear the non-native vegetation.
Process status: Pending compliance by the plaintiffs with the notification of the individuals who should be notified of the content of the demand.
Amount involved: Col\$2,000 millions or US\$ 0.9 millions.

Hidroelectrica El Chocón S.A. (Argentina)

i. Tribunal: National Chamber of Appeals in Administrative Disputes
Case No.: 20570/08
Plaintiff: AFIP —DGI
Defendant: Hecsa
Cause: The AFIP determined the obligation of the company to pay the sum of Arg\$1,754,938 with respect to income taxes — withholdings from foreign beneficiaries, understanding that the company omitted to make such withholdings on payments made abroad for work in obtaining a bank loan during 1994. The company did not make the withholdings because it considered that these were foreign-sourced earnings not subject to the tax.
Process status: Pending appeal made by Hecsa against the sentence of the fiscal tribunal that partially revoked the resolution of AFIP with costs to the company.
Amount involved: Arg\$ 2.9 millions or US\$ 0.8 millions.

ii. Court: Supreme Court of Argentina
Case No.: 114/99
Plaintiff: Province of Neuquén
Defendant: Hecsa
Cause: On June 26, 2000, the company was notified of a lawsuit for interest to be paid related to royalties allegedly paid late, initiated by the province of Neuquén before the Supreme Court of Justice of the Nation.
Process status: On September 30, 2008, the Supreme Court resolved to establish the amounts of the fees of the lawyers of Neuquén plus those of the accounting expert, which amount to a total of \$ 1,446,000 plus VAT, which sum was deposited by Hecsa in November 2008.
Amount involved: Arg\$1.4 millions or US\$ 0.4 millions, plus VAT.

Endesa Chile and Subsidiaries
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29. Commitments and contingencies, continued:

iii. Court: Supreme Court of Argentina
Case No.: N 164/99
Plaintiff: Province of Neuquén
Defendants: Hecsa, Estado Nacional, AES Alicurá S.A., Piedra del Águila S.A. and Cerros Colorados S.A.
Cause: On September 27, 2000, the Company was notified of a demand by the province of Neuquén against the state and hydroelectric generators of Comahue to obtain royalties earned on accumulated funds in the Salex Account. The action seeks to charge 12% of the funds understood to be contributed by each generator to the account. In 2004, an accounting expert determined the amounts allegedly 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 case is awaiting sentence.
Amount involved: Arg\$1.6 millions or US\$ 0.5 millions, plus interest and indexation.

iv. Tribunal: Administrative Branch
Case No.: n/n
Plaintiff: Province of Río Negro
Defendant: Hecsa
Cause: Hecsa received notification from the Provincial Directorate of Cadastre of the Río Negro Province about a real estate tax payment for the May 2004 period, 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 questioning the revenue service's appraisal of the property value. The General Revenue Service sent the company demands to pay installments 5 and 6 of 2004 and 1 through 6 of 2005. The Company presented a note rejecting each of these demands.
Process status: Pending administrative proceedings.
Amount involved: Arg\$56 millions or US\$ 16 millions.

Hidroinvest S.A. (Argentina)

Tribunal: Argentine Supreme Court
Case No.: H 7336/05
Plaintiff: Hidroinvest S.A. ("Hidroinvest")
Defendant: AFIP —DGI
Cause: The AFIP made demand on the company to pay income taxes of Arg\$3.4 Hidroinvest that Hidroinvest supposedly should have paid on differences between the cost and transfer price of bonds given to the Argentine State for having benefited economically from said operation. The National Tax Tribunal confirmed AFIP's ruling in 2004 with respect to the taxes and interest, imposing costs to Hidroinvest, but revoked the imposed fine of 70% of the unpaid tax. In order to avoid the start of the fiscal execution of the presumed credit, the company paid the sum of Arg\$3.4 with respect to capital and Arg\$13.6 for interest, in July 2004, stating that the reserve and expecting the results of the proceedings against the sentence of the National Tax Tribunal.
Process status: The Company and the IRS both filed appeals against the ruling of the National Tax Tribunal before the National Chamber for Federal Administrative Disputes. This tribunal rejected the appeals made and upheld the sentence of the National Tax Tribunal. Against this decision they filed ordinary and extraordinary appeals before the Supreme Court of Argentina which are pending resolution.
Amount involved: Arg\$17.5 millions or US\$ 5.1 millions.

Endesa Chile and Subsidiaries
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29. Commitments and contingencies, continued:

Endesa Costanera S.A. (Argentina)

In July 1990, the Italian Government authorized Medio Credito Centrale to grant a loan to the Argentine Government to finance purchases of goods and services of Italian origin, to renew four groups of the thermo-electric plant owned by Servicios Eléctricos del Gran Buenos Aires ("SEGBA"). SEGBA granted to Endesa Costanera a mandate to administer the carrying out of the corresponding works covered by a contract between SEGBA and a consortium led by Ansaldo S.p.A., Italy.

In accordance with Law No. 25.561, Decree No. 214/02 and their related regulations, the obligation to pay by Endesa Costanera contained in the contract were "pesified" at the rate of one peso to one dollar, plus a special stabilization coefficient ("CER"), with the original interest rate stated for the obligation.

On January 10, 2003, the Executive National Power dictated Decree No.53/03 that modified Decree No.410/02 by including exceptions to the "pesification" of the obligation to pay sums of money in foreign currency of provinces, municipalities, public and private sector companies to the state government arising from subsidiary or other loans and guarantees, originally financed by multilateral credit organisms or originated in liabilities assumed by the National Treasury and refinanced with foreign creditors.

Endesa Costanera considers that the loan resulting from the contract does not meet any of the assumptions foreseen in Decree No.53/03, plus there are solid arguments for determining the unconstitutionality of that decree as it violates principles of equity and property rights established in the National Constitution. The maximum contingency that would be produced by complying with the assumption mentioned would, as of December 31, 2008, imply a patrimonial reduction, net of tax effects, of approximately US\$19 millions. To date, the Secretary of Energy has presented no complaint against the "pesified" payments made by Endesa Costanera.

d. Restrictions:

The Company is in compliance with all financial ratios and covenants as of December 31, 2008 and 2007, detailed as follows:

Endesa Chile

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:

- The ratio of consolidated debt to consolidated EBITDA for the four consecutive fiscal quarters does not exceed 4.20;
- Ratio of consolidated debt to equity plus minority interest to be no greater than 105%;
- At least 50% of the consolidated assets of Endesa Chile should be regulated assets, *i.e.* companies whose principal business is the generation, transmission and trade of electric energy;
- Minimum shareholders' equity of at least equal to UF 45,000,000.

The covenants dealing with Adjusted Operating Cash Flow, as defined, were eliminated in amendments signed in October 2008.

As is customary in credit agreements and capital market transactions, a substantial portion of Endesa Chile's indebtedness is subject to cross-default provisions. If a material default is not cured by applicable grace periods, it could result in a cross-default for Endesa Chile and a significant part of Endesa Chile's liabilities could become due and payable subject to certain additional conditions.

Endesa Chile and Subsidiaries
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29. Commitments and contingencies, continued:

Under the bank facilities entered into between 2004 and 2008, if Endesa Chile's or any Relevant Subsidiary, as defined for facilities in 2004 and 2006, fails in the payment for an amount in excess of US\$ 50 million in any indebtedness with an outstanding principal amount over US\$ 50 million, or if any indebtedness of Endesa Chile's or any Relevant Subsidiary is declared due and payable, lenders representing more than half of the amount outstanding would have the right to declare the loan due and payable.

Similarly, under the Indentures that governs Endesa Chile's Yankee Bonds, if Endesa Chile's or any of its Subsidiaries, fails in a payment of any indebtedness with an outstanding principal amount over US\$30 million, the Trustee or bondholders representing at least 25% of any given series would have the right to declare the bonds due and payable.

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 court rulings and expropriations of assets greater than US\$ 50 million, could cause the loan payment schedule to be accelerated

Endesa Costanera S.A.

In virtue of the arrangement in Annex VI-A of the International Public Tender for the Sale of Shares of Endesa Costanera, 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 equity no less than 690 million Argentine pesos;
- Third-party debt no greater than US\$ 120 million.

Edegel S.A.

In accordance contracted debt agreements, Edegel has to comply with the following:

- Indebtedness ratio less than 1.50
- Interest coverage no less than 3.25
- Ebitda less than 4.0

Endesa Chile and Subsidiaries
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29. Commitments and contingencies, continued:

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.

30. 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\$ 127,753,565 as of December 31, 2008 (ThCh\$ 39,626,060 in 2007).

Enigesa S.A.

The Company has received documents in guarantee amounting to ThCh\$ 28,000 as of December 31, 2008 (ThCh\$ 30,492 in 2007).

Endesa Chile and Subsidiaries
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31. Foreign currencies:

As of December 31, 2007 and 2008, 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 Notes 2 (c) and 2 (m))

a. Assets:

Account	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Cash.....	Ch\$	775,858	2,518,360
	US\$	7,557,000	12,464,891
	\$ Col	9,862,730	29,219,483
	Soles	2,436,164	9,941,360
	\$ Arg	411,574	169,829
	Reales	80,238	202,416
Time deposits	US\$	41,191,484	147,358,605
	\$ Col	1,133,633	3,538,662
	\$ Arg	5,636,434	20,832,077
	Reales	251,349	272,121
Marketable securities.....	Ch\$	5,987	6,120
	US\$	270	—
	\$ Col	11,215,654	101,223,554
Accounts receivables, net.....	Ch\$	119,672,199	119,542,577
	US\$	5,049,323	655,153
	\$ Col	48,816,528	56,334,099
	Soles	10,376,092	38,744,669
	\$ Arg	46,093,104	61,144,388
Other accounts receivable, net.....	UF	3,050,769	3,088,979
	Ch\$	34,615,202	17,490,502
	US\$	12,101,214	379
	\$ Col	7,940,836	10,095,369
	Soles	1,000,940	1,385,225
	\$ Arg	2,706	636
	Reales	6,677,623	21,526
Accounts receivables from related companies.....	Ch\$	67,641,788	34,964,596
	US\$	99,402,822	340,765
	\$ Col	20,837,478	26,469,956
	Soles	2,850,724	5,756,833
	Reales	877,458	1,091,811
	\$Arg	—	3,638,793

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31. Foreign currencies, continued:

a. Assets, continued:

Account	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Inventory, net.....	Ch\$	41,037,081	20,887,489
	US\$	—	862,560
	\$ Col	3,588,155	6,559,890
	Soles	10,273,169	13,779,946
	\$ Arg	2,043,244	2,196,389
Income taxes recoverable	Ch\$	53,229,576	26,865,180
	Reales	6,946	—
	Soles	3,878,141	1,533,714
	\$ Col	11,283,834	2,710
	\$ Arg	2,257,445	1,285,461
Prepayments	Ch\$	599,151	631,262
	US\$	766,598	1,269,073
	\$ Col	870,110	1,228,349
	Soles	1,728,119	1,146,941
	\$ Arg	1,024,869	1,868,617
Reales	—	—	
Deferred income tax	Ch\$	2,470,852	3,193,758
	\$ Col	670,440	556,894
Other current assets	Ch\$	29,640,975	335,890,229
	\$ Col,	563,298	247,579
	US\$	—	38,901,403
	\$ Arg	94,695	1,370,913
	Reales	257	192
Total current assets		733,592,136	1,168,792,283

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31. Foreign currencies, continued:

a. Assets, continued:

Fixed assets	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Land.....	Ch\$	36,615,093	36,792,316
	\$ Col	11,716,184	14,488,148
	Soles	4,144,627	4,874,854
	\$ Arg	5,178,453	6,090,827
Construction in progress	Ch\$	4,060,158,720	4,257,827,402
	\$ Col	1,537,249,609	1,831,810,660
	Soles	548,403,275	635,248,300
	\$ Arg	254,990,942	299,916,879
Machinery and equipment	Ch\$	16,077,796	16,989,989
	\$ Col	13,452,616	11,002,948
	Soles	581,995,628	672,402,667
	\$ Arg	635,220,915	780,421,355
Reales	45,638	86,778	
Other fixed assets	Ch\$	98,641,051	156,261,748
	\$ Col	9,470,564	12,841,652
	Soles	68,453,783	154,221,882
	\$ Arg	7,524,720	8,854,929
Reales	8,069	19,170	

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31. Foreign currencies, continued:

a. Assets, continued

Fixed assets	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Technical appraisal	Ch\$	13,975,667	14,012,301
Accumulated depreciation	Ch\$	(1,912,259,700)	(2,025,117,766)
	\$ Col	(461,246,525)	(583,634,197)
	Soles	(500,289,068)	(631,889,872)
	\$ Arg	(493,355,099)	(632,727,404)
	Reales	(21,788)	(38,631)
Total fixed assets		4,536,151,170	5,040,756,935
Other assets	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Investments in related companies	Ch\$	59,613,936	112,902,962
	US\$	423,937,093	575,979,746
Investments in other companies	Ch\$	3,044,503	3,026,243
	\$ Col	1,429,079	1,549,119
	Soles	25,516	30,011
Goodwill	Ch\$	3,124,012	3,233,465
	US\$	306,341	—
	\$ Col	7,301,241	7,648,856
Negative goodwill	Ch\$	(13,004,197)	—
	US\$	(6,489,231)	(19,135,754)
	Soles	(20,803,821)	(21,956,856)

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31. Foreign currencies, continued:

a. Assets, continued

Other assets	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
Long-term receivables	UF	5,372,914	2,782,676
	Ch\$	797,657	1,066,087
	\$ Arg	84,527,836	90,841,782
	Soles	—	—
Receivables from Related companies	Ch\$	402	—
	US\$	—	109,601,626
Other long-term assets	Ch\$	19,941,699	23,822,847
	US\$	1,470,114	6,280,884
	\$ Col	13,181,584	18,186,023
	Soles	395,352	507,849
	\$ Arg	12,939,101	16,438,867
Total other assets		597,111,131	932,806,433
Total assets by currency	Currency	As of December 31,	
		2007	2008
		ThCh\$	ThCh\$
	UF	8,423,683	5,871,655
	Ch\$	2,736,415,308	3,162,807,667
	US\$	585,293,028	874,579,331
	\$ Col	1,249,337,048	1,549,369,754
	Soles	714,868,641	885,727,523
	\$ Arg	564,590,939	662,344,338
	Reales	7,925,790	1,655,383
Total assets		5,866,854,437	7,142,355,651

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31. Foreign currencies, continued:

b. Current liabilities:

Account	Currency	Within 90 days				91 days to 1 year			
		as of December 31, 2007		as of December 31, 2008		as of December 31, 2007		as of December 31, 2008	
		Amount	Average Rate						
	ThCh\$		ThCh\$	ThCh\$		ThCh\$		ThCh\$	
Short-term debt due to banks and financial Institutions	Ch \$	1	0.30%	1,257,314	0.96%	—	—	—	—
	US\$	8,096,081	6.18%	19,492,411	6.77%	3,630,870	6.90%	3,323,224	20.00%
	\$ Col.	17,061,300	11.95%	32,496,501	10.83%	—	—	—	—
	\$ Arg.	—	—	110,743	17.44%	—	—	12,367,814	16.77%
Current portion of long-term debt due to banks and financial Institutions	US\$	13,621,729	7.15%	6,592,603	8.36%	16,558,914	8.35%	47,751,635	6.04%
	Soles	30,722,549	5.96%	—	—	—	—	—	—
	\$ Arg.	—	—	1,267,922	1.75%	2,182,004	1.75%	1,255,391	1.75%
	\$ Col.	9,876,398	12.19%	10,407,867	12.13%	—	—	—	—
Current portion of bonds payable	UF	—	—	—	—	3,214,523	5.70%	3,630,353	5.59%
	US\$	445,250	7.79%	7,075,903	7.98%	248,293,725	7.79%	429,248,909	7.98%
	\$ Col.	8,665,961	10.97%	101,660,795	10.99%	—	—	—	—
	Soles	18,845,439	10.20%	1,093,665	6.87%	—	—	14,179,344	6.87%
Current portion of long term Payables	US\$	13,312,241	7.42%	21,076,678	7.42%	7,847,224	7.42%	5,846,348	7.42%
	\$ Arg.	1,158,694	—	3,233,122	4.92%	3,180,178	—	4,924,976	4.92%
Dividends payable	Ch \$	3,278,585	—	4,242,444	—	—	—	—	—
	\$ Col.	21,967,674	—	—	—	—	—	—	—
	Soles	79,682	—	75,242	—	—	—	—	—
	\$ Arg.	293,260	—	287,280	—	—	—	—	—
Miscellaneous payables	Ch \$	124,265,515	—	157,663,468	—	—	—	—	—
	US\$	30,404,204	—	7,427,720	—	7,707,945	—	8,816,356	—
	Euro	452,058	—	1,928,092	—	—	—	—	—
	\$ Col.	11,452,661	—	21,692,777	—	—	—	—	—
	Soles	11,800,108	—	27,312,436	—	—	—	—	—
	\$ Arg.	24,043,955	—	39,417,816	—	—	—	—	—
	Reales	703	—	7,850	—	—	—	—	—
Accounts payable	Ch\$	5,013,704	—	2,421,666	—	—	—	—	—
	US\$	260,368	—	1,830,377	—	7,602,818	—	5,590,469	—
	\$ Col.	9,968,389	—	4,228,213	—	—	—	—	—
	Soles	4,559,968	—	1,953,109	—	—	—	2,230,094	—
	Reales	1,845	—	1,146	—	—	—	—	—
Accounts payable to related companies	US\$	12,012,501	—	—	—	—	—	—	—
	Ch\$	1,489,909	—	3,381,261	—	—	—	—	—
	\$ Col.	3,371,933	—	65,570,261	—	—	—	—	—
	Soles	182,804	—	196,553	—	—	—	—	—
	\$ Arg.	87,098	—	15,341,208	—	—	—	—	—

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31. Foreign currencies, continued:

b. Current liabilities, continued:

Account	Currency	Scheduled Maturities							
		Within 90 days				91 days to 1 year			
		As of December 31, 2007		As of December 31, 2008		As of December 31, 2007		As of December 31, 2008	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	
Accrued income	Ch\$	—	—	—	—	—	—	—	—
Provisions	Ch\$	1,626,705	—	1,532,845	—	14,298,395	—	21,562,930	—
	US\$	7,220	—	—	—	—	—	—	—
	\$ Col.	13,745,606	—	8,560,889	—	—	—	—	—
	Soles	505,852	—	1,385,844	—	659,048	—	5,150	—
	\$ Arg.	1,315,446	—	693,094	—	—	—	—	—
	Reales	—	—	—	—	4,626	—	4,004	—
Withholdings	Ch\$	11,929,248	—	17,546,571	—	—	—	—	—
	\$ Col.	930,142	—	1,451,703	—	—	—	—	—
	Soles	1,958,312	—	2,439,723	—	—	—	—	—
	\$ Arg.	6,908,613	—	9,079,205	—	—	—	—	—
	Reales	10,609	—	25,577	—	—	—	—	—
Income tax payables	Ch \$	—	—	18,628,303	—	—	—	—	—
	\$ Col.	—	—	36,060,621	—	—	—	—	—
	\$ Arg.	8,881,291	—	—	—	99,364	—	—	—
Unearned Revenue	Ch \$	—	—	130,000	—	683,953	—	270,565	—
Other current liabilities	Ch \$	—	—	—	—	63,228	—	48,677	—
	US\$	—	—	—	—	4,693,031	—	9,918	—
	Soles	1,046,372	—	23,668	—	—	—	—	—
	\$ Arg.	94,695	—	1,742,600	—	—	—	—	—
Total current liabilities per currency	UF	—	—	—	—	3,214,523	—	3,630,353	—
	Ch\$	147,603,667	—	206,803,872	—	15,045,576	—	21,882,172	—
	US\$	78,159,594	—	63,495,692	—	296,334,527	—	500,586,859	—
	Euro	452,058	—	1,928,092	—	—	—	—	—
	\$ Col.	97,040,064	—	282,129,627	—	—	—	—	—
	Soles	69,701,086	—	34,480,240	—	659,048	—	16,414,588	—
	\$ Arg.	42,783,052	—	71,172,990	—	5,461,546	—	18,548,181	—
	Reales	13,157	—	34,573	—	4,626	—	4,004	—
Total current liabilities		435,752,678	—	660,045,086	—	320,719,846	—	561,066,157	—

Endesa Chile and Subsidiaries
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31. Foreign currencies, continued:

c. Long-term liabilities, December 31, 2008:

Account	Currency	Scheduled maturity							
		1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount ThCh\$	Average Rate	Amount ThCh\$	Average Rate	Amount ThCh\$	Average Rate	Amount ThCh\$	Average Rate
Long-term debt due to banks and financial institutions	US\$	378,113,733	4.38%	3,904,972	3.63%	130,283,763	3.63%	—	—
	Soles	11,951,162	6.60%	—	—	—	—	—	—
	\$ Arg	3,765,968	1.75%	—	—	—	—	—	—
	\$ Col,	—	—	86,523,468	12.13%	—	—	—	—
Bonds payable	UF	—	—	—	—	—	—	417,037,961	4.96%
	US\$	136,124,562	7.81%	267,309,000	8.13%	133,476,293	8.64%	32,087,263	7.78%
	\$ Col,	113,470,139	13.43%	—	—	119,143,426	12.99%	—	—
	Soles	23,294,638	6.26%	20,256,208	6.51%	19,911,849	6.44%	5,064,052	6.31%
Long-term notes payable	US\$	43,506,787	7.42%	29,192,733	7.42%	—	—	—	—
	\$ Arg	8,389,302	—	—	—	—	—	—	—
Miscellaneous	UF	—	—	—	—	—	—	171,762	—
	Ch\$	40,190	—	2,900,655	—	—	—	—	—
	US\$	52,693,545	—	18,447,573	—	37,743,026	—	13,261,275	—
Accrued expenses	Ch\$	971,536	—	835,747	—	1,975,170	—	7,209,863	—
	\$ Col	19,272,342	—	—	—	—	—	—	—
	Reales	107,895	—	—	—	—	—	—	—
Deferred Taxes	Ch \$	39,245,992	—	8,036,382	—	34,271,252	—	53,744,345	—
	Soles	—	—	—	—	47,499,575	—	—	—
	\$ Arg,	7,982,356	—	—	—	—	—	—	—
Other long-term liabilities	UF	2,827,536	—	1,885,024	—	1,885,027	—	—	—
	Ch\$	—	—	—	—	—	—	177,836	—
	US\$	3,508,725	—	3,964,276	—	—	—	—	—
	\$Col	4,151,563	—	—	—	—	—	—	—
	\$ Arg,	16,386,042	—	—	—	—	—	—	—
Total long-term liabilities	UF	2,827,536	—	1,885,024	—	1,885,027	—	417,209,723	—
per currency	Ch \$	40,257,718	—	11,772,784	—	36,246,422	—	61,132,044	—
	US\$	613,947,352	—	322,818,554	—	301,503,082	—	45,348,538	—
	\$ Col	136,894,044	—	86,523,468	—	119,143,426	—	—	—
	Soles	35,245,800	—	20,256,208	—	67,411,424	—	5,064,052	—
	\$ Arg,	36,523,668	—	—	—	—	—	—	—
	Reales	107,895	—	—	—	—	—	—	—
Total long-term liabilities....		865,804,013		443,256,038		526,189,381		528,754,357	

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31. 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 ThCh\$	Average Rate	Amount ThCh\$	Average Rate	Amount ThCh\$	Average Rate	Amount ThCh\$	Average Rate
Long-term debt due to banks and financial institutions	US\$	128,400,708	7.08%	96,752,423	6.47%	4,205,329	5.75%	—	—
	Soles	—	—	—	—	—	—	—	—
	\$ Arg	4,336,381	1.75%	1,084,183	1.75%	—	—	—	—
	\$ Col	—	—	81,917,505	12.19%	—	—	—	—
Bonds payable	UF	—	—	—	—	—	—	202,365,157	5.19%
	US\$	351,723,587	8.21%	15,151,168	4.36%	324,667,920	8.44%	127,863,429	7.71%
	\$ Col	85,265,053	11.25%	107,429,932	11.29%	112,801,301	10.53%	—	—
	Soles	23,471,716	6.70%	5,416,549	6.16%	30,693,774	6.43%	9,027,581	6.30%
Long-term notes payable	US\$	31,689,213	—	30,370,899	—	—	—	—	—
	\$ Arg	6,599,038	—	—	—	—	—	—	—
Miscellaneous	UF	—	—	—	—	—	—	171,094	—
	Ch\$	10,427,189	—	3,084,861	—	—	—	—	—
	US\$	14,007,119	—	32,229,617	—	6,583,442	—	12,859,010	—
Accrued expenses	Ch\$	1,093,731	—	868,255	—	2,065,043	—	7,321,685	—
	\$ Col	18,989,005	—	—	—	—	—	—	—
Deferred Taxes	Ch\$	31,513,876	—	6,258,450	—	31,993,444	—	34,339,917	—
	Soles	—	—	64,655,535	—	—	—	—	—
	\$ Arg	4,326,201	—	—	—	—	—	—	—
Other long-term liabilities	UF	—	—	—	—	7,692,617	—	—	—
	Ch\$	—	—	—	—	—	—	—	—
	US\$	751,276	—	782,977	—	—	—	—	—
	\$Col	5,078,922	—	—	—	—	—	—	—
	\$ Arg	14,317,855	—	—	—	—	—	—	—
Total long-term liabilities	UF	—	—	—	—	7,692,617	—	202,536,251	—
per currency	Ch\$	43,034,796	—	10,211,566	—	34,058,487	—	41,661,602	—
	US\$	526,571,903	—	175,287,084	—	335,456,691	—	140,722,439	—
	\$ Col	109,332,980	—	189,347,437	—	112,801,301	—	—	—
	Soles	23,471,716	—	70,072,084	—	30,693,774	—	9,027,581	—
	\$ Arg	29,579,475	—	1,084,183	—	—	—	—	—
Total long-term liabilities....		731,990,870		446,002,354		520,702,870		393,947,873	

32. Sanctions:

The Company and its directors have not been subject of sanctions by the SVS nor by any other administrative authorities.

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33. Environment:

During the year ended December 31, 2008, the Company and its domestic and foreign subsidiaries made environmental expenditures of ThCh\$3,330,696, which principally corresponds to:

Operating expenses which include: studies, monitoring, follow-up, laboratory analyses, removal and treatment of solid waste in hydroelectric and thermoelectric power plants, which totaled ThCh\$2,389,003 expensed during the year. Environmental protection expenses for Hidroeléctrica el Chocón and Endesa Costanera (including environmental monitoring, ISO 14001, the cleaning of hydrocarbon chamber screens, measurement of gas emissions, measurement of Nox and SO2) was equivalent to ThCh\$426,422.

The Company capitalized ThCh\$515,271 for investments in the following projects.

- Civil works for its Environmental Management System;
- Replacement and removal of condensers contaminated with PCBs;
- Adaptation and certification under ISO 9001, ISO 14001 and OHSAS 18001 standards;
- Air quality studies needed to comply with RCA; and
- Study and repairs to drainage systems at the Bocamina Power Plant, considered in its Environmental System.

34. Subsequent events:

Management is not aware of other significant events that have occurred after year-end and which could affect the presentation of these financial statements.

35. Adoption of Internacional Financial Reporting Standards:

In accordance with instructions in Oficio Circular No. 427, issued by the SVS on December 28, 2007, related to the process of adopting International Accounting Standards and International Financial Reporting Standards (IFRS), which complements instructions contained in Oficio Circular No. 384 of February 6, 2007, beginning in 2009, Empresa Nacional de Electricidad S.A. should issue its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The preliminary effects of this change in the Company's financial statements has been quantified and communicated to the SVS in accordance with the instructions contained in Oficio Circular No. 457 from June 20, 2008.

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36. 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, 2008 was approximately 18.4%. 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 items 17(c)(iv)(A) of the Securities Exchange Commission's (SEC) rules, and rule 3-20 of the SEC's regulation S-X, 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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36. 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 tax effect of 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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36. 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 (r), 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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36. 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 financial statements.

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 e).
- (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) The deferred income tax effects of adjustments (i) to (viii).

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36. 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 with the provisions of SFAS 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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36. 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, 2007 and 2008, apart from the impairment of goodwill over the Company's equity method investee Gas Atacama Holding (see Note 11(f)).

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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36. 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, 2007 and 2008, by segment of operation is as follows:

Goodwill under US GAAP			
January 1, 2007	Impairment(1)	Currency Translation Adjustment	December 31, 2007
ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile.....	(104,928)	—	6,085,432
Peru.....	—	(2,904,058)	19,263,189
Colombia.....	—	(1,987,920)	13,189,817
Total	(104,928)	(4,891,978)	38,538,438

Goodwill under US GAAP			
January 1, 2008	Impairment	Currency Translation Adjustment	December 31, 2008
ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile.....	—	—	6,085,432
Peru.....	—	3,393,902	22,657,091
Colombia.....	—	2,323,956	15,513,773
Total	—	5,717,858	44,256,296

(1) See Note 11 (f).

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, 2007 and 2008. During 2007, due to the impairment recorded in the equity investee Gas Atacama Holding (see note 11 (f)), 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 net assets acquired 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 live 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-current, 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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36. 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 interest and 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 capitalized interest and exchange differences is shown in paragraph (w) below.

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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36. 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:

- 1-1: The elimination of the capitalized administrative and selling expenses from property, plant and equipment and the effect on depreciation expense for the year;
- 1-2: 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, 2006, 2007 and 2008, 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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36. 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. This difference was recorded in 2005 and had no effect on years 2006 through 2008.

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 a net gain of ThCh\$ 1,977,105, a net loss of ThCh\$ 13,985,574 and a net gain of ThCh\$ 19,154,454 for the years ended December 31, 2006, 2007 and 2008, 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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36. 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 in accordance to the reporting requirements of Form 20-F and as provided by the AICPA International Tak Force.

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 and qualifies 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, 2006, 2007 and 2008, 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, 2006, 2007 and 2008 are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (w) below.

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36. 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 these 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 Notes 11 (e) (i) and 11 (c) (ii)). 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 of 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 a 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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36. 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, 2006, 2007 and 2008 are reflected as accretion expense.

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The following table shows a reconciliation of the liability for the years ended December 31, 2006, 2007 and 2008 as recorded by the Company:

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Balance as of January 1.....	1,119,470	2,474,938	2,778,202
Cumulative translation adjustment.....	9,464	(208,626)	344,792
Liabilities incurred in the period.....	958,261	499,520	—
Accretion expense.....	387,743	12,370	101,851
Balance as of December 31.....	<u>2,474,938</u>	<u>2,778,202</u>	<u>3,224,845</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, 2006, 2007, and 2008 no additional amounts were recorded for impairment under US GAAP.

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36. 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 11 (c) (ii), 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 values 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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36. 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,		
	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Net income in accordance with Chilean GAAP	221,684,874	209,566,365	442,591,967
Reversal of revaluation of property, plant and equipment (paragraph b)....	374,042	459,471	361,699
Effect of application of FAS 109 (paragraph c-1).....	10,631,679	10,612,664	10,849,504
Deferred income taxes on US GAAP adjustments (paragraph c-2).....	(20,053,791)	(14,847,798)	18,253,336
Investments in related companies (paragraph f).....	5,312,681	(25,030,578)	18,117,974
Goodwill (paragraph g).....	1,102,713	885,903	1,189,624
Negative goodwill (paragraph h):			
h-1: Amortization of negative goodwill.....	(7,061,329)	(4,772,081)	(5,710,526)
h-2: Depreciation of property, plant and equipment.....	20,641,843	12,827,936	12,502,939
Capitalized interest and exchange differences (paragraph i):	579,800	560,765	583,015
Accumulated deficit during the development stage (paragraph j).....	(354,402)	—	—
Capitalized general and administrative expenses (paragraph l):			
l-1: Depreciation of property, plant and equipment.....	(264,014)	436,384	1,141,988
l-2: Other operating results.....	1,135,825	857,205	(3,553,938)
Involuntary employee termination benefits (paragraph m).....	(24,910)	(20,021)	(22,912)
Derivative instruments (paragraph p).....			
Operating.....	5,372,416	6,723,787	(95,107,147)
Non-operating.....	161,036	—	—
Reorganization of subsidiaries (paragraph q).....	(277,091)	(330,981)	(850,767)
Amortization of bond discount and deferred debt issuance costs (paragraph r).....	2,031,289	(525,599)	130,177
Accounting for asset retirement obligations (paragraph s).....			
s-1: Depreciation expense.....	(16,926)	(26,317)	(210,364)
s-2: Accretion expense.....	(1,346,004)	(12,370)	(101,851)
Effects of minority interest on the US GAAP adjustments (paragraph t)...	8,198,389	225,929	(5,262,380)
Net income in accordance with US GAAP	<u>247,828,120</u>	<u>197,590,664</u>	<u>394,902,338</u>
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.....	3,519,395	(16,276,083)	(2,938,413)
Fair value change of hedging instruments used in cash flow hedges (paragraph p), net of tax (ThCh\$ 5,113, ThCh\$ 279,385 and ThCh\$ 992,972 as of December 31, 2006 2007 and 2008, respectively).....	(24,962)	(974,999)	(2,805,100)
Amortization of FAS 158 adjustment (paragraph e).....	—	(320,885)	(3,257,941)
Cumulative translation adjustment, net of income tax (ThCh\$ 0) (paragraph o).....	(3,406,632)	11,479,446	(35,211,803)
Comprehensive income in accordance with US GAAP	<u>247,915,921</u>	<u>191,498,143</u>	<u>350,689,081</u>

Endesa Chile and Subsidiaries
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36. 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,	
	2007	2008
	ThCh\$	ThCh\$
Shareholders' equity in accordance with Chilean GAAP	2,051,922,810	2,364,523,995
Reversal of revaluation of property, plant and equipment (paragraph b):		
Property, plant and equipment.....	(13,942,496)	(13,942,496)
Accumulated depreciation.....	8,896,095	9,257,794
Effect of application of FAS 109 (paragraph c-1).....	(141,426,986)	(132,767,504)
Deferred income taxes on US GAAP adjustments (paragraph c-2).....	14,632,335	36,462,114
Investments in related companies (paragraph f).....	(39,076,878)	(39,618,459)
Goodwill (paragraph g):		
Goodwill, gross.....	23,316,380	27,007,730
Accumulated amortization.....	4,490,464	6,366,457
Negative goodwill (paragraph h):		
h-1: Negative goodwill.....	378,291,338	444,941,128
h-1 Accumulated amortization of negative goodwill.....	(337,994,089)	(403,848,518)
h-2: Property, plant and equipment.....	(534,390,191)	(628,542,477)
h-2: Accumulated depreciation of property, plant and equipment.....	217,689,844	270,039,527
Capitalized interest and exchange differences (paragraph i):		
Property, plant and equipment.....	(23,693,432)	(24,805,886)
Accumulated depreciation of property, plant and equipment.....	2,395,389	3,145,273
Minimum dividend (paragraph k).....	(41,854,616)	(87,036,762)
Capitalized general and administrative expenses (paragraph l):		
l-1: Property, plant and equipment.....	(36,725,268)	(31,739,969)
l-1: Accumulated depreciation of property, plant and equipment.....	12,828,351	10,562,193
l-2: Other assets.....	1,304,624	(5,088,418)
Involuntary employee termination benefits (paragraph m).....	19,481	—
Derivative instruments (paragraph p).....	19,960,522	(81,439,504)
Reorganization of subsidiaries (paragraphs q and v).....	22,897,153	26,080,553
Amortization of bond discount and deferred debt issuance costs (paragraph r).....	1,505,690	1,635,867
Accounting for asset retirement obligations, net (paragraph s).....	(1,686,464)	(2,255,037)
Effects of minority interest on the US GAAP adjustments (paragraphs t and v).....	149,596,816	156,786,145
Shareholders' equity in accordance with US GAAP	<u>1,738,956,872</u>	<u>1,905,723,746</u>

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36. 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,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Shareholders' equity in accordance with US GAAP — January 1,...	1,531,175,758	1,688,863,827	1,738,956,872
Dividends paid during the year	(80,482,398)	(116,403,414)	(138,740,061)
Reversal of minimum dividends as of previous balance sheet date	27,501,903	33,090,665	41,854,616
Minimum dividend current period(paragraph k).....	(33,090,665)	(41,854,616)	(87,036,762)
Cumulative translation adjustment.....	(3,406,632)	11,479,446	(35,211,803)
Reorganization under common control.....	(7,515,141)	(16,237,733)	—
Gain (loss) on hedge of the foreign currency exposure of net investment in foreign operations.....	3,519,395	(16,276,083)	(2,938,413)
Fair value change of hedging instruments used in cash flow hedges.....	(24,962)	(974,999)	(2,805,100)
Amortization of FAS 158 adjustment Endesa Brasil	3,358,448	(320,885)	(3,257,941)
Net income in accordance with US GAAP for the year	<u>247,828,121</u>	<u>197,590,664</u>	<u>394,902,338</u>
Shareholders' equity in accordance with US GAAP — December 31,	<u><u>1,688,863,827</u></u>	<u><u>1,738,956,872</u></u>	<u><u>1,905,723,746</u></u>

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36. 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,		
	2006 Ch\$	2007 Ch\$	2008 Ch\$
Chilean GAAP earnings per share	27.03	25.55	53.96
US GAAP basic and diluted earnings per share.....	30.22	24.09	48.15
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 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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36. 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, 2006				
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
Income tax provision under Chilean GAAP:					
Current income tax as determined under Chilean GAAP	(46,921,023)	(4,742,923)	(19,436,225)	(45,173,267)	(116,273,438)
Deferred income taxes as determined under Chilean GAAP	(27,799,918)	(11,021,986)	(13,227,744)	15,274,862	(36,774,786)
Total income tax provision under Chilean GAAP	(74,720,941)	(15,764,909)	(32,663,969)	(29,898,405)	(153,048,224)
US GAAP adjustments:					
Deferred tax effect of applying SFAS 109	6,756,518	—	3,875,162	—	10,631,679
US GAAP	(7,370,802)	(3,276,230)	(7,529,059)	(1,877,701)	(20,053,791)
Total US GAAP adjustments	(614,284)	(3,276,230)	(3,653,897)	(1,877,701)	(9,422,112)
Total income tax provision under US GAAP	(75,335,225)	(19,041,139)	(36,317,866)	(31,776,106)	(162,470,336)

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	Year ended December 31, 2007				
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
Income tax provision under Chilean GAAP:					
Current income tax as determined under Chilean GAAP	(36,183,942)	(11,044,121)	(16,413,847)	(23,483,772)	(87,125,682)
Deferred income taxes as determined under Chilean GAAP	(27,928,032)	(2,804,049)	(5,411,988)	(237,549)	(36,381,618)
Total income tax provision under Chilean GAAP	(64,111,974)	(13,848,170)	(21,825,835)	(23,721,321)	(123,507,300)
US GAAP adjustments:					
Deferred tax effect of applying SFAS 109	6,925,184	—	3,687,480	—	10,612,664
Deferred tax effect of adjustment to US GAAP	(7,930,705)	(88,617)	(6,915,613)	87,136	(14,847,799)
Total US GAAP adjustments	(1,005,521)	(88,617)	(3,228,133)	87,136	(4,235,135)
Total income tax provision under US GAAP	(65,117,495)	(13,936,787)	(25,053,968)	(23,634,185)	(127,742,435)
	Year ended December 31, 2008				
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
Income tax provision under Chilean GAAP:					
Current income tax as determined under Chilean GAAP	(75,505,083)	(5,165,428)	(18,021,670)	(65,670,820)	(164,363,001)
Deferred income taxes as determined under Chilean GAAP	(35,680,126)	(684,821)	3,959,949	5,210,616	(27,194,382)
Total income tax provision under Chilean GAAP	(111,185,209)	(5,850,249)	(14,061,721)	(60,460,204)	(191,557,383)
US GAAP adjustments:					
Deferred tax effect of applying SFAS 109	6,819,286	—	4,030,218	—	10,849,504
US GAAP	11,852,242	(104,453)	5,381,763	1,123,784	18,253,336
Total US GAAP adjustments	18,671,528	(104,453)	9,411,981	1,123,784	29,102,840
Total income tax provision under US GAAP	(92,513,681)	(5,954,702)	(4,649,740)	(59,336,420)	(162,454,543)

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36. 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,			
	2007		2008	
	ThCh\$ Short-term	ThCh\$ Long-term	ThCh\$ Short-term	ThCh\$ Long-term
Deferred income tax assets				
Property, plant and equipment.....	—	113,363,564	—	129,713,211
Prepaid income.....	113,864	984,081	41,587	890,862
Derivative contracts.....	—	240,811	—	14,680,973
Vacation accrual.....	596,896	—	615,518	—
Tax losses (1).....	—	25,598,038	—	17,238,948
Contingencies.....	1,232,981	2,973,347	1,997,148	5,213,711
Accounts receivables.....	430	7,918,695	36	9,313,978
Provision for employee obligations.....	526,649	969,748	539,469	641,657
Provision for spare parts.....	—	1,574,685	—	1,515,433
Other.....	670,472	795,195	556,894	947,558
Valuation allowance.....	—	(7,121,370)	—	(7,934,959)
Total deferred income tax assets	3,141,292	147,296,794	3,750,652	172,221,372
Deferred income tax liabilities				
Property, plant and equipment.....	—	(407,065,383)	—	(421,759,173)
Severance indemnities.....	—	(1,073,384)	—	(984,623)
Derivative contracts.....	—	(3,515,490)	—	—
Finance costs.....	—	(15,354,890)	—	(14,612,551)
Capitalized interest on construction.....	—	(4,311,595)	—	(4,041,198)
Capitalized cost of studies.....	—	(9,758,104)	—	(7,659,391)
Capitalized spare parts used.....	—	(878,155)	—	(807,175)
Bonds discount.....	—	(512,568)	—	(2,566,113)
Leasing.....	—	(1,153,164)	—	(429,069)
Earned exigible.....	—	—	—	(3,279,627)
Investment in Argentina.....	—	(361,853)	—	(332,227)
Other.....	—	(3,194,282)	—	(2,835,517)
Total deferred income tax liabilities	—	(447,178,868)	—	(459,306,664)
Net deferred tax balance	3,141,292	(299,882,074)	3,750,652	(287,085,292)

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

Changes in the amount of deferred tax asset valuation allowance are as follows:

	As of December 31,	
	2007 ThCh\$	2008 ThCh\$
Balance as of January 1,.....	(34,224,655)	(7,121,369)
Cumulative translation adjustment.....	2,577,698	—
Decrease of valuation allowance.....	28,333,096	261,874
Increase of valuation allowance.....	(3,807,509)	(1,075,464)
Balance as of December 31,.....	(7,121,370)	(7,934,959)

(1) Accumulated tax losses by country as of December 31, 2007 and 2008 are as follows:

	December 31, 2007		December 31, 2008	
	Amount ThCh\$	Year of expiration	Amount ThCh\$	Year of expiration
Chile.....	150,426,168	Do not expire	95,139,241	Do not expire
Argentina.....	5,135,700	2012	3,033,183	2012
Total.....	155,561,868		98,172,424	

Tax losses applied against taxable income in the years ended December 31, 2006, 2007 and 2008 are as follows:

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Chile.....	1,721,585	8,414,145	53,487,352
Argentina.....	32,787,955	2,584,247	2,475,552
Colombia (A).....	1,356,230	81,203,538	—
Total.....	35,865,770	92,201,930	55,962,904

(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.

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.....	2006-2008
Argentina.....	2004-2008
Colombia.....	2003-2008
Peru.....	2005-2008

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36. 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:

	2006				
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
At Chilean statutory income tax rate (17%)...	(53,021,097)	(5,771,317)	(7,777,946)	(14,891,475)	(81,461,835)
Effect of differences in foreign tax rates	—	(6,110,806)	(7,549,183)	(18,833,336)	(32,493,325)
Increase (decrease) in rates resulting from:					
Price-level restatement not accepted for tax purposes.....	(4,208,860)	(7,123,287)	—	14,883,510	3,551,363
Non-taxable items	17,282,463	3,214,389	1,876,428	799,428	23,172,708
Non-deductable items.....	(40,486,087)	(2,262,296)	(21,035,651)	(14,790,955)	(78,574,989)
Prior year income tax	4,929,566	—	—	—	4,929,566
Effect of change in valuation allowance	(244,649)	—	—	(68,017)	(312,666)
Other	413,439	(987,822)	(1,831,513)	1,124,738	(1,281,158)
Tax benefit (expense) at effective tax rate	(22,314,128)	(13,269,822)	(28,539,919)	(16,884,632)	(81,008,501)
Total income tax under US GAAP.....	<u>(75,335,225)</u>	<u>(19,041,139)</u>	<u>(36,317,865)</u>	<u>(31,776,107)</u>	<u>(162,470,336)</u>

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	2007				
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
At Chilean statutory income tax rate (17%)	(37,327,601)	(10,262,869)	(4,675,443)	(13,645,583)	(65,911,496)
Effect of differences in foreign tax rates	—	(10,866,567)	(3,635,743)	(13,645,583)	(28,147,893)
Increase (decrease) in rates resulting from:					
Price-level restatement not accepted for tax purposes.....	(14,683,516)	1,195,126	(15,613)	—	(13,504,003)
Non-taxable items	30,712,158	20,349,026	1,504,791	7,436,233	60,002,208
Non-deductable items.....	(41,043,177)	(14,351,503)	(17,380,903)	(31,834,585)	(104,610,168)
Prior year income tax	815,665	—	—	—	815,665
Effect of change in valuation allowance	(3,083,617)	—	—	27,609,204	24,525,587
Other	(507,406)	—	(851,057)	446,128	(912,335)
Tax benefit (expense) at effective tax rate	(27,789,893)	(3,673,918)	(20,378,525)	(9,988,603)	(61,830,939)
Total income tax under US GAAP	<u>(65,117,494)</u>	<u>(13,936,787)</u>	<u>(25,053,968)</u>	<u>(23,634,186)</u>	<u>(127,742,435)</u>

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	2008				Total ThCh\$
	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	
At Chilean statutory income tax rate (17%)	(73,795,785)	45,302	(9,631,065)	(41,339,110)	(124,720,658)
Effect of differences in foreign tax rates	—	47,968	(7,408,573)	(38,907,397)	(46,268,002)
Increase (decrease) in rates resulting from:					
Price-level restatement not accepted for					
tax purposes	(33,707,683)	(4,067,279)	3,884,083	—	(33,890,879)
Non-taxable items	57,644,575	1,020,637	18,253,536	21,781,879	98,700,627
Non-deductable items	(38,270,603)	(3,001,330)	(9,516,364)	(2,197,568)	(52,985,865)
Prior year income tax	(2,646,991)	—	—	1,325,776	(1,321,215)
Effect of change in valuation allowance	(813,590)	—	—	—	(813,590)
Other	(923,604)	—	(231,357)	—	(1,154,961)
Tax benefit (expense) at effective tax rate	(18,717,896)	(6,000,004)	4,981,325	(17,997,310)	(37,733,885)
Total income tax under US GAAP	<u>(92,513,681)</u>	<u>(5,954,702)</u>	<u>(4,649,740)</u>	<u>(59,336,420)</u>	<u>(162,454,543)</u>

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The following table breaks down income before income taxes in according with US GAAP by country as of December 31, 2006, 2007 and 2008, respectively.

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Chile	332,540,020	178,408,134	293,682,319
Argentina	12,661,752	40,739,351	7,993,345
Peru	46,671,905	25,917,475	12,509,983
Colombia	18,424,781	80,268,138	243,171,234
Total	<u>410,298,458</u>	<u>325,333,098</u>	<u>557,356,881</u>

e) 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.

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36. 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, 2006, 2007 and 2008 and for the years then ended are as follows:

	Chile ThCh\$	Argentina ThCh\$	Peru ThCh\$	Colombia ThCh\$	Total ThCh\$
2006					
Total revenues.....	771,573,659	275,339,184	196,703,561	320,261,513	1,563,877,917
Depreciation and amortization	92,846,993	40,397,968	33,748,623	39,338,172	206,331,756
Operating income.....	<u>341,274,149</u>	<u>41,894,566</u>	<u>64,952,970</u>	<u>141,905,347</u>	<u>590,027,032</u>
Long lived assets (net) (1)	2,779,538,622	503,790,707	855,050,764	1,322,416,025	5,460,796,117
2007					
Total revenues.....	1,063,473,049	288,520,482	182,275,513	346,394,671	1,880,663,715
Depreciation and amortization	101,117,464	40,252,871	35,559,548	34,551,193	211,481,076
Operating income.....	<u>372,489,414</u>	<u>24,522,466</u>	<u>50,105,261</u>	<u>174,516,839</u>	<u>621,633,980</u>
Long lived assets (net) (1).....	<u>2,737,598,666</u>	<u>416,608,770</u>	<u>725,531,236</u>	<u>1,131,625,766</u>	<u>5,011,364,438</u>
2008					
Total revenues.....	1,398,349,419	352,943,348	247,075,160	493,220,746	2,491,588,673
Depreciation and amortization	112,302,917	52,999,737	44,822,815	42,212,546	252,338,015
Operating income.....	<u>557,021,626</u>	<u>19,001,456</u>	<u>54,371,898</u>	<u>262,965,400</u>	<u>893,360,380</u>
Long lived assets (net) (1).....	<u>3,071,802,661</u>	<u>470,209,466</u>	<u>872,247,718</u>	<u>1,309,586,251</u>	<u>5,723,846,096</u>

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36. 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 Year ended December 31,			Long-lived assets As of December 31,	
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$
Chile (1).....	771,573,658	1,063,473,048	1,398,349,419	2,737,598,666	3,071,802,661
Argentina	275,339,184	288,520,482	352,943,348	416,608,770	470,209,466
Colombia	320,261,513	346,394,671	493,220,746	1,131,625,766	1,309,586,251
Peru.....	196,703,561	182,275,513	247,075,160	725,531,236	872,247,718
Total.....	<u>1,563,877,916</u>	<u>1,880,663,714</u>	<u>2,491,588,673</u>	<u>5,011,364,438</u>	<u>5,723,846,096</u>

(1) The Chile segment includes assets not assigned to specific segments (such as corporate headquarter)

During the years ended December 31, 2006, 2007 and 2008, 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\$ 177,439,565, ThCh\$ 203,075,567 and ThCh\$ 255,452,943, 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, 2006, 2007 and 2008, 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 12.3%, 11.76% and 10.25% for the years ended December 31, 2006, 2007 and 2008, respectively.

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36. 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, 2008 ThCh\$
2009	728,293,518
2010	235,468,138
2011	333,385,007
2012	129,709,959
2013	316,951,240
2014 and thereafter	967,292,935
Total	<u>2,711,100,797</u>

f) Disclosure regarding interest capitalization under US GAAP:

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Interest cost incurred	207,544,446	197,286,997	199,336,228
Interest capitalized	6,470,434	3,958,101	4,491,144

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36. 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 36 (q)):

	As of December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Operating cash flow Chile GAAP and US GAAP	491,343,985	457,211,199	866,784,202
Cash flow investing activities Chile GAAP	(239,183,906)	(344,335,795)	(278,088,592)
Differences between Chilean GAAP and US GAAP: Purchase of marketable securities during period	(6,114,033)	(11,215,653)	—
Sale of marketable securities during period	2,234,235	6,114,033	11,215,653
Cash flow investing activities US GAAP	(243,063,704)	(349,437,415)	(266,872,939)
Cash flow financing activities Chile GAAP and US GAAP	(159,258,410)	(160,000,503)	4,989,328
Net cash flow	89,021,871	(52,226,719)	604,900,591
Effect of inflation and foreign exchange differences (1)	(8,177,113)	(24,788,508)	(1,291,363)
Total change of cash and cash equivalent	80,844,758	(77,015,227)	603,609,228
Cash equivalent at the beginning of the period	94,927,276	175,772,034	98,756,807
Cash equivalent at the end of the period	175,772,034	98,756,807	702,366,035

The reconciliation of cash and cash equivalents from Chilean GAAP to US GAAP as of December 31, 2006, 2007 and 2008 is as follows:

	As of December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Cash and cash equivalents under Chilean GAAP	181,886,067	109,972,460	702,366,035
Elimination of marketable securities	(6,114,033)	(11,215,653)	—
Cash and cash equivalents under US GAAP	<u>175,772,034</u>	<u>98,756,807</u>	<u>702,366,035</u>

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36. 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,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Cash.....	24,977,853	21,123,564	54,516,339
Time deposits repurchase agreements and marketable securities.....	150,794,182	77,633,243	647,849,696
Total cash and cash equivalents under US GAAP	<u>175,772,035</u>	<u>98,756,807</u>	<u>702,366,035</u>

Additional disclosures required under US GAAP are as follows:

	Year ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Interest paid during the year, net of amount capitalized	201,033,174	207,151,327	194,809,595
Income taxes paid during the year	88,905,025	93,930,646	102,417,837

(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,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Foreign exchange losses.....	(10,537,144)	(25,731,783)	(18,474,479)
Effects of inflation.....	2,360,032	943,273	17,183,116
Effect of inflation and foreign exchange differences	<u>(8,177,112)</u>	<u>(24,788,510)</u>	<u>(1,291,363)</u>

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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

h) Fair value measurements and the fair value option

i) 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, 2007 and 2008 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, marketable securities, short-term receivables and payables**

The fair value of time deposits, repurchase agreements, marketable securities, short-term receivables and payables approximates carrying value due to their relatively short-term nature.

• **Long-term receivables**

The fair value of long-term receivables was estimated using the interest rates that are currently offered for loans with similar terms and remaining maturities. The carrying values of these receivables approximate their fair values since they are tied to floating rates.

• **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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36. 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,			
	2007		2008	
	Carrying Amount ThCh\$	Fair Value ThCh\$	Carrying Amount ThCh\$	Fair Value ThCh\$
Cash	21,123,564	21,123,564	54,516,339	54,516,339
Time deposits	48,212,900	48,212,900	172,001,465	172,001,465
Marketable securities	11,221,911	11,221,911	101,229,674	101,229,674
Repurchase agreements	29,420,347	29,420,347	374,618,557	374,618,557
Current receivables, net	230,007,246	230,007,246	276,420,886	276,420,886
Other receivables, net	65,389,290	65,389,290	32,082,616	32,082,616
Long term receivables	90,698,407	90,698,407	94,690,545	94,690,545
Derivative contracts (Assets)	42,942,294	42,942,294	—	—
Accounts payable	(210,127,149)	(210,127,149)	(264,266,515)	(264,266,515)
Debt, notes payable and bonds payable	(2,187,945,927)	(2,423,821,069)	(2,711,100,797)	(3,106,538,403)
Derivative contracts (Liabilities)	(22,981,772)	(22,981,772)	(81,469,101)	(81,469,101)

ii) Fair value hierarchy

Effective January 1, 2008, the Company adopted SFAS No. 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements. The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. FSP FAS 157-2 delayed the effective date for all nonfinancial

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assets and liabilities until January 1, 2009, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The following section describes the valuation methodologies we use to measure different financial instruments at fair value.

Derivatives

The derivatives portfolio is entirely over-the-counter (OTC), their measurement is estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies. Also, these estimates consider assumptions for the Company's own credit risk and the respective counter party credit risk. Level 2 derivative assets and liabilities primarily include certain over-the-counter, collar and swap contracts.

The embedded derivative liabilities included in Level 2 represent to derivative contracts corresponding to foreign currency.

(thousands of Ch\$)	December 31, 2008	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Assets				
Financial Derivatives	—	—	—	—
Embedded Derivative	—	—	—	—
Total assets				
Liabilities				
Financial Derivatives	(7,322,437)	—	(7,322,437)	—
Embedded Derivative	(74,146,664)	—	(74,146,664)	—
Total liabilities	(81,469,101)	—	(81,469,101)	—

iii) Fair value option

Effective January 1, 2008, the Company adopted SFAS No. 159, which provides entities the option to measure many financial instruments and certain other items at fair value. Entities that choose the fair value option will recognize unrealized gains and losses on items for which the fair value option was elected in earnings at each subsequent reporting date. The Company has currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with US GAAP.

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36. 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, 2007 and 2008.

	As of December 31,	
	2007	2008
	ThCh\$	ThCh\$
Embedded derivatives - assets	42,942,294	—
Embedded derivatives - liabilities.....	(21,981,811)	(74,146,664)
Financial derivatives - liabilities.....	(999,961)	(7,292,840)
Total derivative adjustment (paragraph I p).....	19,960,522	(81,439,504)
Effects of minority interest (paragraph I t).....	154,134	2,253,801
Deferred tax effects (paragraph I c).....	(3,274,681)	14,680,973
Net effect of adjustment	<u>16,839,975</u>	<u>(64,504,730)</u>

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36. 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, 2006, 2007 and 2008 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\$ (15.7) billion, Ch\$ 122.7 billion and Ch\$ 152.5 billion were included in the cumulative translation adjustment for the years ended December 31, 2006, 2007 and 2008, 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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36. 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, 2008, the maximum amount of time over which future cash flows are hedged is approximately 5 years, which corresponds to interest rate swaps with a notional value of US\$ 131.2 million and a negative fair value of US\$ 7.8 million.

Under US GAAP, for the years ended December 31, 2006, 2007 and 2008, the derivative portfolio for the Endesa Chile Group is the follows:

Accounting Classification	Risk Hedged	Derivative Instrument	Year ended December 31, (in thousands of Ch\$)					
			2006		2007		2008	
			Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value
Cash Flow Hedge ...	Exchange	CCS	77,834,487	186,803	67,639,151	(4,220,683)	—	—
	Interest Rate	Collar	62,267,589	—	54,111,321	(757,558)	63,645,000	(2,326,526)
	Interest Rate	Swap	56,040,830	622,676	45,507,621	(757,558)	83,493,754	(4,995,911)
		Total	<u>196,142,906</u>	<u>809,479</u>	<u>167,258,093</u>	<u>(5,735,799)</u>	<u>147,138,754</u>	<u>(7,322,437)</u>

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36. 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 2006, 2007 and 2008 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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36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

- (i) The most significant reclassifications from other non-operating income under Chilean GAAP to other operating income as classified under US GAAP but calculated in accordance with Chilean GAAP, are presented as follow:

	Years ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Other non-operating income under Chilean GAAP	35,049,741	19,510,858	79,232,845
Gain on sale of fixed assets	3,888,814	489,269	505,774
Reversal of contingency provision	10,165,978	957,033	587,086
Energy and power settlement	5,944,656	7,035,141	20,927,728
Indemnities and commissions	9,335,126	2,344,556	2,083,493
Recovery of expenses and clients' portfolio	1,027,210	2,582,587	3,114,376
Gains on service and other contracts	637,983	231,726	850,757
Total reclassifications	30,999,767	13,640,312	28,069,214
Total other non-operating income as classified under US GAAP but calculated in accordance with Chilean GAAP	<u>4,049,974</u>	<u>5,870,546</u>	<u>51,163,631</u>

- (ii) The most significant reclassifications from other non-operating expenses under Chilean GAAP to other operating expenses as classified under US GAAP but calculated in accordance with Chilean GAAP, are presented as follow:

	Years ended December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Other non-operating expenses under Chilean GAAP	50,956,196	92,838,176	80,093,958
Loss on sale of fixed assets	203,035	76,577	716,437
Retirement benefits and severance indemnities	1,256,576	850,243	871,549
Board of directors compensation	281,826	295,592	216,168
Contingencies and litigation	9,608,563	13,207,932	8,315,954
Energy and power settlement	7,680,162	9,260,626	28,883,052
Costs of sales of materials and fixed assets	652,428	—	—
Obsolescence provision of fixed assets	—	—	1,327,027
Total reclassifications	19,682,590	23,690,970	40,330,187
Total other non-operating expenses as classified under US GAAP but calculated in accordance with Chilean GAAP	<u>31,273,606</u>	<u>69,147,206</u>	<u>39,763,771</u>

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36. 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,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Sales	1,563,877,917	1,880,663,714	2,491,588,673
Costs of sales	(910,584,538)	(1,190,821,523)	(1,631,202,525)
Selling, general and administrative expenses	(65,167,847)	(63,511,027)	(91,957,537)
Other operating income, net	30,999,768	13,640,314	28,069,214
Operating income	619,125,300	639,971,478	796,497,825
Non-operating income and expenses, net	(194,421,243)	(211,069,659)	(184,967,169)
Income taxes	(162,470,336)	(127,742,433)	(162,454,543)
Minority interest	(68,889,949)	(67,155,043)	(185,948,786)
Equity participation in income of related companies, net	54,484,348	(36,413,679)	131,775,011
Income from continuing operations	247,828,120	197,590,664	394,902,338
Net income	247,828,120	197,590,664	394,902,338
Other comprehensive income (loss):			
Gain (loss) on hedge of the foreign currency exposure of net investment in foreign operations	3,519,395	(16,276,083)	(2,938,413)
Cumulative translation adjustment	(3,406,632)	11,479,446	(35,211,803)
Amortization of FAS 158 adjustment Endesa Brasil	—	(320,885)	(3,257,941)
Fair value change in hedging instruments	(24,962)	(974,999)	(2,805,100)
Comprehensive income	<u>247,915,921</u>	<u>191,498,143</u>	<u>350,689,081</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. 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 condensed consolidated balance sheets of the Company using a US GAAP presentation and amounts determined in accordance with US GAAP:

	As of December 31,	
	2007 ThCh\$	2008 ThCh\$
Current assets	733,592,136	1,168,792,283
Property, plant, and equipment.....	7,318,560,854	8,242,184,338
Accumulated depreciation of property, plant and equipment	<u>(3,125,362,499)</u>	<u>(3,580,403,083)</u>
Property, plant, and equipment, net.....	4,193,198,355	4,661,781,255
Goodwill, net.....	38,538,438	44,256,508
Other assets.....	617,480,386	1,045,043,105
Total assets	<u>5,582,809,315</u>	<u>6,919,873,151</u>
Current liabilities	798,307,660	1,308,148,005
Long-term liabilities.....	2,229,326,462	2,670,070,921
Minority interest.....	816,218,320	1,035,930,479
Shareholders' equity.....	1,738,956,874	1,905,723,746
Total liabilities and shareholders' equity.....	<u>5,582,809,316</u>	<u>6,919,873,151</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. 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 (r), 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, 2006, 2007 and 2008, 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.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

The Company has recognized liabilities related to supplementary 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 1 (w), 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	
	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$	2007 ThCh\$	2008 ThCh\$
Changes in benefit obligations						
Obligations as of January 1	(21,366,320)	(19,909,456)	(11,797,008)	(10,805,095)	(1,995,194)	(1,755,108)
Foreign exchange effect	923,841	(1,119,387)	—	—	86,207	(98,679)
Net periodic expense	(1,779,189)	(2,349,594)	(1,612,499)	(1,857,860)	(30,900)	(273,321)
Benefits paid	2,312,212	2,527,316	2,604,412	1,549,588	184,779	202,686
Projected benefit obligation as of December 31	<u>(19,909,456)</u>	<u>(20,851,121)</u>	<u>(10,805,095)</u>	<u>(11,113,367)</u>	<u>(1,755,108)</u>	<u>(1,924,422)</u>
Funded Status of the Plans						
Projected benefit obligation	(19,909,456)	(20,851,121)	(10,805,095)	(11,113,367)	(1,755,108)	(1,924,422)
Fair value of plan assets	—	—	—	—	—	—
Funded status	<u>(19,909,456)</u>	<u>(20,851,121)</u>	<u>(10,805,095)</u>	<u>(11,113,367)</u>	<u>(1,755,108)</u>	<u>(1,924,422)</u>
Unrecognized net loss	—	—	—	—	—	—
Net amount recognized	<u>(19,909,456)</u>	<u>(20,851,121)</u>	<u>(10,805,095)</u>	<u>(11,113,367)</u>	<u>(1,755,108)</u>	<u>(1,924,422)</u>
Accumulated benefit obligation	(19,909,456)	(20,851,121)	(10,805,095)	(11,113,367)	(1,755,108)	(1,924,422)

	Pension Benefits		
	Foreign		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Weighted-average discount rate	10.4%	9.8%	10.19%
Weighted-average salary increase	5.3%	4.8%	5.15%
Weighted-average return on plan assets	—	—	—

Assumptions as of December 31

Weighted-average discount rate	10.4%	9.8%	10.19%
Weighted-average salary increase	5.3%	4.8%	5.15%
Weighted-average return on plan assets	—	—	—

Components of net periodic Benefits expenses

Service cost	(63,747)	(67,927)	(79,486)
Interest cost	(2,274,546)	(1,974,961)	(1,940,364)
Expected return on assets	—	—	—
Actuarial gain (loss)	102,146	263,701	(329,744)
Net periodic expenses	<u>(2,236,147)</u>	<u>(1,779,189)</u>	<u>(2,349,594)</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

	Other Benefits					
	Chilean		Foreign		Foreign	
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Assumptions as of December 31						
Weighted-average discount rate	6.50%	6.50%	6.50%	10.40%	9.8%	10.19%
Weighted-average salary increase	3.50%	3.50%	3.50%	5.30%	4.8%	5.15%
Components of net periodic Benefits expenses						
Service cost	(145,306)	(8,098)	(314,289)	(5,614)	(5,831)	(5,787)
Interest cost	(966,204)	(333,262)	(767,291)	(217,600)	(189,164)	(171,992)
Expected return on assets	—	—	—	—	—	—
Actuarial gain (loss)	(679,368)	(1,271,139)	(776,280)	75,958	164,095	(95,542)
Net periodic expenses	<u>(1,790,878)</u>	<u>(1,612,499)</u>	<u>(1,857,860)</u>	<u>(147,256)</u>	<u>(30,900)</u>	<u>(273,321)</u>

The following is a schedule of the estimated pay-out of pension benefits in each of the next five years and thereafter:

	As of December 31, 2008 ThCh\$
2009	3,541,674
2010	3,151,493
2011	3,049,922
2012	2,479,174
2013	2,197,969
Thereafter	19,468,678
Total	<u>33,888,910</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. 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, 2006, 2007 and 2008 (in thousands of constant Chilean pesos as of December 31, 2008).

	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 36 I e)	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance ...	(41,432,193)	(35,267,975)	59,348,015	—	(161,037)	(17,513,190)
Credit (charge) for the period	3,519,395	1,977,106	(5,383,738)	3,358,448	(24,962)	3,446,249
Ending balance.....	<u>(37,912,798)</u>	<u>(33,290,869)</u>	<u>53,964,277</u>	<u>3,358,448</u>	<u>(185,999)</u>	<u>(14,066,941)</u>
	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 36 I e)	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance.....	(37,912,798)	(33,290,869)	53,964,277	3,358,448	(185,999)	(14,066,941)
Credit (charge) for the period	(16,276,083)	(13,985,574)	25,465,020	(320,885)	(974,999)	(6,092,521)
Ending balance.....	<u>(54,188,881)</u>	<u>(47,276,443)</u>	<u>79,429,297</u>	<u>3,037,563</u>	<u>(1,160,998)</u>	<u>(20,159,462)</u>
	2008					
	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 36 I e)	Fair value change of financial instruments used in cash-flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance.....	(54,188,881)	(47,276,443)	79,429,297	3,037,563	(1,160,998)	(20,159,462)
Credit (charge) for the period	(2,938,413)	19,154,457	(54,366,260)	(3,257,941)	(2,805,100)	(44,213,257)
Ending balance.....	<u>(57,127,294)</u>	<u>(28,121,986)</u>	<u>25,063,037</u>	<u>(220,378)</u>	<u>(3,966,098)</u>	<u>(64,372,719)</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

m) Other Intangible assets

The Company's other intangible assets were ThCh\$ 27,505,392 and ThCh\$ 34,277,280 and the related accumulated amortization was ThCh\$ (10,776,596) and ThCh\$ (14,465,911) as of December 31, 2007 and 2008, respectively. All of the Company's other 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\$ 1,665,042, ThCh\$ 1,522,883, ThCh\$ 1,270,176 and ThCh\$ 1,125,406 of intangible assets in 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, 2008 purchasing power.

	As of December 31,		
	2006 ThCh\$	2007 ThCh\$	2008 ThCh\$
Current assets	904,759,147	1,162,465,970	778,411,002
Non-current assets	3,252,444,768	3,335,617,158	3,545,293,992
Total assets	<u>4,157,203,915</u>	<u>4,498,083,128</u>	<u>4,323,704,994</u>
Current liabilities	828,760,989	1,102,816,030	650,831,278
Non-current liabilities.....	1,881,936,988	1,848,304,430	1,036,273,242
Total liabilities.....	<u>2,710,697,977</u>	<u>2,951,120,460</u>	<u>1,687,104,520</u>
Net sales	<u>1,584,810,625</u>	<u>1,776,892,421</u>	<u>1,832,841,544</u>
Gross profit.....	<u>438,445,148</u>	<u>161,045,625</u>	<u>309,786,579</u>
Net income	<u>121,287,759</u>	<u>119,019,670</u>	<u>293,648,948</u>
Endesa Chile's participation in net income	<u>49,276,567</u>	<u>41,872,419</u>	<u>113,657,037</u>

The Company is required to present separately the Chilean GAAP audited financial statements together with a reconciliation to US GAAP of Endesa Brasil and Subsidiaries as of December 31, 2007 and 2008 and for the years then ended as these companies met the definition of a significant subsidiary under Rule 1-02(w) of Regulation S-X as of December 31, 2008.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. 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 29, 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, 2008 are as follows:

Subsidiary	Proportionate Share of Restricted Net Assets
	ThCh\$
Pangue.....	28,520,105
Edegel S.A.....	79,547,518
El Chocón.....	83,209,473
Total.....	<u>191,277,096</u>

The amount of consolidated retained earnings which represents undistributed earnings of investees accounted for under the equity method as of December 31, 2008 is ThCh\$ 137,864,229.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2008, except as stated)

36. 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 (Chilean GAAP and US GAAP), as of December 31 are summarized as follows:

	Year ended December 31,	
	2007 ThCh\$	2008 ThCh\$
Short-term:		
Lease obligations.....	11,902,123	11,151,903
Less: interest expense.....	(4,299,304)	(4,050,332)
Net short-term lease obligations.....	<u>7,602,819</u>	<u>7,101,571</u>
Long-term:		
Lease obligations.....	79,259,923	130,334,354
Less interest expense.....	(18,341,547)	(26,692,470)
Net long-term lease obligations.....	<u>60,918,376</u>	<u>103,641,884</u>
Weighted-average interest rate.....	7.00%	6.08%

Future payments under capital leases (including interest) are summarized as follows:

	Year ended December 31, 2008 ThCh\$
2009.....	11,151,903
2010.....	17,431,750
2011.....	15,277,725
2012.....	31,762,882
2013.....	8,830,671
2014 and thereafter.....	57,031,326
Total.....	<u>141,486,257</u>

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

36. 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, 2006, 2007 and 2008 are as follows:

	Cost	Gross unrealized gains	Fair value
	ThCh\$	ThCh\$	ThCh\$
Securities available-for-sale at December 31, 2006.....	6,114,033	—	6,114,033
Securities available-for-sale at December 31, 2007.....	11,215,653	—	11,215,653
Securities available-for-sale at December 31, 2008.....	—	—	—

Information on sales of available-for-sale securities during the years ended December 31, 2006, 2007 and 2008 is as follows:

	2006	2007	2008
	ThCh\$	ThCh\$	ThCh\$
Proceeds from sales	2,234,235	6,114,033	11,215,653

As of December 2006, 2007 and 2008, 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.

Endesa Chile and Subsidiaries
Notes to the Consolidated Financial Statements
(Restated for general price-level changes and expressed in thousands of constant
Chilean pesos as of December 31, 2008, except as stated)

36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

r) Recent accounting pronouncements

FASB Statement No. 141 (Revised 2007), 'Business combinations' ("SFAS 141R"). SFAS 141R provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement applies 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 impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Statement No. 160, 'Non-controlling interests in consolidated financial statements - an amendment of ARB No. 51' ("SFAS 160"). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 141(R)-1, 'Accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies' ("FSP FAS 141(R)-1"). FSP FAS 141(R)-1 amends and clarifies SFAS 141R to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. Under the new guidance, assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. This FSP is effective for assets or liabilities arising from contingencies in 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 impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 152-2 and FAS 124-2, 'Recognition and presentation of other-than-temporary impairments' ("FSP FAS 152-2 and FAS 124-2"). FSP FAS 152-2 and FAS 124-2 clarifies that in periods in which an entity determines that a security's decline in fair value below its amortized cost basis as other than temporary, the entity shall present the total other-than-temporary impairment in the income statement with an offset for the amount of the total other-than-temporary impairment that is recognized in other comprehensive income, if any. This FSP is effective for interim and annual reporting periods ending after June 15, 2009. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 157-2, 'Effective date of FASB Statement No. 157' ("FSP FAS 157-2"). FSP FAS 157-2 delays the effective date of FASB Statement No. 157, Fair Value Measurements ("SFAS 157") for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 157-4, 'Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly' ("FSP FAS 157-4"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP is effective for interim and annual reporting periods ending after June 15, 2009 and is applied prospectively. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

36. Differences between Chilean and United States Generally Accepted Accounting Principles, continued:

As discussed on Note 36, Enersis S.A. has adopted IFRS as its accounting standards beginning on January 1, 2009. The Company expects that its next Annual Report on Form 20-F, for the fiscal year ended December 31, 2009, will be filed using IFRS as the accounting principles used in preparing its financial statements

**Endesa Brasil and Subsidiaries
Consolidated Balance Sheets
(In thousands of US dollars)**

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash	79,864	18,943
Time deposits	512,761	485,908
Marketable securities	133	53
Accounts receivable, net	809,653	540,608
Notes receivable, net	14,491	5,486
Other accounts receivable, net	43,436	44,221
Amounts due from related companies	22,603	33,015
Inventories	3,498	1,805
Tax recoverable	125,389	130,355
Prepaid expenses	86,995	76,353
Deferred taxes	53,754	41,466
Other current assets	72,293	94,729
Total current assets	1,824,870	1,472,942
PROPERTY, PLANT AND EQUIPMENT:		
Land	71,504	74,393
Buildings and infrastructure	3,842,940	3,976,415
Machinery and equipment	1,445,633	1,679,970
Other plant and equipment	314,450	326,526
Accumulated depreciation	(1,997,684)	(2,210,567)
Total property, plant and equipment, net	3,676,843	3,846,737
OTHER ASSETS:		
Investment in other companies	6	4
Long-term receivables	64,273	36,897
Amounts due from related companies	254,376	326
Long-term deferred income taxes	225,931	161,232
Intangibles	35,828	39,191
Accumulated amortization	(26,507)	(28,346)
Other assets	320,701	262,014
Total other assets	874,608	471,318
TOTAL ASSETS	6,376,321	5,790,997

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

**Endesa Brasil and Subsidiaries
Consolidated Balance Sheets
(In thousands of US dollars)**

	As of December 31,	
	2007 ThUS\$	2008 ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt due to banks and financial institutions.....	59,413	122,745
Current portion of long-term debt due to banks and financial institutions.....	118,296	164,747
Current portion of bonds payable.....	186,296	14,766
Current portion of long-term notes payable.....	1,548	769
Dividends payable.....	29,604	504
Accounts payable.....	306,108	204,104
Notes payable.....	32,059	25,087
Miscellaneous payables.....	109,961	154,380
Amounts payable to related companies.....	356,699	68,321
Accrued expenses.....	24,018	19,255
Withholdings.....	113,123	86,212
Taxes payable.....	1,213	566
Other current liabilities.....	121,786	85,868
Total current liabilities.....	<u>1,460,124</u>	<u>947,324</u>
LONG-TERM LIABILITIES:		
Due to banks and financial institutions.....	1,092,257	817,175
Bonds payable.....	278,664	216,451
Long-term notes payable.....	120,586	80,014
Miscellaneous payables.....	140,767	42,974
Amounts payable to related companies.....	16,426	14,106
Accrued expenses.....	472,414	384,644
Other long-term liabilities.....	25,105	16,475
Total long-term liabilities.....	<u>2,146,219</u>	<u>1,571,839</u>
MINORITY INTEREST.....	<u>861,815</u>	<u>1,063,493</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital, no par value.....	354,376	354,376
Share premium.....	1,315,062	1,315,062
Other reserves.....	51,665	51,665
RETAINED EARNINGS.....		
Retained earnings.....	167,255	187,060
Net income for the year.....	219,467	451,497
Interim dividends.....	(199,662)	(151,319)
Total shareholders' equity.....	<u>1,908,163</u>	<u>2,208,341</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	<u>6,376,321</u>	<u>5,790,997</u>

**Endesa Brasil and Subsidiaries
Consolidated Statements of Income
(In thousands of US dollars)**

	As of December 31,		
	2006 ThUS\$	2007 ThUS\$	2008 ThUS\$
OPERATING INCOME:			
Sales.....	2,072,100	2,270,808	2,832,091
Cost of sales.....	(1,463,149)	(1,420,932)	(1,782,988)
GROSS PROFIT.....	608,951	849,876	1,049,103
Administrative and selling expenses.....	(123,212)	(192,237)	(182,171)
OPERATING INCOME.....	485,739	657,639	866,932
NON-OPERATING INCOME AND EXPENSE:			
Financial income.....	189,415	162,094	176,769
Other non-operating income.....	113,598	247,805	382,451
Financial expense.....	(280,895)	(287,552)	(295,962)
Other non-operating expenses.....	(232,221)	(401,604)	(258,868)
NON-OPERATING EXPENSE, NET.....	(210,103)	(279,257)	4,390
INCOME BEFORE INCOME TAXES.....	275,636	378,382	871,322
INCOME TAXES.....	(16,653)	(113,265)	(141,785)
INCOME BEFORE MINORITY INTEREST.....	258,983	265,117	729,537
MINORITY INTEREST.....	(85,755)	(45,650)	(278,040)
NET INCOME FOR THE YEAR.....	<u>173,228</u>	<u>219,467</u>	<u>451,497</u>

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

Endesa Brasil and Subsidiaries
Statements of Shareholders' Equity
(In thousands of US dollars)

Movements	Paid-in capital	Share premium	Other reserves	Retained earnings	Interim dividends	Income for the year	Total Shareholders' equity
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Historical balances as of December 31, 2005	354,376	1,315,062	51,665	—	—	62,020	1,783,123
Prior year profit distribution	—	—	—	62,020	—	(62,020)	—
Interim dividends for the period (1).....	—	—	—	—	(67,993)	—	(67,993)
Income for the period.....	—	—	—	—	—	173,228	173,228
Balances as of December 31, 2006	354,376	1,315,062	51,665	62,020	(67,993)	173,228	1,888,358
Historical balances as of December 31, 2006	354,376	1,315,062	51,665	62,020	(67,993)	173,228	1,888,358
Prior year profit distribution	—	—	—	105,235	67,993	(173,228)	—
Interim dividends for the period (1).....	—	—	—	—	(199,662)	—	(199,662)
Income for the period.....	—	—	—	—	—	219,467	219,467
Balances as of December 31, 2007	354,376	1,315,062	51,665	167,255	(199,662)	219,467	1,908,163
Historical balances as of December 31, 2007	354,376	1,315,062	51,665	167,255	(199,662)	219,467	1,908,163
Prior year profit distribution	—	—	—	19,805	199,662	(219,467)	—
Interim dividends for the period (1).....	—	—	—	—	(151,319)	—	(151,319)
Income for the period.....	—	—	—	—	—	451,497	451,497
Balances as of December 31, 2008	354,376	1,315,062	51,665	187,060	(151,319)	451,497	2,208,341

(1) As of December 31, 2008, Endesa Brasil has paid ThUS\$103,777 for dividends declared on Net Income for the period ended December 31, 2008 and retained earnings through 2007.

As of December 31, 2007, Endesa Brasil has paid ThR\$401,563 (ThUS\$207,973) for dividends declared on Net Income for the period ended December 31, 2007 and retained earnings through 2006.

As of December 31, 2006, Endesa Brasil has paid ThR\$148,933 (ThUS\$69,400) for dividends declared on Net Income for the period ended December 31, 2006. An additional dividend was declared and paid during 2006 related to period Net Income totaling ThR\$1,067 (ThUS\$481). Dividend payments totaled ThR\$150,000 (ThUS\$69,818) in 2006.

Endesa Brasil and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands of US dollars)

	As of December 31,		
	2006	2007	2008
	ThUS\$	ThUS\$	ThUS\$
NET INCOME FOR THE YEAR.....	173,228	219,467	451,497
GAIN (LOSSES) FROM SALES OF ASSETS:			
Losses (gain) on sale of property, plant and equipment.....	(30,440)	(404)	117
Charges (credits) to income which do not represent cash flows:			
Depreciation.....	213,006	205,181	229,135
Amortization of intangibles.....	2,730	2,954	1,837
Write-offs and accrued expenses.....	18,202	79,712	31,010
Other credits to income which do not represent cash flows - less.....	(19,686)	(90,788)	(315,723)
Other charges to income which do not represent cash flows.....	49,944	239,022	131,325
Changes in assets which affect operating cash flows:			
Decrease (increase) in trade receivables.....	(13,265)	(40,870)	178,087
Decrease (increase) in inventory.....	(16)	(800)	846
Decrease (increase) in other assets.....	(37,044)	37,636	(75,424)
Changes in liabilities which affect operating cash flows:			
Increase (decrease) in accounts payable associated with operating results.....	122,267	(30,481)	(23,658)
Increase (decrease) in interest payable.....	(26,375)	47,800	(32,389)
Increase (decrease) in income tax payable.....	19,823	(220,296)	(23,165)
Increase in other accounts payable associated with operating results.....	(103,863)	(58,470)	1,364
Net increase (decrease) in value added tax and other similar taxes payable.....	(105,165)	(10,996)	(5,743)
(Income) loss attributable to minority interest.....	85,755	45,650	278,040
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES.....	349,101	424,317	827,156
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings.....	628,720	473,488	398,413
Bonds payable.....	174,718	—	—
Other sources of financing.....	—	—	128,018
Dividends paid - less.....	(84,451)	(283,986)	(189,093)
Payment of debt - less.....	(758,183)	(169,785)	(273,486)
Payment of loans obtained from related companies.....	(69,545)	(4,779)	(187,367)
Payment of issuance and placement of bonds - less.....	(939)	—	(167,853)
Other financing disbursements - less.....	(10,591)	(234)	(22,999)
NET CASH USED IN FINANCING ACTIVITIES.....	(120,271)	14,704	(314,367)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment.....	48,541	962	3,110
Other investment income.....	27	—	62,513
Additions to property, plant and equipment - less.....	(350,714)	(422,268)	(412,774)
NET CASH USED IN INVESTING ACTIVITIES.....	(302,146)	(421,306)	(347,151)
POSITIVE NET CASH FLOW FOR THE PERIOD.....	(73,316)	17,715	165,638
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS.....	54,028	188,887	(253,492)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(19,288)	206,602	(87,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD.....	405,444	386,156	592,758
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD.....	386,156	592,758	504,904

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

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

- a.** On June 10, 2005, Endesa Brasil S.A. (the “Company” or “Endesa Brasil”) was incorporated; its purpose is to acquire equity in operating companies or startups in the electricity sector, including companies that provide for the transmission, distribution, generation and marketing of electrical energy, in Brazil and other countries. Endesa Brasil was created as an energy holding company concentrating all of the Brazilian electricity sector investments of the Endesa Group.
- b.** Endesa Brasil holds ownership percentages in the following companies: Companhia de Interconexão Energética S.A. (“CIEN”), Central Geradora Termelétrica Fortaleza S.A. (“CGTF”), Companhia de Energética do Ceará S.A. (“COELCE”), Ampla Energia e Serviços S.A. (“Ampla”), Ampla Investimentos e Serviços S.A., Ampla Generación S.A., Investluz S.A. and Centrais Elétricas Cachoeira Dourada S.A. (“CDSA”).
- c.** On July 6, 2006, the International Finance Corporation (“IFC”) became a new shareholder in Endesa Brasil, contributing 111,025 million Brazilian reais, or \$50 million US dollars, acquiring 2.7% of Endesa Brasil’s equity as of December 31, 2008. Enersis directly and indirectly controls 71.52% of Endesa Brasil’s share capital.
- Endesa Brasil and IFC agreed to list Endesa Brasil on the stock market within the next three years. Additionally, a put agreement was included so that IFC has the option of selling its equity interest, known as a “put option”, which can be exercised in the event that Endesa Brasil abandons its project of being a listed company or as a result of non-compliance with other specific conditions established in the agreement. The put option, which in some cases is not under the control of the management of Endesa Brasil, allow the capital increase subscribed by IFC to be recorded as a debt instrument, while the put option is in effect. At December 31, 2008 the put option has been valued in accordance with the clauses established in the agreement and recorded under long-term debt.
- d.** On December 5, 2008, the Company carried out the incorporation of one of its controllers — Luz de Rio, that had 2.7% of participation in the Company, with this the respective shareholders of Luz de Rio proportionally received the rights of participation in Endesa Brasil, were no patrimonial changes by the effects of this incorporation.
- e.** Companhia de Interconexão Energética S.A. (“CIEN”)
- This company sells electricity in Argentina and Brazil. Because of the reduction in the maximum availability of the generation and physical guarantee of energy and its associated power, the Company is focusing its business on a different compensation structure that is not based on the purchase and sale of energy between the countries. Given the strategic importance of the Company’s assets in the relations between Brazil and Argentina, the Brazilian government has been presented with a new business plan model changing its selling activity to an electricity transmission activity with payment of a fixed compensation, which is in the process of being approved.

This presupposes integrating its transmission lines with the Brazilian transmission grid operated by the Brazilian Government. As in 2007, this year the Argentinean government formalized payment of usage charges with the Company for conveying energy between the two countries. Management considers that this situation further emphasizes the importance of the application made to the Brazilian government to approve the new business plan and considers that it will probably be approved. The Company expects to have the business structure defined in 2009.

Note 2. Summary of Significant Accounting Policies

a. General: The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively “Chilean GAAP”), and the specific corporate regulations of Law No. 18,046, related to the formation, registration and liquidation of Chilean corporations, among others.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

The preparation of financial statements in conformity with Chilean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 year. Actual results could differ from those estimates.

In certain cases generally accepted accounting principles in Chile require that assets or liabilities be recorded or disclosed at their fair values.

b. Financial years: These financial statements relate to the years ended December 31, 2008 and 2007

c. Translation basis:

c.1. Purpose of financial statements

These financial statements have been prepared in accordance with Technical Bulletin No. 64 established by the Colegio de Contadores de Chile A.G.

c.2. Translation into US Dollars

The Company maintains its accounting records in Reais (R\$), the currency of the country in which the Company is incorporated and operates, according to accounting practices adopted in Brazil.

The assets and liabilities as of December 31, 2008 and 2007, and the income for the years then ended have been translated from Reais into dollars using the translation methodology applicable to investments in countries with unstable currencies and are not considered an extension of the operations of the investing Company, as described in Technical Bulletin No. 64, summarized as follows:

c.2.1. Non monetary assets and liabilities

The non monetary assets and liabilities and the shareholders' equity are expressed in historic US dollars, translating the Reais of each transaction into US dollars, using the historical exchange rate in effect at the date of the transaction.

c.2.2. Monetary assets and liabilities

The monetary assets and liabilities have been translated into US dollars at the exchange rate prevailing at year end, applicable to remittances abroad.

The exchange rate in effect at December 31, 2008 was US\$1 = R\$2.337 (US\$1 = R\$1.771 in 2007).

c.2.3. Income statement accounts

The income statement accounts — except for those that are determined at historical amounts — were translated using a monthly average exchange rate.

The resulting translation gain or loss is recorded in non-operating income (expense) in the income statement.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

d. Reclassifications: Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Reclassifications in the balance sheet 2008

<u>From account</u>	<u>ThUS\$ charges</u>
Buldings and infrastructure and work in progress	187,495
Short-term accrued expenses	20,103
<hr/>	
<u>To account</u>	<u>ThUS\$ (credits)</u>
Technical Appraisal	(187,495)
Long-term accrued expenses.....	(20,103)

Reclassifications in the statements of operation 2007

<u>From account</u>	<u>ThUS\$ charges</u>
Energy and power sales to unaffiliated costumers	350,414
<hr/>	
<u>To account</u>	<u>ThUS\$ (credits)</u>
Energy and Power costs for unaffiliated costumers	(350,414)

e. Basis of consolidation: The accompanying financial statements reflect the consolidated results of operations of Endesa Brasil S.A. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments in companies in the development stage are accounted for using the equity method, except that income or losses are included directly in equity instead of being reflected in the Company's consolidated statement of operations..

The consolidated financial statements have been prepared in accordance with Technical Bulletin No. 72 (which partially superceded Technical Bulletin No. 42) of the Chilean Institute of Accountants and in conformity with Circular No. 1697 (which supercedes Circular No. 368) of the Superintendence of Securities and Insurance.

The Company consolidates the financial statements of companies in which it controls over 50% of the voting shares, provided there are no substantive minority participating rights that prevent control, as detailed as follows:

<u>Name</u>	<u>Percentage of ownership as of December 31,</u>				
	<u>2006</u>	<u>2007</u>	<u>Direct</u>	<u>2008</u>	<u>Total</u>
	Total	Total	%	%	
	%	%	%	%	
Cachoeira Dourada S.A.	99.605880	99.605880	99.605880	—	99.605880
Central Generadora Termoelectrica Fortaleza S.A. (CGTF).....	100.000000	100.000000	100.000000	—	100.000000
Ampla Energia e Servicos S.A.(*).	46.886283	46.886283	46.886283	—	46.886283
Ampla Investimentos e Servicos S.A.(*).	46.886283	46.886283	46.886283	—	46.886283
Investluz S.A.	100.000000	100.000000	63.569367	36.430633	100.000000
Compañia Energetica Do Ceara (COELCE).....	58.867455	58.867455	2.273448	56.594007	58.867455
Compañia de Interconexión Energética S.A. (CIEN)	100.000000	100.000000	100.000000	—	100.000000
Transportadora de Energia S.A. (TESA).....	99.990000	99.990000	—	99.990000	99.990000
Compañia de Transmisión del Mercosur S.A. (CTM).....	99.990000	99.990000	—	99.990000	99.990000

(*) The consolidation of Ampla Energia y Servicios S.A. and Ampla Investimentos e Servicios S.A. is a result of majority participation in voting rights of the board. This share of voting rights was obtained in January 27, 2004 in the board's pact between ENDESA Latinoamérica and ENERSIS S.A. subsidiaries.

f. Time deposits: Time deposits are presented at original placement plus accrued interest (Note 4).

g. Inventories: Inventories are comprised of raw materials, spare parts and various supplies, which are used in providing services. Inventories are valued at the lower of price-level restated cost or net realizable value and presented net of deductions for obsolescence. Inventories are classified in accordance with their most probable use, either in current assets or in fixed assets.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

h. Allowance for doubtful accounts: The estimate for the allowance for doubtful accounts has been made considering the aging and nature of the accounts receivable. Current and long-term trade accounts receivable, notes receivable and other receivables are classified as current or long-term, depending on their collection terms, and are presented net of the allowances for doubtful accounts amounted to ThUS\$182,676, ThUS\$296,956 and ThUS\$186,025 as of December 31, 2006, 2007 and 2008, respectively. (Note 5).

i. Property, plant and equipment: Property, plant and equipment are stated at acquisition cost, including technical appraisal (Note 8). Expenses related to work in progress, such as interest, third party services, and personal expenses, among others, are capitalized and depreciated only when the work is completed. Maintenance and repair expenses are charged to income during the period in which they are incurred, whereas renewals, improvements and major repairs are capitalized as property, plant and equipment if they increase the useful life of property, plant and equipment.

In accordance with Technical Bulletin No. 64 of the Chilean Institute of Accountants, these assets must be kept in historic United States dollars, for purposes of Chilean regulations.

In accordance with Technical Bulletin No.33 of the Chilean Institute of Accountants, the Company is required to evaluate the recoverability of its property, plant and equipment when certain indicators of impairment exist. The Company has not identified any impairment to property, plant and equipment as a result of applying Technical Bulletin No. 33.

j. Depreciation: Depreciation is calculated using the straight-line method in accordance with depreciation rates set forth by Agencia Nacional de Energía Eléctrica (ANEEL), the regulatory agency for the electric sector, which considers the effective useful lives of the assets used in this sector.

Depreciation charged to income amounted to ThUS\$213,006 in 2006, ThUS\$205,181 in 2007 and ThUS\$229,135 in 2008. These amounts are classified as follows: ThUS\$208,880 in 2006, ThUS\$203,537 in 2007 and ThUS\$227,420 in 2008 in cost of sales and ThUS\$4,126 in 2006, ThUS\$1,644 in 2007 and ThUS\$1,715 in 2008 in administrative and selling expenses.

k. Intangibles, other than goodwill: Intangible assets are recorded at acquisition cost. Such assets are amortized over their estimated useful lives, not to exceed twenty years. Intangibles correspond mainly to easements and rights of way.

l. Investments in related companies: Investments in related companies are presented using the equity method of accounting, recognizing the Company's proportionate share in the net income or loss of each investee on an accrual basis in income..

Investments in foreign affiliates are recorded in accordance with Technical Bulletins No.64 and No. 72 (which partially superceded Technical Bulletin No. 42) of the Chilean Institute of Accountants.

The Company evaluates the recoverability of its investments in related companies whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Such 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. In the case the fair value is less than the carrying value and such decline in value is considered to be other than temporary, a write down is recorded. As of December 31, 2007 and 2008, there are no indications of impairment of assets that are other than temporary.

m. Bonds: Bonds payable are recorded in liabilities at the face value of the bonds. The difference between the face value and the carrying amount, equal to the premium or discount, is deferred and amortized over the term of the bonds (Note 13).

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

n. Income tax and deferred income taxes: At December 31, 2008, the Company and its subsidiaries recorded the current tax expense determined in accordance with the laws and regulations of Brazil. The charge to income for current income tax expense was ThUS\$125,843 in 2006, ThUS\$124,193 in 2007 and ThUS\$132,577 in 2008. Additionally, the Company has recorded a net deferred tax credit (charge) for the effect of temporary differences of ThUS\$109,190 in 2006, ThUS\$10,928 in 2007, and ThUS\$(9,208) in 2008. The Company records deferred income taxes in accordance with Technical Bulletin No.60 and other supplementary bulletins of the Chilean Institute of Accountants, and in conformity with circulars Nos.1466 and 1560 issued by the Superintendencia of Securities and Insurance, recognizing deferred tax effects of temporary differences, tax benefits arising from tax losses, and other events that create differences between the financial and tax values of assets and liabilities, on the basis of tax rates estimated to be in effect at the time of reversal of the temporary differences that gave rise to them (Note 7).

o. Pension and post-retirement benefits: Pension and post-retirement benefits are recorded based on actuarially determined projected benefit obligations in accordance with the respective collective bargaining contracts of employee. See note 25 II i).

p. Revenue recognition: The Company's revenues are primarily derived from electric power generation and distribution services, and include energy supplied and unbilled at each year-end. Revenues are valued using rates in effect when services are provided to customers. Accrued unbilled revenues are presented in current assets as trade receivables. The corresponding cost is included in cost of sales.

q. Financial derivative contracts: As of December 31, 2006, 2007 and 2008 the Company and its subsidiaries have forward contracts, currency swaps, and interest rate swaps and collars with several financial institutions. Such contracts are mainly utilized by the Company to hedge against foreign currency and interest risk exposures, which are recorded according to Technical Bulletin No.57 of the Chilean Association of Accountants.

r. Software: The software of the Company and its subsidiaries has been acquired as computer packages, and is amortized over its estimated useful life of five years.

s. Statements of cash flow: The Consolidated Statements of Cash Flows have been prepared in accordance with the indirect method.

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin No.50 issued by the Chilean Association of Accountants, include time deposits, investments in fixed income securities classified as marketable securities, repurchase agreements classified as other current assets, and other cash balances classified as other accounts receivable with maturities less than 90 days.

For classification purposes, cash flows from operations include collections from clients and payments to suppliers, payroll and taxes.

Note 3. Changes in Accounting Principles

There were no changes in accounting principles during the years ended December 31, 2006, 2007 and 2008 that would affect the comparison with the prior year financial statements.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

Note 4. Time Deposits

Time deposits for 2007 and 2008 are as follows:

Financial Institution	Rate %	Scheduled Maturities	Balance at December 31,	
			2007	2008
			ThUS\$	ThUS\$
Bradesco.....	12.15%	02-01-09	21,904	123,601
Votorantim.....	8.48%	02-01-09	16,341	72,607
Unibanco.....	6.23%	02-01-09	32,231	50,544
Bradesco Compostela.....	1.01%	02-01-09	106,711	48,624
Trento.....	1.01%	02-01-09	—	44,525
Vicenza.....	1.03%	02-01-09	—	40,806
Banco Itau.....	6.52%	02-01-09	96,428	36,432
OC Unibanco.....	1.05%	02-01-09	6,306	17,393
Santander Banespa.....	13.62%	02-01-09	71	12,932
OC Santander.....	1.04%	02-01-09	—	11,148
Santander.....	1.14%	02-01-09	1,834	8,581
OC Bradesco.....	1.04%	02-01-09	—	8,289
Banco Santander NY Plazo Fijo.....	0.30%	02-01-09	18,477	3,805
Bradesco Fif Target.....	1.05%	02-01-09	1,722	3,165
CDB ABN.....	1.04%	02-01-09	—	2,508
Banco Rio de La Plata.....	19.00%	02-01-09	472	341
Alfa.....	13.62%	02-01-09	—	271
Banco Pactual.....	13.62%	02-01-09	3,042	131
CDB Bradesco.....	0.99%	02-01-09	116	99
Safra.....	13.62%	02-01-09	—	90
HSBC.....	13.62%	02-01-09	84,083	10
ABN Amor Real.....	13.62%	02-01-09	—	6
CDB Unibanco.....	0.85%	02-01-09	30,013	—
CDB Votorantim.....	0.85%	02-01-09	23,339	—
Bradesco Premium.....	0.84%	02-01-09	16,367	—
Santander CDB.....	0.84%	02-01-09	15,700	—
OC Votorantim.....	0.85%	02-01-09	10,471	—
Itau Fed.....	0.83%	02-01-09	7,341	—
CDB HSBC.....	0.84%	02-01-09	6,921	—
Itau CDB.....	0.84%	02-01-09	3,466	—
Citibank Large Corp.....	0.83%	02-01-09	3,394	—
Caixa Economica.....	11.12%	02-01-09	2,961	—
OC Safra.....	0.85%	02-01-09	2,830	—
Banco Boston.....	11.12%	02-01-09	220	—
Total.....			<u>512,761</u>	<u>485,908</u>

Note 5. Accounts, Notes and Other Receivables

Current accounts, notes and other receivables and their related allowances for doubtful accounts as of respective December 31, are as follows:

Account	As of December 31,									
	Under 90 days		90 days to 1 year		Sub total	Current		Long-term		
	2007	2008	2007	2008		2007	2008	2007	2008	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Accounts receivable (1).....	850,746	581,577	238,724	132,873	714,450	809,653	540,608	60,843	32,900	
Allowance for doubtful accounts.....	(127,792)	(98,450)	(152,024)	(75,392)	(173,842)	—	—	—	—	
Notes receivable.....	14,491	5,486	—	—	5,486	14,491	5,486	—	—	
Allowance for doubtful accounts.....	—	—	—	—	—	—	—	—	—	
Other receivables.....	59,509	56,404	—	—	56,404	43,436	44,221	4,496	3,997	
Allowance for doubtful accounts.....	(16,074)	(12,183)	—	—	(12,183)	—	—	(1,066)	—	
Total.....					<u>590,315</u>	<u>867,580</u>	<u>590,315</u>	<u>64,273</u>	<u>36,897</u>	

Endesa Brasil S.A. and Subsidiaries
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Current and long-term accounts receivable per country (net of allowances for doubtful accounts) as of each December 31, are as follows:

Country	As of December 31,			
	2007		2008	
	ThUS\$	%	ThUS\$	%
Argentina.....	4,517	0.48%	4,014	0.64%
Brazil.....	<u>927,336</u>	<u>99.52%</u>	<u>623,198</u>	<u>99.36%</u>
Total.....	<u>931,853</u>	<u>100.00%</u>	<u>627,212</u>	<u>100.00%</u>

(1) Balance includes accounts receivable of ThUS\$ 60,652 for Cachoeira Dourada S.A associated with its subsidiary Companhia de Electricidade de Goiás (CELG) for the 2004 period. In 2008 CELG (Empresa estatal Del estado de Goiás) carries the remaining debt. CELG is in the process of negotiations with the financial institution BNDES to obtain resources to cancel its debts. The board expects a favorable resolution related to these negotiations and anticipates recovery of at least the recorded amount.

Amounts of unbilled energy sold are as follows:

Unbilled energy sold	As of December 31,		
	2006	2007	2008
	ThUS\$	ThUS\$	ThUS\$
.....	<u>126,105</u>	<u>134,175</u>	<u>134,953</u>

Note 6. Balances and Transactions with Related Companies

The balances of accounts receivable and payable with related companies are as follows at December 31, 2007 and 2008:

a. Notes and accounts receivable due from related companies (1):

Company	As of December 31,			
	Short-term		Long-term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Enersis S.A.	—	—	253,123	137
Luz de Río Ltda.	—	—	386	—
Compañía Americana de Multiservicios Ltda.....	—	—	867	—
Endesa Costanera S.A.....	7,604	10,260	—	—
Compañía de Energía del Mercosur S.A.....	14,999	22,755	—	—
Cam Brasil Ltda.	—	—	—	185
Synapsis Brasil Ltda.	—	—	—	4
Total.....	<u>22,603</u>	<u>33,015</u>	<u>254,376</u>	<u>326</u>

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b. Notes and accounts payable due to related companies:

Company	As of December 31,			
	Short-term		Long-term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Enersis S.A.	280,331	6,758	—	—
Chilectra S.A.	—	6,730	—	—
Luz de Río Ltda.	19,337	—	—	—
Compañía Americana de Multiservicios Ltda.	4,120	—	—	—
CAM Brasil Ltda.	—	1,158	—	—
Synapsis Brasil Ltda.	3,531	2,855	—	—
Endesa Costanera S.A.	8,300	10,435	—	—
Edelnor	10	10	—	—
Endesa Latinoamérica S.A. (2)	5,272	2,881	16,426	14,106
Compañía de Energía del Mercosur S.A.	35,798	37,492	—	—
Ingendesa	—	2	—	—
Total	356,699	68,321	16,426	14,106

(1) Short-term notes and accounts receivable and payable - The balances of short-term accounts receivable and payable relate to normal ongoing operations maturing within 30 days, and are not subject to indexation.

(2) Long-term notes and accounts receivable and payable - The balance payable due to Endesa Latinoamérica S.A. relates to loans granted to CIEN to finance the acquisition of machinery and equipment and to complete the construction of its second transmission line. These loans accrue interest at an annual average rate of 8.08% and they mature in May 2012.

c. Significant related company transactions and their effects in income (expense) for each year ended December 31 are as follows:

Company	Relationship	Nature of transaction	2006		2007		2008	
			Amount	Income	Amount	Income	Amount	Income
			ThUS\$	(Expense)	ThUS\$	(Expense)	ThUS\$	(Expense)
Enersis S.A.	Parent	Interest	4,711	(4,711)	2,639	2,639	949	(949)
Chilectra S.A.	Affiliate	Interest	9	9	—	—	—	—
Luz de Río Ltda.	Affiliate	Interest	1,638	(1,638)	2,605	(2,605)	3,573	(3,573)
CAM Brasil Ltda.	Affiliate	Services	1,148	(1,148)	7,675	7,675	2,021	(2,021)
Synapsis Brasil Ltda.	Affiliate	Services	20,836	(20,836)	17,708	(17,708)	19,728	(19,728)
Endesa Costanera S.A.	Affiliate	Purchase of energy	4,071	(4,071)	4,220	(4,220)	—	—
		Services	3,872	3,872	3,674	3,674	3,620	3,620
Enersis Internacional	Affiliate	Interest	2,723	(2,723)	—	—	—	—
Edelnor	Affiliate	Interest	1	1	2	2	3	(3)
	Common Parent	Interest	3,865	(3,865)	1,980	(1,980)	1,304	(1,304)
Endesa Latinoamérica S.A.	Affiliate	Purchase of energy	22,033	(22,033)	10,274	(10,274)	1,627	(1,627)
Compañía de Energía del Mercosur S.A.	Affiliate	Services	10,995	10,995	26,810	26,810	10,625	10,625
Endesa España	Common Parent	Interest	6,008	(6,008)	59	(59)	—	—

Transfers of short-term funds between related companies are treated as current cash transactions, with associated variable interest rates based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30 day terms, with automatic rollover for the same year and settlement in line with cash flows.

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Note 7. Deferred Income Taxes

a) Income taxes (recoverable) payable as of each year-end are as follows:

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
Income tax provision, net	124,193	132,577
Value-added and other taxes	(122,980)	(132,011)
Total income tax payable	1,213	566

b) Temporary differences of the Company and its subsidiaries generated deferred taxes resulting in a net credit of ThUS\$10,928 at December 31, 2007 and a net charge to income of ThUS\$9,208 at December 31, 2008.

c) In accordance with BT No.60 and 69 of the Chilean Association of Accountants, and Circular No.1,466 of the SVS, the Company and its subsidiaries have recorded consolidated deferred income taxes as of December 31, 2007 and 2008 as follows:

Description	As of December 31, 2007				As of December 31, 2008			
	Asset		Liability		Asset		Liability	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Allowance for doubtful accounts	54,857	76,734	—	—	18,315	39,328	—	—
Deferred charges	—	—	2,568	—	—	—	1,704	—
Fixed asset depreciation	—	5,191	635	53,486	—	5,191	571	52,427
Financial expenses	—	—	—	10,721	—	—	—	—
Intangibles	2,044	—	—	—	2,621	—	—	—
Other	6,001	1,440	458	4,994	3,520	871	—	—
Actuarial deficit	—	24,750	—	—	—	29,437	—	—
Obsolescence of materials and inventory provision	688	19	—	—	595	—	—	—
Imputed salaries on construction	—	8,637	—	—	—	6,195	—	—
Tax losses	12,825	54,106	—	—	14,849	23,988	—	—
Contingencies	14,371	115,170	—	—	11,463	92,129	—	2,334
Regulated assets	—	—	33,371	18,331	—	—	7,622	16,518
Exchange difference	—	—	—	13,682	—	—	—	5,669
Supplementary accounts net of amortization	—	(12,388)	—	(53,486)	—	(9,946)	—	(52,427)
Valuation allowance	—	—	—	—	—	(1,440)	—	—
Total	90,786	273,659	37,032	47,728	51,363	185,753	9,897	24,521

Income tax benefit (expense) for the year ended December 31, 2006, 2007 and 2008 is as follows:

Item	As of December 31,		
	2006	2007	2008
	ThUS\$	ThUS\$	ThUS\$
Current income tax expense	(125,843)	(124,193)	(132,577)
Deferred income (loss) tax benefit	109,190	10,928	(9,208)
Total	(16,653)	(113,265)	(141,785)

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Note 8. Property, Plant and Equipment

The composition of property, plant and equipment is as follows:

	<u>As of December 31,</u>	
	<u>2007</u>	<u>2008</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Gross Property, Plant and Equipment		
Land	71,504	74,393
Buildings and infrastructure	1,802,461	1,816,539
Distribution and transmission lines and public lighting	2,280,355	2,443,944
Less: third party contributions	(239,876)	(284,068)
Sub-total	<u>3,842,940</u>	<u>3,976,415</u>
Machinery and equipment	<u>1,445,633</u>	<u>1,679,970</u>
Other Property, Plant and Equipment		
Work in progress	192,276	179,407
Construction materials	29,998	34,505
Furniture and fixture, tools, software and computing equipment	23,166	24,618
Vehicles	3,293	3,661
Property, Plant and Equipment in transit	12,820	16,580
Other assets	<u>52,897</u>	<u>67,755</u>
Sub-total	<u>314,450</u>	<u>326,526</u>
Total property, plant and equipment	<u>5,674,527</u>	<u>6,057,304</u>
Depreciation		
Accumulated depreciation at beginning of year:		
Buildings and infrastructure	(1,372,532)	(1,490,522)
Machinery and equipment	(399,790)	(468,427)
Other assets	<u>(20,181)</u>	<u>(22,483)</u>
Total accumulated depreciation at beginning of the year	<u>(1,792,503)</u>	<u>(1,981,432)</u>
Depreciation of the period (cost of sales)	(203,537)	(227,420)
Depreciation of the period (administrative and selling expenses)	<u>(1,644)</u>	<u>(1,715)</u>
Total accumulated depreciation charged to income	<u>(205,181)</u>	<u>(229,135)</u>
Total accumulated depreciation at period end	<u>(1,997,684)</u>	<u>(2,210,567)</u>
Total property, plant and equipment, Net	<u>3,676,843</u>	<u>3,846,737</u>

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Notes to the Consolidated Financial Statements

Note 9. Other Assets

Other long-term assets as of December 31, 2007 and 2008 are as follows:

	<u>As of December 31,</u>	
	<u>2007</u>	<u>2008</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Regulatory assets (1).....	119,820	60,500
Guaranteed deposits, litigations and credits.....	127,574	109,909
Recoverable taxes and others.....	67,643	50,820
Deferred expenses.....	—	38,415
Post-retirement benefits and other pensions.....	3,194	2,275
Commissions on loans.....	1,060	95
Others.....	1,410	—
Total.....	<u>320,701</u>	<u>262,014</u>

(1) Regulatory Assets

Based on Decree Law No.14 (that became Law No.10,438 dated April 26, 2002) and Resolution No.91 issued by Cámara de Gestión de la Crisis de Energía Eléctrica — CGCEE (Electric Energy Crisis Council) both dated December 21, 2001 and Resolution No.31 issued by ANEEL, dated January 24, 2002, all electric energy distributors were required to adopt rates associated with an extraordinary rate restructuring imposed in order to recover the economic-financial balance of distribution contracts.

This extraordinary rate restructuring was made by applying an adjustment to rates in effect at December 31, 2001, recognized by ANEEL, as follows:

2.9% for residential customers (except those with low income), rural customers and public lighting;
7.9% for the rest of the customers.

Note 10. Short-Term Debt due to Banks and Financial Institutions

As of December 31, 2007 and 2008 the detail is as follows:

Taxpayer No.	Bank or financial institution	<u>Foreign currency</u>						<u>As of December 31,</u>	
		<u>US\$</u>		<u>Euros</u>		<u>Reais</u>		<u>2007</u>	<u>2008</u>
		<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Foreign...	Banco do Brasil	—	—	—	—	12,792	—	12,792	—
Foreign...	Banco Santander	—	—	—	—	—	67,045	—	67,045
Foreign...	Banco Safra	—	—	—	—	—	55,700	—	55,700
Foreign...	Unibanco	40,680	—	—	—	5,941	—	46,621	—
Total		<u>40,680</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,733</u>	<u>122,745</u>	<u>59,413</u>	<u>122,745</u>
Total principal		<u>40,680</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,617</u>	<u>116,175</u>	<u>59,297</u>	<u>116,175</u>
Weighted average annual interest rate		10.86%	—	—	—	12.78%	12.56%	10.46%	12.56%

	<u>As of December 31,</u>	
	<u>2007</u>	<u>2008</u>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Percentage of debt in foreign currency:	68.47%	0.00%
Percentage of debt in local currency:	31.53%	100.00%
Total.....	<u>100.00%</u>	<u>100.00%</u>

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Note 11. Current Portion of Long-Term Debt Due to Banks and Financial Institutions

As of December 31, 2007 and 2008 the detail is as follows:

Taxpayer No.	Long-term / current portion Bank or financial institution	Foreign currency									
		US\$		Euros		Yen		Reais		As of December 31,	
		2007 ThUS\$	2008 ThUS\$	2007 ThUS\$	2008 ThUS\$	2007 ThUS\$	2008 ThUS\$	2007 ThUS\$	2008 ThUS\$	2007 ThUS\$	2008 ThUS\$
Foreign.....	Bndes	2,318	—	—	—	—	—	71,472	45,982	73,790	45,982
	Santander Central										
Foreign.....	Hispano	164	—	—	—	—	—	—	—	164	—
Foreign.....	Santander	—	—	—	—	—	—	—	294	—	294
Foreign.....	Banco Itaú	—	—	—	—	—	—	—	6	—	6
Foreign.....	Banco do Brasil	—	—	—	—	—	—	4,409	3,943	4,409	3,943
	BEI — Banco Europeo										
Foreign.....	de Inversiones	10,015	9,329	—	—	—	—	—	—	10,015	9,329
Foreign.....	Unibanco	—	383	—	—	—	—	1,733	33,966	1,733	34,349
Foreign.....	Banco Alfa	—	—	—	—	—	—	669	2,016	669	2,016
Foreign.....	Bradesco	—	—	—	—	—	—	2,173	33,662	2,173	33,662
Foreign.....	Banco Pactual	—	—	—	—	—	—	1,051	16,470	1,051	16,470
Foreign.....	Banco HSBC	—	—	—	—	—	—	692	658	692	658
Foreign.....	Votorantim	—	—	—	—	—	—	7,266	—	7,266	—
Foreign.....	BNB	—	—	—	—	—	—	7,994	8,035	7,994	8,035
Foreign.....	IFC A—B—C	—	10,003	—	—	—	—	—	—	—	10,003
	International Finance										
Foreign.....	Corporation	8,340	—	—	—	—	—	—	—	8,340	—
	Total	<u>20,838</u>	<u>19,715</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>97,458</u>	<u>145,032</u>	<u>118,296</u>	<u>164,747</u>
	Total principal	<u>20,838</u>	<u>8,669</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>97,458</u>	<u>134,297</u>	<u>118,296</u>	<u>142,966</u>
	Weighted average annual interest rate	11.06%	10.25%	—	—	—	—	12.15%	12.15%	11.81%	11.81%
		As of December 31,									
		2007		2008							
		ThUS\$		ThUS\$							
Percentage of debt in foreign currency:								17.62%		11.97%	
Percentage of debt in local currency:								82.38%		88.03%	
Total.....								<u>100.00%</u>		<u>100.00%</u>	

Note 12. Long-Term Portion of Debt Due to Banks and Financial Institution

As of December 31, 2007 and 2008 the detail is as follows:

Taxpayer	Bank or financial institution	Currency	As of December 31, 2008					Total long-term	Annual average interest rate	Total long-term
			After 1 year but	After 2 years but	After 3 years but	After 5 years but	After 10 years			
			within 2 years	within 3 years	within 5 years	within 10 years	Term in Years			
No.		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
Foreign.....	BNDES - Banco Nacional de Desenvolvimento Economico Social	Rs	—	—	—	—	—	—	12.30%	132,799
Foreign.....	BNDES - Banco Nacional de Desenvolvimento Economico Social	US\$	43,707	32,400	10,968	—	—	87,075	12.20%	—
Foreign.....	Santander Central Hispano	Rs	42,790	102,696	111,254	—	—	256,740	14.84%	338,734
Foreign.....	Banco do Brasil	Rs	4,786	5,087	52,965	1,121	—	63,959	13.56%	85,059
Foreign.....	Banco do Brasil	US\$	300	295	356	74	16	2,772	3.797	4,129
Foreign.....	Banco do Nordeste Brasil	Rs	16,310	16,310	30,725	8,344	—	71,689	7.68%	88,527
Foreign.....	Unibanco	Rs	1,138	2,276	2,276	—	—	5,690	12.52%	52,013
Foreign.....	BEI - Banco Europeo de Inversiones	US\$	8,333	8,333	8,333	—	—	24,999	18.33%	33,333
Foreign.....	Banco Alfa	Rs	4,279	4,279	21,395	—	—	29,953	12.18%	39,519
Foreign.....	Bradesco	Rs	1,142	19,401	27,959	—	—	48,502	12.39%	44,902
Foreign.....	Votorantim	Rs	—	—	—	—	—	—	12.65%	56,455
Foreign.....	Banco HSBC	Rs	—	32,092	32,092	—	—	64,184	12.09%	84,683
Foreign.....	Banco Itaú	Rs	1,142	2,285	2,285	—	—	5,712	12.40%	7,537
Foreign.....	Banco Pactual	Rs	—	—	—	—	—	—	19.93%	18,897
Foreign.....	Banco Nacional de desenv. Economico Social	Rs	11,997	11,997	23,994	11,997	—	59,985	17.75%	—
Foreign.....	International Finance Corporation	US\$	—	—	—	—	—	—	7.83%	105,670
Foreign.....	IFC A	US\$	8,359	4,650	10,361	18,607	—	41,977	7.39%	—
Foreign.....	IFC B	US\$	13,246	7,341	16,295	9,031	—	45,913	7.67%	—
Foreign.....	IFC C	US\$	—	—	—	7,000	—	7,000	11.96%	—
	Total		157,529	249,442	351,258	56,174	16	2,772	817,175	1,092,257

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
Percentage of debt in foreign currency:	13.10%	25.79%
Percentage of debt in local currency:	86.90%	74.21%
Total.....	100.00%	100.00%

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Note 13. Bonds Payable

Details of the short-term portion of bonds payable is as follows:

Instrument	Series	Face value outstanding	Currency	Interest rate	Maturity	Frequency Payment of interest	Payment of amortization	Par value		Placed in Chile or abroad
								2007	2008	
								ThUS\$	ThUS\$	
Bonds Ampla.....	1° Serie	290,000,000	Reais	CDI+1.2%aa	01/03/2008	Half-yearly	Upon maturity	169,858	—	Abroad
Bonds Ampla.....	2° Serie	110,000,000	Reais	IGP-M+11.4%	01/03/2010	Annually	Upon maturity	6,536	5,527	Abroad
Bonds Ampla.....	Unit	370,000,000	Reais	DI+0.85%aa	01/08/2012	Half-yearly	Upon maturity	<u>9,902</u>	<u>9,239</u>	Abroad
Total - current portion.....								<u>186,296</u>	<u>14,766</u>	

Details of the long-term portion of bonds payable is as follows:

Instrument	Series	Face value outstanding	Currency	Interest rate	Maturity	Frequency Payment of interest	Payment of amortization	Par value		Placed in Chile or abroad
								2007	2008	
								ThUS\$	ThUS\$	
Bonds Ampla.....	2° Serie	110,000,000	Reais	IGP-M+11,4% aa	01/03/2010	Annually	Upon maturity	69,778	58,128	Abroad
Bonds Ampla.....	Unit	370,000,000	Reais	DI+0.85% aa	01/08/2012	Half-yearly	Upon maturity	<u>208,886</u>	<u>158,323</u>	Abroad
Total long-term....								<u>278,664</u>	<u>216,451</u>	

13.1 Bonds payable consist of the following:

13.1.1 Ampla Energia e Serviços S.A.

a. On March 1, 2005, the Company issued bonds in Reais for a total amount of R\$400,000,000 in two series, completing the first issue. At December 31, 2008 the current obligations are as follows:

Second Series

Issuer : Ampla Energia e Serviços S.A.
 Issued securities : Negotiable bonds in Brazilian Reais.
 Amount issued : R\$110,000,000.
 Principal due : Maturity in 2010.
 Nominal interest rate : IGP - M + 11.4% per annum
 Interest payment : Annual.

b. On August 1, 2006, the Company issued bonds in Reais for R\$370,000,000 in a single series.

Issuer : Ampla Energia e Serviços S.A.
 Issued securities : Negotiable bonds in Brazilian Reais.
 Amount issued : R\$370,000,000.
 Principal due : Maturity in 2012
 Nominal interest rate : DI + 0.85% per annum
 Interest payment : Semi-annual.

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Note 14. Accrued Expenses and Write-Offs

a. Short-term accruals:

Accrued expenses included in current liabilities are as follows:

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
Bonus and other employee benefits	22,456	17,914
Litigation and other contingencies	1,562	1,341
Total	<u>24,018</u>	<u>19,255</u>

b. Long-term accruals:

Accrued expenses included in long-term liabilities are as follows:

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
Legal, labor and tax contingencies (Ampla, Coelce and Cien)	322,898	243,871
Regulatory contingencies (1)	62,043	47,075
Employee and retired personnel benefits (Ampla - Coelce)	87,462	93,690
Others	11	8
Total	<u>472,414</u>	<u>384,644</u>

(1) The provision of Brazilian subsidiary Central Geradora Termelétrica Fortaleza (CGTF) is used to cover the likely risk of a sanction by the regulatory agency (ANEEL, Brazilian Electricity Regulatory Agency) that has been calculated based on the opinion of our legal consultants and is related to the sale of electric energy higher than the thermal energy generation capacity authorized for CGTF by ANEEL in January-December 2004 period.

At December 31, 2007 and 2008 no write-offs of allowance of doubtful accounts have been made.

Note 15. Minority Interest

a. Minority shareholders' participation in the shareholders' equity of the Company's subsidiaries is as follows:

Company	As of December 31, 2007			As of December 31, 2008		
	Equity	Participation	Total	Equity	Participation	Total
	ThUS\$	%	ThUS\$	ThUS\$	%	ThUS\$
Ampla Energia e Serviços S.A.	895,385	53.11%	475,572	1,147,682	53.11%	609,576
Ampla Investimentos e Serviços S.A.	77,561	53.11%	41,195	113,897	53.11%	60,495
Cachoeira Dourada S.A.	681,199	0.39%	2,685	615,922	0.39%	2,428
Companhia Energetica Do Ceara - Coelce...	832,248	41.14%	342,361	950,467	41.14%	390,992
Compañía de Transmisión del Mercosur S.A.	23,273	0.01%	2	22,431	0.01%	2
Total			<u>861,815</u>			<u>1,063,493</u>

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b. Minority shareholders' participation in the net (income) or loss of the Company's subsidiaries is as follows:

Company	As of December 31, 2006			As of December 31, 2007			As of December 31, 2008		
	Loss (income) for the period	Participation	Total	Loss (income) for the period	Participation	Total	Loss (income) for the period	Participation	Total
	ThUS\$	%	ThUS\$	ThUS\$	%	ThUS\$	ThUS\$	%	ThUS\$
Ampla Energia e Serviços S.A.....	(47,224)	53.11%	(25,083)	(12,528)	53.11%	(6,654)	273,645	53.11%	145,343
Ampla Investimentos e Serviços S.A.....	(7,809)	53.11%	(4,148)	(5,209)	53.11%	(2,767)	44,872	53.11%	23,833
Cachoeira Dourada S.A. ...	(65,129)	0.39%	(257)	(124,823)	0.39%	(492)	141,452	0.39%	557
Companhia Energetica Do Ceara - Coelce.....	(136,780)	41.14%	(56,267)	(86,875)	41.14%	(35,737)	263,282	41.14%	108,307
Compañía de Transmisión del Mercosur S.A.	(3,648)	0.01%	—	(2,482)	0.01%	—	(842)	0.01%	—
Total			<u>(85,755)</u>			<u>(45,650)</u>			<u>278,040</u>

Note 16. Shareholders' Equity

a. Number of shares:

As of December 31, 2008

Series	Number of subscribed shares	Number of paid-in shares	Number of voting shares
Single	166,259,080	166,259,080	166,259,080

b. Subscribed and paid-in capital is as follows:

As of December 31, 2008

Series	Subscribed capital ThUS\$	Paid-in capital ThUS\$
Single	354,376	354,376

c. Other reserves

Other reserves at December 31, 2008 are composed of the following:

2008	Initial balance at January 1, 2008 ThUS\$	Reserve for the period ThUS\$	Final balance at December 31, 2008 ThUS\$
Reserves for Technical Bulletin No. 72 (1)	51,665	—	51,665
Total	<u>51,665</u>	<u>—</u>	<u>51,665</u>

(1) Corresponds to the reserve generated by the capitalization of the contributions made by the Endesa Brasil shareholders, who contributed their interest in Ampla Energia e Serviços S.A., Companhia Energética do Ceará — Coelce, Centrais Elétricas Cachoeira Dourada S.A. — CDSA, Companhia de Interconexão Energética — CIEN, Central Geradora Termelétrica Fortaleza S.A. CGTF and Investluz S.A. This reorganization of the investments in Brazil has been recorded in conformity with the provisions of Technical Bulletin No. 72 of the Chilean Institute of Accountants for a business combination under the pooling of interest method.

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Note 17. Other Income and Expenses

a. Other income:

The detail of other non-operating income is as follows:

	Year ended December 31,		
	2006 ThUS\$	2007 ThUS\$	2008 ThUS\$
Fiscal benefit and other taxes.....	15,094	—	—
Gain on sale of property, plant and equipment and materials.....	30,746	789	1,179
Effect of application of Technical Bulletin No.64.....	17,176	73,333	315,644
Reversal of contingencies provision and expenses and other provisions.....	15,251	141,606	65,038
Payment of energy and power.....	6,655	—	—
Cost recovery.....	6,549	4,798	139
Provision for CVAs amortization.....	—	—	—
Liquidation of Cemsa contract.....	—	16,391	—
Regulatory Asset.....	7,680	—	—
Index Brazilian subsidiaries.....	10,137	9,789	—
Other.....	4,310	1,099	451
Total.....	113,598	247,805	382,451

b. Other expenses:

Other non-operating expenses are as follows:

	Year ended December 31,		
	2006 ThUS\$	2007 ThUS\$	2008 ThUS\$
Write-off of Copel and others contracts (Brazil).....	57,323	—	—
Contingencies and litigations.....	37,695	79,826	71,691
Effect of application of Technical Bulletin No.64.....	32,182	238,152	131,187
Tax penalties and other expenses.....	28,887	32,132	15,791
Energy efficiency of Brazilian subsidiaries.....	18,905	2,479	—
Brazilian and Argentinean Taxes (PIS, COFINS and others).....	15,896	17,124	15,385
Obsolescence provision and write-offs of fixed asset.....	11,848	4,235	5,124
Updating index of Brazilian subsidiaries.....	6,129	4,479	4,669
Pension plan expense.....	6,072	11,143	8,827
Loss on sale of fixed assets and materials.....	220	871	1,185
Other.....	17,064	11,163	5,009
Total.....	232,221	401,604	258,868

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Note 18. Financial Derivatives

As of December 31, 2008 the Company and its subsidiaries held the following financial derivative contracts with financial institutions with the objective of decreasing exposure to interest rate and foreign currency risk, as follows:

Type of derivative	Type of contract	Description of derivative contracts						Amount of hedged item ThUS\$	Accounts			
		Nominal amount US\$	Date of maturity	Item	Purchase Sale Position	Hedged item	Amount ThUS\$		Asset/Liability		Income	
									Account	Amount ThUS\$	Realized	Unrealized ThUS\$
SWAP	CCPE		III trim. 2008	Interest rate	C	Bank liabilities	—	—	Other long-term liabilities	—	(1,642,999)	—
SWAP	CCTE		III trim. 2008	Exchange rate	C	Bank liabilities	—	—	Other long-term liabilities	—	(11,146,503)	—
SWAP	CCTE		IV trim. 2008	Exchange rate	C	Bank liabilities	—	—	Other long-term liabilities	—	11,335	—
SWAP	CCTE	30,471,390	II trim. 2012	Exchange rate	C	Bank liabilities	19,393,516	19,393,516	Other accounts receivable	(3,657,588)	(4,007,363)	(3,657,588)
SWAP	CCPE	17,713,549	IV trim. 2015	Interest rate	C	Bank liabilities	11,273,788	11,273,788	Other current liabilities	(1,340,673)	(615,563)	(1,340,674)
SWAP	CCPE		IV trim. 2008	Exchange rate	C	Bank liabilities	—	—	Other current liabilities	—	(775,913)	—
SWAP	CCPE	18,001,517	IV trim. 2015	Exchange rate	C	Bank liabilities	11,457,065	11,457,065	Other current liabilities	(2,113,715)	(702,897)	(2,113,715)

Note 19. Commitments and Contingencies

- a. At December 31, 2007 and 2008 the Company and its subsidiaries have provided the following guarantees:

Collateral held by third parties:

Guarantee	Subsidiary	Type Guarantee	Committed Assets			Balance payable of related debt at December 31,			Release of Guarantees 2009
			Type	Currency	Book value	Currency	2007	2008	
Other creditors...	Ampla S.A.	Pledge over collections and others		ThUS\$	21,283	ThUS\$	271,134	222,331	—
Other creditors... International Finance Corporation...	Coelce S.A.	Pledge over collections and others		ThUS\$	8,510	ThUS\$	122,754	142,645	—
Bndes	CGT Fortaleza S.A. Cachoeira Dourada S.A.	Mortgage and pledge	Real estate, properties	ThUS\$	275,995	ThUS\$	113,986	110,398	—
		Pledge		ThUS\$	—	ThUS\$	1,242	—	—

Guarantees of subsidiary obligations (1):

Guarantee	Subsidiary	Type of Guarantee	Committed Assets		Balance payable of related debt at December 31,			Release of Guarantees 2009
			Currency	Book value	Currency	2007	2008	
Cédulas de Crédito Bancario...	Cien	Guarantees	ThUS\$	256,739	ThUS\$	338,734	256,739	—

(1) Unless otherwise stated, the guarantees in the table “Guarantees of subsidiary obligations” were provided by a subsidiary of the Company (the “Guarantor”) to a third party creditor that had entered into a new obligation with another subsidiary (the “Subsidiary Debtor”). If the Subsidiary Debtor is unable to meet the requirements of the related obligation, the Guarantor will be required to make future payments on behalf of the Subsidiary Debtor up to the remaining amount payable.

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b. Litigation and other legal actions:

Ampla Energia e Serviços S.A. (“Ampla”)

Plaintiff : Meridional S/A Servicios, Emprendimientos y Participaciones
Defendant : Ampla
Court : 9th Chamber of Rio de Janeiro Public Finance
Case/Identification : 98.001.048296-8

Summary of Proceedings: Meridional - Mistral and Civel, represented by Meridional, claim they are creditors of the former state electricity distribution company CELF, resulting from the existence of contracts of jobs undertaken for said company. Meridional in its representation demands payment of invoices supposedly outstanding and the payment of contractual fines for rescission of the contracts for the above mentioned jobs, for the sum of R\$136,085,827.20

Process status: On December 18, 2007 the court records returned from the prosecuting authority and were favorable to Ampla’s argument; therefore, the civil appeal of Meridional lost its purpose. On March 7, 2008 the presence or absence of appeals in the three lawsuits attached was requested to be certified. On March 18, 2008 the appeal judge voted favorably to Ampla, allowing Ampla to file other resorts such as infringing embargos and special resorts. The parties filed resorts (embargos of statement). On November 28, 2008 the court records were sent to the Public Prosecutor’s Office. This Office considered that the resorts filed by the parties should be disallowed. On November 18, 2008 the proceeding was processed to issue a final decision. On November 28, 2008 a resolution was issued. On December 2, 2008 the resolution was published so that the parties state their opinions on the resorts.
Amount: R\$ 337.3 millions - US\$ 142.6 millions.

Plaintiff : Enertrade - Comercializadora de Energia S.A
Defendant : Ampla
Court : Getulio Vargas Foundation Chamber for Conciliation and Arbitration
Case/Identification : Arbitration procedure No. 03/2005

Summary of Proceedings: On December 22, 2002, Ampla and Enertrade signed a 20-year electric energy sales contract (40MW average). This contract was sent to ANEEL for its evaluation and resulting official approval. ANEEL approved the contract because certain conditions were fulfilled, among them, a 25% reduction in the price of the contracted energy (from R\$97.4 R\$72.6/MWh).

Given this determination, Ampla only paid the value authorized by ANEEL. ENERTRADE sustained that the contract was tacitly approved by ANEEL due to the passage of time and obtained, through judicial demand No.2003.34.00.023785-2 against ANEEL, a provisional judicial measure that suspended the effects of the condition imposed by ANEEL, declaring the contract tacitly approved by that entity. ANEEL has not yet been able to have this provisional measure annulled. With the purpose of confirming the right assured by the provisional measure, Enertrade, in December 2005, established an arbitration procedure against Ampla, under n° 3/2005 in the *Cámara de Conciliación y Arbitraje of the Fundación Getúlio Vargas/RJ*. Ampla continued to pay the reduced rate because, in addition to not being part of the process, it was not authorized to transfer the full cost to its tariffs.

Process status: On February 29, 2008 the Arbitration Court delivered a judgment establishing a due date (March 24, 2008) for closing the investigation. On March 17, 2008 the Arbitration Court extended the closing of the investigation for 30 days. On March 20, 2008 the Arbitration Court delivered a judgment extending the period for completing the arbitration proceedings No.03/05 and No.04/06 to September 22, 2008. On April 28, 2008 Ampla filed a claim against the expert’s requirements. On May 16, 2008 the Arbitration Court deferred the extension of the period for 15 days for delivering the accounting expert’s finding. On June 10, 2008 the accounting expert filed his finding at the Arbitration Court and to the technical assistants of Ampla and Enertrade. On June 20, 2008 Ampla informed that it was opposed to some points in the expert’s finding. On June 27, 2008 the Arbitration Court fixed the date for the adjudicative hearing (July 22, 2008). The hearing took place on July 22, 2008. On August 29, 2008 the Arbitration Court turned down the claim for partial judgment filed by Enertrade. On December 19, 2008 the Court informed the extension of the period to issue the judgment for 60 days.

Amount R\$ 110.2 millions - US\$ 46.5 millions.

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Plaintiff : Ampla
Defendant : Enertrade - Comercializadora de Energia S.A
Court : Getulio Vargas Foundation Chamber for Conciliation and Arbitration
Case/Identification : Arbitration procedure No. 04/2006

Summary of Proceedings: Counterclaim by Ampla against Enertrade. The facts of this procedure are the same as arbitration procedure 03/2005. Bearing in mind that the arbitration rules of this Chamber do not consider counterclaims, Ampla petitioned for a new arbitration to be established, with a view to decreeing the nullity of the contract or, alternatively, its avoidance. In this case, the same arbitration court has jurisdiction for hearing the case, which shall be processed together with the other proceeding. On August 28, 2006, Ampla petitioned in the arbitration court for the nullity of the contract entered into with Enertrade, or, alternatively, vacating it, maintaining simply that the contract is null and void, since it was not ratified by ANEEL, as stipulated in the law, which was an essential condition for entering into the contract; also null and void because it infringes Law 8.884/94; it was entered into in unfair terms and conditions, typifying the abuse of the power of control; and the contract fails to comply with its business function.

Process status: Rebuttal and rejoinder presented. On January 12, 2007, the parties presented graphs showing the stock ownership of the companies involved in the arbitration, as well as also information about the companies that audited the parties and the companies linked to them. At the request of the Court of Arbitration, Ampla clarified the information presented, indicating the other auditing companies of the Endesa Spain Group. On February 12, 2007, the petition for expert accounting and technical testimony required by Ampla was ordered, as well as also for expert witnesses. On March 2, 2007, the technical assistants were appointed and the legal standing and role of the witnesses presented. Enertrade challenged the issues presented by Ampla. On March 16, 2007 Ampla filed a reply to the challenge. On April 2, 2007, the Court of Arbitration notified the extension of the deadline for concluding the arbitration proceedings by 178 days. The new deadline is September 28, 2007. On May 21, 2007, the experts for the technical and accounting expert testimony were named. The progress of this proceeding is the same as above for the arbitration proceeding of Enertrade against Ampla.

Amount: R\$ 40.2 millions - US\$ 17 millions.

Plaintiff : Getec Guanabara Química E Industrial S/A
Defendant : Ampla
Court : 3er Juzgado Civil de Niterói
Case/Identification : 1996.002.017152-9

Summary of Proceedings: Refund equal to the equivalent of 16.67% of electric energy invoices during March of 1986 through March of 1991, and March 1991 going forward, twice such amount, with interest accrued since date of litigation (September 26, 1997) and legal fees based on 20% of the sentence.

Process Status: Execution phase, in which Ampla sustains the need for dismissal of the sentence. In a decision issued on September 4, 2008 the courts refused special appeal presented by Ampla.

Amount: R\$ 98.8 millions - US\$ 41.7 millions.

Plaintiff : União Federal
Defendant : Ampla
Court : Organo Especial del TRF de la 2ª Región
Case/Identification : 2009655-3

Summary of Proceedings: COFINS — INMUNITY. In the nineties, a large number of the Brazilian public utility companies files resorts against the tax known as COFINS (Contribution for Financing Social Security) because they considered that the Brazilian Constitution exonerated them from that tax. Most of the companies lost the lawsuits. Ampla won the lawsuit (for the period from 1996 to 2001), because the Tax Administration forgot to file an appeal against the decision handed down by the court of appeal. However, the Prosecutor’s Office of the Federal Union brought an exceptional action known as “an action for annulment” to attempt to annul the unappealable judgment favorable to Ampla.

Process status: In December, 2003, the Regional Court of Rio de Janeiro (equivalent to the Court of Appeal) confirmed the inadmissibility of the action for annulment filed by the Federal Union. On December 21, 2007, the Federal Union filed a Special Resort against the decision of the Rio de Janeiro Court rejecting unanimously all of its previous appeals. This Special Resort is addressed to the Higher Court of Law (STJ), the court in Brasilia that rules on unconstitutional

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issues. On February 29, 2008 Ampla was notified to submit its reasons against the special resort filed by the Federal Union. The special resort was filed without the extraordinary resort and there is judicial practice that indicates that both resorts should be filed together. Therefore, there are arguments to consider that the extraordinary resort of the Federal Union has become null and void. On April 30, 2008 the Regional Federal Court (Court of Rio) decided not to accept the special resort of the Federal Union, whose objective was to take the discussion on the admissibility of the annulment action to the Superior Court (Court of Brasilia). On June 12, 2008 such decision was published. The Federal Union could still file a resort against this decision. The Federal Union filed a resort at the Superior Court on July 11, 2008. Ampla will be notified so that it files its pleadings within a 10 day period. The decision so that Ampla files its pleadings was published on September 11, 2008. Ampla filed its pleadings on September 22, 2008. The judgment of the resort has not been delivered yet.
Amount: R\$ 387 millions - US\$ 166 millions.

Plaintiff : Secretaria de Receita Federal ("SRF", the Brazilian IRS)
Defendant : Ampla
Tribunal : Comisaría de la Recaudación de Impuestos Federal de Niterói/RJ
Rol/Identificación : Auto de Infracción N° 0710200/00112/05 y Juicio Administrativo n° 10730.003110/2005-55
Summary of Proceedings: COFINS — Period after Immunity. In December, 2001, the article of the Federal Constitution on which Ampla had based its discussion of immunity with regard to the COFINS, pursuant to which Ampla did not pay this tax, was amended. There is an article in the constitution that states that legislative changes come into force 90 days after their publication. Based on this article, Ampla started paying the COFINS tax as of April, 2002. However, the SRF argues that this constitutional regulation only applies to changes to regulations involving laws, but not the Constitution itself, whose amendments should come into force immediately. The SRF also claims that, as a result of Ampla's change in tax regimen (from earned to accrued), the taxable amount of the COFINS tax increased during the first semester of 2002.

Process status: The action was notified in 2003. The decision of the 1st administrative instance went against Ampla and an appeal with the second administrative instance was filed on October, 2004. The resort was ruled on recently in the 2nd administrative instance, partly favorable to the Treasury in terms of the period when changes to the Constitution come into force and partly favorable to Ampla in terms of the tax on income due to the change in tax regimen from earned to accrue. Taxes in question are estimated to be 35%. Once the amount owed by the SRF is determined, it may be enforced. The part of the Document that was accepted by the Court of Appeal is R\$87,040. This will have to be confirmed by the Secretaria SRF. Once the amount due by the SRF is calculated, this agency will be able to start the executory process, when Ampla will discuss the constitutional issue. On April 8, 2008 the Treasury Department filed a resort against this decision at the Court of Appeal. On September 19, 2008 Ampla was called upon to make its plea for the defense against the special resort filed by the Treasury Department. On October 6, 2008 Ampla made its plea for the defense against the aforementioned resort and also filed a resort at the Court of Appeal to try to change the part of the decision that was not favorable to Ampla. The judgment has not been delivered yet.
Amount: R\$ 124.1 millions - US\$ 53.1 millions.

Plaintiff : SRF
Defendant : Ampla
Court : Commissariat of the Niterói Federal Collection Tax
ID Number : Infraction Proceeding 0710200/00112/05 and Administrative Trial 10730.003110/2005-55 (d.38)

Summary of Proceedings: FRNs — In order to finance its investment in Coelce, in 1998 Ampla issued FRNs (bonds) for \$350 millions maturing in 2008, which were subscribed by Cerj Overseas (an overseas subsidiary of Ampla, which former name was Cerj). The bonds have a special tax regimen consisting of no withholding tax (15% or 25%) being applied on payment of interest abroad, always provided that, among other requirements, there is no advanced amortization before the average term of 96 months. In order to acquire these bonds, Cerj Overseas obtained financing outside Brazil consisting of a six-month loan. At the end of the period (October, 1999) because of problems of access to other sources of financing, Cerj Overseas had to refinance with Ampla, which granted it a loan in Reais. The Secretary of Federal Tax Collection argues that the tax concession had been lost in 1998, since the loans in Reais granted to Cerj Overseas by Ampla were the equivalent of an advanced amortization of the debt before the average amortization period of 96 months. Currently there remain FRNs for \$ 169 R\$40.2 millions. (The balance was capitalized in 2004).

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Process status: The notice of infringement was notified in July, 2005. In August, 2005, Ampla filed a resort with the 1st administrative instance, and it was rejected. In April, 2006, a resort was filed with the Council of Taxpayers (2nd administrative instance). On December 6, 2007, the Council of Taxpayers issued its verdict completely favorable to Ampla. The period for executing the verdict and publishing the decision is estimated at about 6 months. After the publication of the decision, the SRF will have 30 days to file a resort.
Amount: R\$ 557 millions - US\$ 239 millions.

Plaintiff : Secretary of Treasury
Defendant : Ampla
Court : Office of Commissioner of Treasury
Case/Identification : Infringement Document No.03.177555-4; Administrative Proceeding No.E-34/059.193/05
Summary of Proceedings: ICMS FINE. In 2002, the State of Rio de Janeiro stipulated via a decree that the ICMS should be calculated and paid on the 10th, 20th and 30th of the same month accrued. Because of cash problems, Ampla continued to pay the ICMS under the former system (payment until the 5th of the month after it accrued).
Process status: Notwithstanding an informal agreement with the State of Rio de Janeiro, and 2 amnesty laws, in October, 2004, the State of Rio de Janeiro brought a proceeding against Ampla to collect the fine for late payments; Ampla appealed against the fine in the same year. In February, 2007, Ampla was notified of the decision of the 1st administrative instance, which confirmed the proceeding brought by the State of Rio de Janeiro. On March 23, 2007, an appeal was lodged with the Council of Taxpayers of the State of Rio de Janeiro (2nd administrative instance). Ampla obtained a preliminary ruling in its favor that enabled it to bring this resort without having to make a deposit of furnish a guarantee for 30% of the value of the updated fine. Waiting for the decision of the Council of Taxpayers.
Amount: R\$ 135 millions - US\$ 58 millions.

Plaintiff : Companhia Brasileira de Antibióticos (CIBRAN)
Defendant : Ampla
Court : 1st Civil Court of Itaboraí
Number/Identification : 2006.023.008555-6

Summary of proceedings: This is an action in which the plaintiff requires the compensation for damages as a result of loss of products and raw materials, breaking of machinery, among other things, occurred due to the poor service provided by Ampla between 1987 and May 1994, as well as compensation for moral prejudice.
Process status: On June 4, 2008 a Judge's decision was published. The Judge partially accepted the precautionary measure filed by Ampla to recognize the statute of limitations of the plaintiff's claim in regard to the period from January 1993 in accordance with the regulation of the Civil Code. A resort was filed against that decision so that in the event that the legal significance of the action is lost, it is possible to try to recognize the statute of limitations based on the Consumer Code. CIBRAN filed a resort against that last decision on July 17, 2008. On August 27, 2008 CIBRAN's resort was rejected, as was published on September 1, 2008).
Amount R\$ 69.5 millions - US\$ 29.3 millions.

Plaintiff : Qualita's Tecnologia y Servicios Ltda and Symon de Souza Coury
Defendant : Ampla
Court : 4th Civil Court of Niteroi County
Case/Identification : 2005.002.024695-9

Summary of Proceedings: The plaintiff brought this suit pleading that it had been created to serve Ampla since October, 1999 and that this contract should be in force until March 31, 2009, being able to be extended. The plaintiff petitioned for redress for material damages and moral prejudice caused by an alleged unilateral annulment of the contract by Ampla, which would have caused the plaintiff damages of about R\$54 millions.
Process status: On January 29, 2008 the adjudicative hearing took place. Also, the judgment was delivered and determined a successive 10 day period for filing reports. Ampla filed its reports on February 11, 2008. On August 7, 2008 the judgment was published. This judgment considered the plaintiff's request as inadmissible, and the issue as abated as result of the resolution of the legal significance. The judgment also ordered the plaintiff to pay the court costs and the attorney's fees amounting to 10% of the lawsuit. On November 25, 2008 the resolution was published and determined the filing of arguments against the resort of appeal filed by Qualita.
Amount: R\$ 63.6 millions - US\$ 26.7 millions.

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Plaintiff : Laboratorios B. Braun S.A
Defendant : Ampla
Court : Regional Federal Court (RFC) of the 1st Region
Number/Identification : 2003.002.026302-2

Summary of Proceedings: Refund of the amounts wrongly collected and the exclusion of invoices to be expired. All of this for 20% including interest and monetary correction.

Process status: Pre-trial proceedings. The producing of the expert evidence was deferred. Dr. Sylvio Batista dos Santos Filho was appointed as an expert. He should be notified to file his finding in 20 days. The parties were enabled to appoint a technical assistant and propose points to be considered in the investigation. Dr. Sylvio Batista did not accept to conduct the expert's investigation and a new expert was appointed, Dr. Tavares Moreira, who should be notified to inform whether he accepts to conduct the expert's investigation.

Amount: R\$ 56.4 millions - US\$ 23.8 millions.

Plaintiff : Cibrapel S/A Industria de Papel y Embalajes
Defendant : Ampla
Court : Single Chamber of Guapimirim County
Case/Identification : 1998.073.000018-6

Summary of Proceedings: 1) Plaintiff asks the court to order Ampla to indemnify the material and other damages caused by the poor quality of the services rendered by Ampla between the years 1991 and 1998. 2) Plaintiff asks the court to order Ampla to refund the amounts paid as a result of the price increase implemented following administrative resolutions 38 and 45 of 1986, which have been considered illegal, both by the government and by the courts.

Process status: On February 1, 2008 the judgment was published and was partially favorable to Ampla. On February 6, 2008 Ampla filed resorts requiring a change to the decision in regards to the payment of court costs and attorneys' fees. The resorts filed by Ampla were partially accepted in regards to changing the judgment regarding the attorneys' fees. On May 28, 2008 the plaintiff's resorts were rejected. The decision was published on June 16, 2008. On July 1, 2008 Ampla filed a resort of appeal and so did the plaintiff. We are waiting for the opening of the period to file arguments against the resort of appeal.

Amount: R\$49.6 millions - US\$ 20.9 millions.

Plaintiff : Astec Assessoria de Serviço Técnicos e Tributários Ltda.
Defendant : Ampla
Court : 4th Civil Court of Niterói
Number/Identification : 2007.002.074798-9

Summary of proceedings: The plaintiff alleges that Ampla has not complied with clauses of the agreement signed by the parties regarding the rendering of consulting services.

Process status: This legal action was filed on December 19, 2007. Ampla was notified to make its plea for the defense as rendered by Ampla on February 21, 2008. The plaintiff made its plea for the defense on May 26, 2008. The Judge deferred the admission of additional proof of private documents and accounting expert evidence, appointing Dr. Robson Gago as an expert. The parties were entitled to appoint technical assistants and prepare the points to be considered. After that, the expert will be notified so that he states if he accepts the work and presents his fee proposal. The analysis of the producing of oral evidence will be performed after the filing of the expert evidence. The expert returned the proceeding with his fee proposal.

Amount: R\$ 39.7 millions - US\$ 16.8 millions.

Plaintiff : Perma Ind de Bebidas S/A
Defendant : Ampla
Court : 2nd Civil Court of Niterói
Number/Identification : 2006.002.003327-9

Summary of proceedings: Refund of the excessive collection of electric energy rates.

Process status: Period for the hearing of the case after the redistribution of the proceeding to the Provincial Justice.

Amount: R\$ 35.4 millions - US\$ 14.9 millions.

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Plaintiff : Fábrica Boechat Ltda.
Defendant : Ampla
Court : Regional Federal Court (RFC) of the 1st Region
Number/Identification : 1999.01.00.019832-8

Summary of proceedings: Refund of the excessive collection of the electric energy rate.

Process status: Period allowed for filing of an appeal.

Amount: R\$ 34.4 millions - US\$ 14.5 millions.

Plaintiff : Municipality of Itaboraí
Defendant : Ampla
Court : 2nd Civil Court of Itaboraí
Number/Identification : 2004.023.004759-9

Summary of proceedings: The claim is the review of the amount collected for the supply of electric energy to the plaintiff and double refund of the value paid in excess for the last ten years for the public lighting in streets, squares and municipal public areas. The plaintiff alleges that the collection is not consistent with the actual consumption, as the concessionary company does not consider night time and turned off bulbs correctly. This results in a difference in excess for 21.89% in invoices.

Process status: The proceeding is in the period allowed for the investigation. Return of court records by the expert on July 23, 2008.

The expert also informed his fees for R\$102,000. On August 25, 2008 Ampla was required to notify the expert so that he was informed of the method of work used in the investigation.

Amount: R\$23.8 millions - US\$ 10 millions.

Plaintiff : Televisión Cidade S/A.
Defendant : Ampla
Court : 8th Civil Court of Niterói
Number/Identification : 2004.002.008999-1.

Summary of proceedings: On May 3, 2004 the plaintiff filed an action to reduce the value of the agreement for the passing (support) of the plaintiff's cables in the network of Ampla, alleging that the price of the agreement is excessively high.

Process status: On September 20, 2006 the court records were sent to the expert and they are still under investigation.

Amount: R\$ 24.1 millions - US\$ 10.2 millions.

Plaintiff : Real Veículos Com E Ser Ltda.
Defendant : Ampla
Court : Regional Federal Court (RFC) of the 2nd Region
Number/Identification : 1997.51.01.104745-5

Summary of proceedings: Refund of the excessive collection of electric energy rates.

Process status: Currently within appeal period.

Amount: R\$ 18.6 millions - US\$ 7.9 millions.

Plaintiff : Electrovidro S.A
Defendant : Ampla
Court : 8th Tax Court of the County of Rio de Janeiro
Case/Identification : 1995.001.065045-7

Summary of proceedings: Lawsuit dated June 14, 1995 in which it is argued that AMPLA infringed the rules of Statutory Decree 2283/86 which stipulated freezing of prices while the *Cruzado* Plan was in force. This plan corresponds to *Porteria* 45/86 of the DNAEE which increased the rate for electrical energy for industrial use by 20%. The plaintiff petitions for the charge to be declared illegal and for restitution of the amounts paid incorrectly with interest penalties.

Process status: The objection to the claim filed by Ampla on February 20, 2008 was rejected. Against the decision of harmonization of the expert's finding issued on November 8, 2007, both parties filed resorts (seizures of statement); however, they were rejected and so new resorts were filed (torts) by Ampla and Electrovidro (file numbers

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2008.002.02344 and 2008.002.02723). In regard to resort No.2008.002.02344 filed by the plaintiff, the Court of Rio de Janeiro issued the decision to establish that the calculations of the settlement sentence should include the wrong increase value until the invoices of December 2005, when the expert's finding was completed, recognizing the "cascade effect". After that, due to the decision of its resort (tort), the plaintiff required to notify Ampla to pay R\$16,178,697.80 in accordance with Article 475-J of CPC (Brazilian Civil Code), in regard to the improper "cascade effect" of the refund of the amounts for wrong payments, which was deferred by the judge. The related decision was published on May 5, 2008. A special resort was filed to change the Court's Decision. After that, a tort was filed to give leave for the special resort, which was distributed to the superior court and will be assessed by the Judge. Also, Ampla filed precautionary measure No.2008.014.00082. The precautionary measure was deferred by the 3rd Vice-Presidency of the Court of Rio de Janeiro, which determined the interruption of the executory process. After that, the special resort was rejected and the precautionary measure was annulled. Also, we filed a new precautionary measure at the superior court. This measure was abated without considering the merits of the case. A tort was filed. This tort has not been assessed yet. In first instance Electrovidrio took up again the execution of the cascade effect in the restated amount of R\$18.7 millions, including the 10% fine of Article 475-J of CPC, calculated by the Judge. Therefore, we filed a letter of bank hypothecation, which was accepted with guarantee of the appealable proceeding. The seizure of on line assets required by Electrovidrio was turned down. For this reason, a tort was filed. In this resort of Electrovidrio, on October 1, 2008 the Court authorized the blocking of 5% of the billing of Ampla up to 18.7 million Reais. Ampla requested the interruption of the measure that authorized the seizure of 5% of the billing. This was approved by the Head Judge. Electrovidrio filed a resort whose judgment has not been delivered yet. Also, the Supreme Court has not delivered a judgment of a resort in which Ampla tries to correct a material error of the final judicial decision arguing that this would give occasion for the execution of the cascade effect of Electrovidrio. An objection to the serving of the judicial decision was filed in first instance in order to require the interruption of the serving until the final judicial decision on the incident. This was approved by the judge. Electrovidrio did not agree on the above and filed a resort. The judge approved to continue with the serving, that is the 5% seizure of Ampla's billing. Therefore, Ampla requested to reconsider that decision. The responsible judge informed that he understands that the preliminary measure is also interrupted. We are waiting for the judgment of the objection to serve the judicial decision and the resorts at the Superior Court and Court of Rio de Janeiro.

Amount: R\$ 19.5 millions - US\$ 8.2 millions.

Plaintiff : Companhia Eletromecânica Celma
Defendant : Ampla
Court : Regional Federal Court (RFC) of the 2nd Region
Number/Identification : 1994.002.005084-9 (2001.002.007238-8)

Summary of proceedings: Refund of amounts collected and received excessively.

Process status: The final judicial decision that solved the settlement was published. Ampla filed a resort against such final judicial decision. The final judicial decision rejected the objection and fixed the final value of the serving in R\$298,853.85, plus interest and monetary correction that were already set from the date of the last calculation until its actual payment. Some resorts were filed that were later rejected and resulted in the filing of an appeal. We are waiting for the plaintiff's response.

Amount: R\$ 16.5 millions - US\$ 7 millions.

Plaintiff : Engebra Empresa de Energia do Brasil Ltda. e Usina Termelétrica de Anápolis (UTE Daia)
Defendant : Ampla and other 26 concessionary companies
Court : 6th Court of Goiana
Number/Identification : 2008.02220430

Summary of proceedings: Discussion on the value of the energy purchase-sale contract and the value of VUC (variable unit cost of generated energy) in accordance with the contract. The plaintiff requests the rate recomposition and compensation.

Process status: The claim was notified on May 21, 2008. An issue of jurisdiction is being processed. On July 17, 2008 Ampla and Coelce filed a resort (tort) against the decision on the jurisdiction dispute that provided a precautionary measure. The judge of the 6th Civil Court of Goiás was appointed to process the emergency measures. On September 1, 2008 the decision of the Court was published. The Court did not recognize the jurisdiction dispute unanimously. On September 10, 2008 Ampla and the other defendants filed resorts at the Superior Court. On November 10, 2008 the Superior Court issued a decision, in which it rejected the resorts. As the lack of jurisdiction of the state justice of

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Goiania to adjudicate the lawsuit was determined, we are waiting for the distribution of the proceeding to the Federal Court of the Federal District so that it continues with the proceeding.

Amount: Undetermined

Plaintiff : Usina Termelétrica de Anápolis (UTE Daia)
Defendant : ANEEL, Federal Union, AMPLA and other 26 concessionary companies
Court : 15th Court of the Federal District
Number/Identification : 2008.34.00.003724-2

Summary of proceedings: Discussion on the value of the energy purchase-sale contract and the value of VUC (variable unit cost of generated energy) in accordance with the contract. The plaintiff requests the rate recomposition and compensation.

Process status: On August 7, 2008 the final judicial decision was published. This decision approved the request for the withdrawal of the case by the plaintiff. The plaintiff and one of the defendants (Elektro) on August 20 and 21, 2008, respectively, filed an appeal.

Amount: There is no amount (continued in lawsuit No.2008.02220430 above)

Plaintiff : Fraspol Ind e Com Ltda
Defendant : Ampla
Court : 7th Civil Court of Niterói
Number/Identification : 2005.002.014243-0

Summary of proceedings: Refund the amount paid excessively. The plaintiff alleges that there was an illegal increase in the electric energy rate during the "Crossed Plan". Process status: Ampla presented the expert's fees for starting the works in progress. The findings of the expert investigation were prepared and the parties expressed their opinions through a resolution that will be published.

Amount: R\$ 13.9 millions - US\$ 5.9 millions.

Plaintiff : Sadia Concórdia S A
Defendant : Ampla
Court : 1st Civil Court of Duque de Caxias
Number/Identification : 1997.512.004615-5 (2004.001.10345)

Summary of proceedings: The Court ordered Ampla to refund the standing charges for electric energy rates paid in excess (20%) due to the application of the adjustments in accordance with Resolutions 38 and 45 during the period of price freeze, as well as their effects on the subsequent periods, plus interest and monetary correction in accordance with the consumer price index (CPI) and the attorneys' fees fixed in 20% of the total value of the refund.

Process status: We are waiting that the plaintiff starts the executory process of the court decision.

Amount: R\$ 13.6 millions - US\$ 5.8 millions.

Plaintiff : Cerâmica Marajó Ltda.
Defendant : Ampla
Court : 3rd Civil Court of Niteroi
Number/Identification : 1998.002.026066-0

Summary of proceedings: Eliminate the illegal 20% increase in the invoices for electric energy consumption based on Resolution 45/86 of DNAEE (Brazilian National Water and Electric Energy Department) and its consistent reflections on the subsequent invoices and refund all the amounts illegally received.

Process status: In executory process; we are waiting for the preparation of the technical report by the judicial expert. Proceeding sent to the expert on March 19, 2008. Ampla filed an objection to the expert finding.

Amount: R\$ 13.2 millions - US\$ 5.6 millions.

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Plaintiff : Pinto de Almeida Engenharia S/A
 Defendant : Ampla
 Court : 7th Civil Court of Niteroi
 Number/Identification : 1998.002.027241-7
 Summary of proceedings: Absence of obligation of the plaintiff to pay the electric energy increased by Resolutions 38 and 45 and refund of amounts wrongly paid from March 1986, plus interest and monetary correction; order the defendant to reduce future invoices in the same proportion of the increases supported by those resolutions.
 Process status: The lawsuit was reopened by the plaintiff to start the executory process of the court decision.
 Amount: R\$ 11.7 millions - US\$ 6.3 millions.

Plaintiff : Roberto Barbosa Ramos and Almira Barbosa Ramos
 Defendant : Ampla
 Court : Court of Arraial do Cabo
 Number/Identification : 2002.005.000034-6
 Summary of proceedings: Compensation for death of a child due to electrocution. The parents try to obtain compensation for moral prejudice equivalent to 20,000 minimum wages for R\$ 59 millions.
 Process status: Proceeding in the period allowed for pre-trial proceedings. We are waiting for the filing of the fee proposal by the expert and the subsequent start of the expert's investigation. The expert's fees were proposed for R\$ 4,750. That decision was objected. The objection has not been processed yet. After that, the expert evidence should be performed. The expert maintained the value of his fees. Therefore, there was a new request so that the expert expresses his opinion on a possible reduction of his fees and financing of the amount required.
 Amount: R\$ 21.8 millions - US\$ 9.2 millions.

Plaintiff : Companhia Brasileira de Antibióticos (Cibran)
 Defendant : Ampla
 Court : 11th Court of the Treasury of Rio de Janeiro
 Number/Identification : 2000.001.109379-0
 Summary of proceedings: Questioning of the calculation base of the ICMS (Brazilian VAT) as it includes the value of the same tax ("inside" calculation).
 Process status: In the initial period allowed for pre-trial proceedings. On March 5, 2008 the prosecuting authority returned the proceeding and we are waiting for the proceeding to start being processed.
 Amount: Undetermined.

Plaintiff : Union of Workers in the Niterói Electrical Energy Industry representing a class action suit by 2841 employees
 Defendant : Ampla
 Court : Niterói Work Chamber
 Case/Identification : Labour Complaint 884/1989
 Summary of Proceedings : In April 1989, the Niterói Union, in representation of 2841 employees, launched an action claiming salary differences of 26.05% since February 1989 that were related to the economic plan instituted by Decree Law 2.335/87, or "Summer Plan".
 Process status: Ordinary proceedings have finished. The current discussion is focused on the compliance with the final judicial decision where execution motion to dismiss was filed. The main proceedings were accepted in accordance with the execution motion to dismiss. We are waiting for the decision on the resort filed the plaintiffs.
 Amount: R\$48.3 millions - US\$ 20.4 millions.

Plaintiff : Selma de Souza and 122 other plaintiffs
 Defendant : Ampla
 Court : 2nd Employment Chamber of Niterói
 ID Number : Work Complaint No.3142/1995
 Summary of Proceedings : The plaintiffs were fired by the Company and demand to be reinstated and to have their right of employment stability recognized.

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Process status: Accessory Innominate Action for Provisional Resort filed, taking into account that the previous Action for Provisional Resort, which kept the plaintiffs out of the company, was repealed by the effect of the Tort filed in the Claim proceedings submitted by the plaintiffs to the TST, which understood that it was competent to do justice to the suspensive effect in question. In the face of the position adopted by the TST, this Action for Provisional Resort was filed seeking to stay the effects of the advanced tutelage and also have a suspensive effect on the ordinary resort filed in the pleas and proceedings of the case, with such being favorable to the company's position. The court records were taken from Brasilia to the Regional Labor Court (RLC) to consider the legal significance of the resort; however, this will be adjudicated after the proceeding of the resort filed at the Federal Supreme Court.
 Amount: R\$ 70.2 millions - US\$ 29.6 millions.

Plaintiff : José Reynaldo Ferreirinha and Others
 Defendant : Ampla and Brasileiros
 Court : 3rd Labor Court of Niterói
 Number/Identification : Labor Claim 2422/1990
 Summary of proceedings: The plaintiffs requested the jointly sentence, differences of complements and additional of retirement pension, plots expired and to be expired with reflections and attorneys' fees.
 Process status: We are waiting for the decision on the appeal filed by Ampla.
 Amount: R\$ 16.3 millions - US\$ 6.9 millions.

Plaintiff : Ampla
 Defendant : Instituto Nacional de Seguro Social (INSS)
 Court : 1st Federal Court of Niteroi
 Number/Identification : 2005.51.01.011845-3
 Summary of proceedings: Ampla filed an action against INSS (National Social Security Institute) requesting the right to receive the contribution to the occupational accident insurance (OAI) in accordance with the level of risk of the activity mainly carried out in every place of business (parent company and subsidiaries) legally incorporated and the level of risk of the activity carried out by the company.
 Process status: The company required the producing of proof of private documents, expert evidence and evidence of witnesses.
 Evidentiary stage closed and judge is considering his ruling since July 31, 2008.
 Amount: R\$ 0.2 millions - US\$ 84,424

Plaintiff : Federal Union
 Defendant : Ampla and others
 Court : 5th Federal Court of Niterói
 Number/Identification : 2008.51 of February 20001414-1
 Summary of proceedings: The purpose of this executory process distributed to Ampla and its directors and former directors is the service of dispossession of debit: 35.887.326-6 and 35.887.328-2, regarding the contribution to the OAI. The legal significance was discussed in proceeding No.2005.51 of February 20011845-3. Ampla filed a claim requiring to exclude from the liabilities of this executory process Ampla's directors and former directors, considering that this company already took on the responsibility for the debit of this action when fully guaranteed the action for provisional resort No.2008.51 of February 20001005-6. The transfer of the letters of hypothecation guaranteed in this action for provisional resort to the executory process in order to file resorts against executory process was required (this was granted in the trial).
 Process status: On November 7, 2008 we filed execution motion to dismiss regarding the current directors in order to exclude them. On November 11, 2008 resorts against the executory process were filed. On November 19, 2008 a judicial decision was issued. This decision stated the opinion of the Public Prosecutor's Office of the Treasury on Ampla's claim of motion to dismiss and the negative representations of service of the legal process regarding the former directors. On November 21, 2008 the court records were sent to the Public Prosecutor's Office of the Treasury. We are waiting for the opinion of the Public Prosecutor's Office of the Treasury on the claim of motion to dismiss filed by Ampla.
 Amount: R\$ 19 millions - US\$ 8 millions.

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Plaintiff : Ampla
 Defendant : União Federal
 Court : 2nd Federal Court of Niterói.
 Case/Identification : Ordinary Proceeding 96.0035652-1 and Civil Appeal 98.02.09149-9.
 Summary of proceedings: PIS — This is an ordinary proceeding in which AMPLA seeks to obtain tax immunity for collection of the tax known as PIS. It also seeks for the Federal Union to be sentenced to reimbursing all the amounts collected over the past five years since August, 1996, based on paragraph 3 of article 155 of the Federal Constitution.
 Process status: Appealable judgment unfavorable to Ampla. On August 5, 2008 the judicial decision was published and considered as admissible the resorts (seizures of statement) filed by Ampla. Ampla filed a claim to confirm what was requested and request that the executory process should start. On October 15, 2008 the decision that determined the remittance of the proceeding to the judicial accountant so that the calculations filed by Ampla were compared was published. Ampla filed a resort (seizure of statement) against such decision so that the proceeding is not sent to the judicial accountant as the judicial accountant already expressed his opinion that he has no technical qualifications to compare the calculations. We are waiting for the judge's ruling.
 Amount: R\$ 23.6 millions - US\$ 10 millions.

Plaintiff : Office of Treasury
 Defendant : Ampla
 Court : Board in Full Attendance
 Number/Identification : Infringement Document No.01.082242-7 and Administrative Litigation No.E-04/893.637/99
 Summary of proceedings: Tax sanction due to presumptive difference in the payment of ICMS (Brazilian VAT). Ampla is an ICMS debtor for wrong VAT credits in connection with amounts of entry of products intended for fixed assets.
 Process status: On July 27, 1999 Ampla filed its objection to the Infringement Document, which was considered as inadmissible by the Tax Review Authority of the State of Rio de Janeiro. As a result, Ampla filed a voluntary appeal, which was not accepted by the 3rd Chamber of the Taxpayers Council. Due to the new decision unfavorable to Ampla, Ampla filed a resort at the Board in Full Attendance. The proceeding is in the period allowed for steps and then will be adjudicated by the Board in Full Attendance. The decision of the court has not been issued since February 25, 2008
 Amount: R\$ 15.3 millions - US\$ 6.5 millions.

Plaintiff : Municipality of Magé
 Defendant : Ampla
 Court : Municipal Office of the Treasury
 Number/Identification : Infringement Document No.1056
 Summary of proceedings: Infringement Document prepared in order to collect the Land Use Rate between 2000 and 2005.
 Process status: Ampla filed an objection to the infringement document. Waiting for the appealable decision of the Court.
 Amount: R\$ 12.9 millions - US\$ 5.5 millions.

Plaintiff : ASOBRAEE - Brazilian Association of Consumers of Water and Electricity
 Defendant : Ampla
 Court : 5th Civil Court of Niteroi County
 Case/Identification : 2006.002.002621-4
 Summary of Proceedings: The Plaintiff presented this action requiring that the DNAEE nº 038 and 045 Resolutions of 1986 be declared null. These resolutions established the rate adjustment, for which AMPLA may be condemned to the restitution of the improper charge, equivalent to 20% of what it would have charged all the consumer in the period from March to November 1986, as well as to force Ampla to present the complete schedule of payments made for all of the consumers in the period from March to November 1986.
 Process status: The resort filed by Ampla against the decision that adjudicated the incident of objection to the value of the lawsuit became a retained resort for the preliminary assessment for the appeal trial by the Court of the State of Rio de Janeiro.
 Amount: Undetermined.

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Plaintiff : Consumer Defence Commission of the Legislative Assembly of the State of Rio de Janeiro
 Defendant : Ampla
 Court : 7th Business chamber of the State of Rio de Janeiro
 Case/Identification : 2005.001.084370-8
 Summary of Proceedings: This is a Public Civil action launched in order to prevent the installation of electronic measurement meters. The plaintiff states that this modernization's only purpose is to prevent theft of electricity and would actually deprive consumers of their right to information. Plaintiff argues that it is Ampla's responsibility to detect electricity theft in other ways and not put the burden on the consumer.
 Process status: Ampla submitted allegations against the Appeal filed by the Plaintiff and the proceedings were then remitted to the Justice Court. The Appeal entered the court under No. 2006.001.22785 and was distributed to the 15th civil chamber of the court. The court, by unanimous decision, rejected the appeal, which was published on August 16, 2006. The Plaintiff then filed a Special Recourse, with the proceedings being remitted to the 3rd Vice-presidency of the court. On October 16, 2006 Ampla submitted its allegations. On October 25, 2006, the proceedings were remitted to the "Procuradoria General de Justicia" and were returned on November 22, 2006. On January 3, 2007, this resort was rejected. On January 16, 2007, the Plaintiff filed instrument tort against the decision that rejected the special resort. On March 6, 2007, the instrument tort was remitted to the Higher Court. On April 12, 2007, the case records were remitted to the reporting clerk, where they have been to this date. On September 11, 2007, the decision accepting hearing of the Special Resort by the Higher Court was published. On October 16, 2007 the court records were sent to the Superior Court.
 Amount: Undetermined

Plaintiff : Macao Consumer and Worker Defense Association - AMADECONT
 Defendant : Ampla
 Court : Single Chamber of the County of Rio das Ostras
 Case/Identification : 2004.068.001287-1
 Summary of Proceedings: The plaintiff launched this action requesting partial power in advance to prevent the Defendant from charging the TMIP ("Municipal Street Lighting Rate"), and requesting that Ampla be required to refund the amounts wrongly charged and pay the costs of the trial.
 Process status: The prosecuting authority filed a resort (a tort - Proceeding 2008.002.22940) against the decision that rejected the trusteeship. On August 15, 2008 the decision was published. This decision accepted the tort and determined that Ampla is refrained from collecting the TIP in the electric energy invoices of consumers in the district of Rio das Ostras until the end of the lawsuit. On August 22, 2008 Ampla filed resorts (seizures of statement). On September 1, 2008 the judicial decision was issued. This decision accepted the resorts (seizures of statement) imputing the change of the effects to such resort and rejected to follow up the resort of the prosecuting authority (tort). On September 5, 2008 Ampla informed the Judge about the decision of the appeals for reconsideration of judgment filed against the decision issued in the trial documents of the resort. On November 3, 2008 this was removed from the resort.
 Amount: Undetermined

Plaintiff : General Attorney's Office of the State of Rio do Janeiro
 Defendant : Ampla and Municipality of Paraty
 Court : Single Court of Paraty County
 Case/Identification : 2005.041.001008-9
 Summary of Proceedings: The plaintiff brought this suit petitioning, by way of advanced tutelage, sentencing of the Municipality of Paraty to abstain from collecting the Contribution for Street Lighting (CIP), under penalty of a fine of R\$50,000.00 (US\$23,277.46) and, additionally, that Ampla should be compelled to collect the CIP separately, although on the same energy consumption bill, using different bar codes, under penalty of a fine of R\$10,000.00 (US\$4,666.79).
 Process status: On July 3, 2008 the judgment was delivered. This judgment considered the proceeding as abated with no resolution of the legal significance. On July 11, 2008 the court records were sent to the prosecuting authority and they were returned on July 29, 2008. On August 4, 2008 the court records were sent to the Treasury Department and they were returned on August 8, 2008. The judicial decision was published on September 24, 2008.
 Amount: Undetermined

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Plaintiff : Municipality of Paraty
Defendant : Ampla
Court : Single Court of Paraty County
Case/Identification : 2005.041.001124-0

Summary of Proceedings: The plaintiff brought this suit petitioning for: 1) Acceptance of the precautionary measure for Ampla to abstain from shutting off the power supply services, under penalty of a fine of R\$10,000.00 (US\$4,666.79) to be applied to each non-compliance of the delegated order, without detriment to any other possible penalties; 2) That Ampla should maintain the regularity of the system of supply and maintenance of the power transmission grid in satisfactory conditions for the users; 3) That Ampla should be sentenced to submit and execute within a reasonable period of time a project to modernize the grid, consisting of improvements to the power transmission equipment and lines in the area of the Municipality of Paraty; 4) the injunction for the Public Prosecutor's Office to be a party to or to act in the case of legal expenses; and 5) The injunction of the Granting Power in the case, the State of Rio de Janeiro, to express an interest in the case through its legal representative.

Process status: The court records were returned by the expert on June 11, 2008. On June 30, 2008 the court records were sent to the Municipal Treasury and they were returned on July 31, 2008. The Municipal Treasury filed an objection to the expert's fees proposal. On August 21, 2008 the court orders were published. These court orders determined that the parties should express their opinion on the expert's motion, which reduced his fees proposal to R\$60,000.

Amount: Undetermined.

Plaintiff : Universidade Federal Fluminense
Defendant : Ampla
Court : 4th Federal Court
Number/Identification : 2000.51.020.04388-9

Summary of proceedings: The plaintiff filed a claim for the absence of judicial relationship between the plaintiff and the Province of Rio de Janeiro, in regard to the ICMS (Brazilian VAT) on the electric energy supply. The plaintiff alleges the unconstitutionality of the ICMS on electric energy invoices as it has tax immunity.

Process status: On June 13, 2003 the judicial decision was published. The decision considered the plaintiff's request inadmissible. On July 13, 2005 the appeal filed by the plaintiff was sent to the reporting clerk.

Amount: Undetermined.

Plaintiff : Sindicato da Indústria de Cerâmica para Construção de Campos (Union of the Construction Ceramics Industry of Campos)
Defendant : Ampla
Court : 6th Civil Court of Niterói
Number/Identification : 2003.002.019554-5

Summary of proceedings: The Union of the Construction Ceramics Industry of Campos filed an action against Ampla alleging that the ICMS should not affect the demand for hired power, but the demand for power actually measured.

Process status: On June 23, 2008 the courts orders were published. These court orders determined the opinion of Ampla. On July 1, 2008 Ampla signed the claim and informed that it already completed the costs of the bench warrant. On August 19, 2008 the positive warrant of writ of summons by the State was attached. On October 9, 2008 this was removed from the letter rogatory. The letter rogatory is expected to be attached to the court records.

Amount: Undetermined

Plaintiff : State Attorney General's Office
Defendant : Ampla
Court : 2nd Civil Chamber of Town of Saint Gonzalo
Case/Identification : 2003.004.034117-9

Summary of Proceedings: Plaintiff launched the Public Civil Action requesting first that Ampla be ordered to supply the regular consumers of Saint Gonzalo a quality electrical energy service without interruptions, and take all measures necessary to prevent such interruptions, even if in order to achieve this it must restructure all of its equipment; in the event it is absolutely necessary to interrupt the supply, then the restoration of supply must be immediate or the fine shall be R\$10,000 a day.

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Process status: On November 13, 2008 the court records were sent to the prosecuting authority and they were returned on November 13, 2008.

Amount: Undetermined

Plaintiff : Federal Prosecuting Authority
Defendant : Ampla
Court : 17th Federal Court of Rio de Janeiro
Number/Identification : 2008.51.01.012193-3

Summary of proceedings: A criminal indemnification action based on Ampla's administrative investigation of the electronic meters.

Requires as a precautionary measure that Ampla refrains from (i) issuing an invoice or collecting based on measurements made by electronic meters versions CS 5.0.2, 6.0.1 and 6.0.2; (ii) interrupting the electric energy supply to consumers that are in debit in connection with invoices issued based on electronic meters versions CS 5.0.2, 6.0.1 and 6.0.2; (iii) inserting in restrictive credit records the names of such users that are in debit. Also requires that ANEEL inspects the compliance with the precautionary measure by Ampla and that Ampla pays equity damages and moral prejudice through credit in the invoice of electric energy.

Process status: On December 4, 2008 the resolution was published. This resolution ordered to provide with the copy of the claim filed by the Federal Office of the Public Prosecutor on July 11, 2008 as it was lost or, if not possible, that both parties express their opinions (the plaintiffs first) within a ten successive day period.

Amount: R\$ 21 millions - US\$ 9 millions

Plaintiff : Labor Prosecuting Authority
Defendant : Ampla
Court : 3rd Labor Court of Niterói
Number/Identification : 2028/2001

Summary of proceedings: The purpose of this action is to order Ampla to refrain from absorbing labor through a company (subcontract); otherwise, Ampla will be imposed a daily fine for noncompliance.

Process status: The court unanimously rejected the judgment of both resorts to maintain the judicial decision in all respects. Ampla filed resorts.

Amount: Undetermined

Plaintiff : Sindicato de Trabajadores de las Industrias de Energía Eléctrica del Norte y Noroeste Fluminense (Labor Union of Electric Energy Industries of the North and Northwest of Rio de Janeiro)
Defendant : Ampla
Court : 2nd Labor Court of Campos dos Goytacazes
Number/Identification : 1388/2003

Summary of proceedings: This is a suit intended to order Ampla in the obligation of not doing (refrain from absorbing labor through a company - subcontract); otherwise, Ampla will be imposed a daily fine for noncompliance.

Process status: Waiting for the period allowed for opinion about the expert finding.

Amount: Undetermined

Plaintiff : Ampla
Defendant : Federal Union
Court : 2nd Federal Court and 4th Group of Regional Federal Court of the 2nd Region
Number/Identification : Action No.96.0035653-0 and Civil Appeal No.98 of February 2021000-5

Summary of proceedings: COFINS — Action filed by Ampla requesting: 1) Decree of tax immunity of Ampla for COFINS (social security financing tax); and 2) To order the Federal Union to refund the payments made on account of COFINS in the last five years duly corrected and increased in accordance with legal charges. As a result of the decision processed in the court and announced in injunction No.92.0113589-4, Ampla changed its requests maintaining only request 2 (refund of payments).

Process status: On May 2, 1997 the final judicial decision was issued. This decision considered as inadmissible Ampla's request and ordered to pay the fees based on 5% of the value of the lawsuit. On August 15, 2006 the court rejected the

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judgment of Ampla's resort and accepted the judgment of the supporting resort of the Federal Union so that the proceeding returns to first instance and the Federal Union files a new plea due to the change in Ampla's request. On December 6, 2006 the Court's decision was published. This decision rejected the judgment of Ampla's resort. On December 11, 2006 Ampla filed resorts so that the court explains the omission of the judicial decision. The trial for the resorts is pending.

Amount: Undetermined

Plaintiff : Ampla
Defendant : Federal Union
Court : 4th Federal Chamber of Niterói and 4th Group of the TRF of the 2nd Region
Case/Identification : Ordinary Action No.96.0035387-5 and Civil Appeal No.1999.02.01.047064-8 (d.4)

Summary of Proceedings: FINSOCIAL - Ampla seeks to obtain the declaration that the tax-legal relationship (tax immunity) does not exist as regards the payment of the tax called FINSOCIAL, which would have an impact on its gross monthly revenue. It also seeks to have the Federal Union forced to refund the total amount collected in the last five years, starting from October 1996 and, if the foregoing is not possible, that the Federal Union be made to refund the difference between the amount paid in accordance with Laws 7,787/89, 7,784/89 and 8,147/90, and that due in accordance with Decree Law No.1.940/82, in the same period referred to above..

Process status: The lower court's decision declared without grounds the request for immunity, but accepted the petition to declare unconstitutional the increases in the FINSOCIAL tax rate above 0.5% and the right to offset the said excess in current and future taxes due. The appeals of Federal Union and Ampla were filed. The proceedings were sent to Federal Regional Court where they are currently awaiting a judgment on the two appeals. The judgment of the appeals filed by Ampla and the Treasury was delivered on December 2, 2008. The Regional Federal Court rejected the resorts and maintained the appealable decision.

Amount: Undetermined

Plaintiff : Ampla
Defendant : Federal Union
Court : 3rd Group of the Regional Federal Court of the 2nd Region and 1st Federal Court of Niterói
Number/Identification : Injunction No. 98 of February 2002033-8 and Appeal against Injunction No.2000 of February 2001.055412-5

Summary of proceedings: This is an injunction against the act to be performed by the Commissioner of the Federal Tax Collection in Niterói intended to ensure that Ampla is fully indemnified for the tax impairment for the purpose of clarification of the calculation base of IRPJ (Income Tax on Legal Entities), and negative calculation bases for the purpose of the CSLL (Company Contribution on Loss of Profits) clarified until December 31, 1994 (excluding 1993) not subject to the 30% limit of taxable profit.

Process status: Appealable judgment totally favorable to Ampla. The Court has not delivered a judgment of the resort filed by the Federal Union at the Regional Federal Court since February 23, 2005. Due to the decision announced in the court proceedings 98.0207129-3, Ampla paid the infringement document related to such proceeding amounting to R\$5,785,915.75. This amount may be recovered in the event that the lawsuit is favorable.

Amount: Undetermined

Plaintiff : Ampla
Defendant : Federal Union
Court : 3rd Group of the Regional Federal Court of the 2nd Region and 1st Federal Court of Niterói
Number/Identification : Injunction No. 98 of February 2007129-3 and Appeal against Injunction No.1998.51 of February 20207129-6

Summary of proceedings: This is an injunction against the Commissioner of the Federal Tax Collection in Niterói intended to ensure that Ampla to be fully indemnified for the tax impairment for the purpose of the calculation of the calculation base of IRPJ (Income Tax on Legal Entities) and the negative calculation bases for the purpose of the CSLL (Company Contribution on Loss of Profits) for 1993, 1995 and 1996 with profits generated in base years 1998 and subsequent years, not subject to the 30% limit of taxable profit.

Process status: Appealable judgment totally favorable to Ampla. The Federal Union filed a resort at the Regional Federal Court (RFC). The decision of the RFC was to partially accept the appeal filed by the Federal Union. After the

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publication of the decision of the court in regard to the appeal. Ampla filed resorts to pre-question some points to be included in the resorts at the superior courts. The resorts were rejected and Ampla filed a resort at the superior court and superior federal court. On February 22, 2008 the court orders were published. These court orders accepted the resorts. On April 11, 2008 the proceeding was distributed to the superior court to deliver a judgment (number of the resort at the superior court 1041385).

Amount: Undetermined

Plaintiff : Ampla
Defendant : State of Rio de Janeiro
Court : Superior Court
Number/Identification : Injunction No.2002.001.110494-9

Summary of proceedings: Injunction issued so that the authority refrains from perform any act intended to collect the ICMS (Brazilian VAT) established by Decree No.31.632/02.

Process status: On October 13, 2008 the Treasury filed its arguments against Ampla's resorts. On December 18, 2008 the judgment of the resort was delivered. The judge rejected the judgment of the resort, but another judge request to see the proceeding and interrupted the judgment.

Amount: Undetermined

Plaintiff : Ampla
Defendant : Federal Treasury — Federal Union
Court : Federal Court of Niterói
Number/Identification : Injunction No.2008.51 of February 20004965-9

Summary of proceedings: The purpose of the lawsuit is to exclude the ICMS (Brazilian VAT) from the taxable base of the taxes for PIS (Brazilian Social Integration Program) and COFINS (social security financing tax).

Process status: The claim was filed on December 17, 2008.

Amount: Undetermined

Coelce S.A.

Plaintiff : Romério Moreira de Deus
Defendant : Coelce
Court : Court of the State of Ceará (TJCE)
Case/Identification : 2000.0161.6981-7.

Summary of proceedings: The Plaintiff is the owner of a plot of land in Aracati/Ceará, where Coelce built several electrification networks, without having compensated the client. Thus, the plaintiff intends to prevent the construction of new electrification networks and have the existing ones removed. Coelce won the lawsuit in the first instance by having it dismissed. However, the sentence was revoked on appeal and Coelce was sentenced to remove the new networks in the process of being installed and pay about \$3.3 millions as compensation. As a result of the above, the plaintiff filed for enforcement of the sentence, petitioning a credit based on a compensation of nearly \$3.3 millions. In parallel, Coelce has appealed for the sentence by the Court of Appeal, in terms of the compensation granted beyond what was petitioned, to be voided. The plaintiff has already raised a plea against Coelce's appeal and notification of the pleading was made to the other party for the rejoinder.

Process status: The plaintiffs succeeded in the legal action filed as they obtained a court order to make Coelce remove the posts located in their properties. However, instead of requiring Coelce to comply with the court order, the plaintiffs required a compensation for damages as a result of the setting up of the aforementioned posts, which was in the order of R\$9,861,385.07 in accordance with their calculations at December 9, 1997. This request was considered as inadmissible by the judge. This decision was appealed by the plaintiffs. This appeal was rejected in July 2007.

Amount: R\$ 69.4 millions - US\$ 29.6 millions.

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Plaintiff : Cooperativa de Eletrificação Rural do Vale do Acaraú Ltda.
Defendant : Coelce
Court : 1st Federal Court of the Ceará Judicial Section
Case/Identification : 2001.81.00.008007-0

Summary of the proceedings: An action was filed to review the clause regarding the amount of the lease entered into by the parties for power grids owned by the plaintiff.

Process status: In its defense, Coelce pleaded that the issue involved interests of ANEEL. Consequently, ANEEL entered the fray and the proceeding was remitted to the Federal Court. The Federal Court granted the petition made by the plaintiff and increased the monthly rent to R\$35,000.00. Coelce deposited the amount for the first three months after the decision stipulating the increase. Coelce also appealed for the decision increasing the monthly rent to be repealed.

Due to the interruption of the decision, Coelce required the identification of the amount deposited. On September 1, 2008 a writ was issued. This writ gave rise to a negative dispute of jurisdiction. The proceedings are pending until the decision of the superior court.
Amount: R\$ 55.6 millions - US\$23.7 millions.

Plaintiff : State Deputy Luiz Carlos Andrade Moraes and Federal Deputy Francisco Lopes da Silva
Defendant : COELCE, CGTF, ANEEL AND UNION FEDERAL
Court : 10th Federal Court of Ceará
Case/Identification : 2007.81.00.006310-3

Summary of proceedings: Popular Lawsuit — Lawsuit brought by a State Deputy and Federal Deputy against Coelce, CGTF, ANEEL and the Federal Union on April 23, 2007. They are petitioning for immediate recalculation of Coelce's rate review ratio for 2007, replacing the thermal energy purchase price with the cheapest available energy; the avoidance of the contract signed by Coelce and CGTF because of its high cost (high cost of steam-electric energy compared to hydroelectric energy, which would be detrimental to the consumers of the State of Ceará); and for the additional income obtained by Coelce from May to October, 2005 to be included in the calculations of Coelce's rate review. The latter refers to another lawsuit, where Coelce had a provisional precautionary measure limiting its rate adjustment revoked. During that proceeding, a precautionary measure was in force from May to October, 2005 and, despite it, Coelce charged this difference retroactively to the consumers. According to the plaintiffs, Coelce should wait for end of the case to charge these amounts.

Process status: In regard to the main lawsuit, on November 24, 2008 the judge issued a judgment which considered as inadmissible the plaintiff's claims. On September 1, 2008 CGTF was notified in regard to this decision. We are waiting for the publication of this decision and the resort to personally notify the plaintiffs to file a possible resort. In regard to the resort filed against the decision that rejected the objection to the amount of the lawsuit and after filing arguments, the court records were sent to the judge for analysis. We are waiting for the judgment of this resort.

Amount: R\$ 516 millions - US\$218 millions.

Plaintiff : Bar of Lawyers of Brazil and Others
Defendant : Coelce.
Court : 7º Juzgado de Justicia Federal - Sección de Ceará
Case/Identification : 2005.81.00.006496-2

Summary of proceedings: Civil public action launched with the objective of preventing the application of the rate adjustment (percentage 23.59%) authorized by ANEEL in April 2005.

Process status: The Supreme Court judge suspended on October 7, 2005 the guarantee that prevented the adjustment from being applied. Thereby, the concessionaire may apply from that date on the above mentioned adjustment. Coelce had to suspend the retroactive collection of the installments generated by the time in which the guarantee made it impossible to put the adjustment into effect. The guarantees are expected to be annulled and Coelce will be able to re-begin collecting the remaining installments On September 5, 2008 the lawsuit was considered as inadmissible. We are waiting for the publication of the final judicial judgment
Amount: US\$44 millions.

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Plaintiff : Inácio Nunes Arruda & Others.
Defendant : Coelce.
Court : 2nd Court of Public Finance - Ceará
Case/Identification : 2000.0122.6248-0/0

Summary of proceedings: Popular action whose objective is to cancel the sales process of Coelce. The plaintiffs allege that in the process of privatization of Coelce there was no participation of the employees of Coelce; shares were not offered to the employees in sufficient numbers, and thus they were prevented from gaining control of the Company; that the bidding terms and conditions favored the participation of foreign companies and removed the incentive for employees of the Company; that there was insufficient publicity in the bidding; that the public stockholders' equity of Fortaleza was damaged; etc.

Process status: Faced with the activation of the process there was no protest of any kind by the plaintiffs. The trial awaits the judge's verdict.

Amount: Undetermined.

Plaintiff : Sindicato da Indústria de Fiação e Tecelagem
Defendant : Coelce
Court : 1st Federal Court of Ceará.
Case/Identification : 2003.81.00.014020-7

Summary of proceedings: Action to declare the 31.29% rate adjustment determined by ANEEL unconstitutional. An action was brought petitioning for advanced protection, which was granted by the Judge, thereby enabling the Plaintiffs to pay their electrical consumption minus the 31.29%, without Coelce being able to cut-off their power supply.

Process status: On June 17, 2003, the Judge reconsidered his previous decision and rejected the petition for advanced protection since such was in the jurisdiction of the Federal Courts. Waiting for the result of the action brought.

Amount: Undetermined.

Plaintiff : TBM S/A Indústria Têxtil.
Defendant : Coelce.
Court : Supremo Tribunal Federal (STF)
Case/Identification : 441.392

Summary of proceedings: This is a "Trial for Tarifazo", that corresponds to the different trials begun as a result of the dictation of rate decrees 38, 45 and 153 of 1986, by the National Department of Water and Electrical of Brazil (formerly ANEEL), which enabled the different electricity companies of Brazil to increase their rates considerably between the months of March and November 1996. In this case, the plaintiff seeks the devolution of amount paid as determined by decrees above mentioned.

Process status: The appeal against the final judicial judgment that accepted the claim against Coelce was rejected. A special resort was filed at the Superior Court and an extraordinary resort was filed at the superior federal court. Both resorts were considered as admissible by the Chief Judge of the Court of the State of Ceará. The fees of the plaintiff's attorneys for R\$800,000 are in the period allowed for enforcement performance against Coelce. TBM's lawyer will start applying his professional fees for his work for R\$550,000 in accordance with the final judicial judgment. Coelce was opposed to this fee application in terms of the amount compensated and the amount of the fees of TBM's lawyers. The aforementioned opposition was rejected. Coelce filed a claim against this resolution. We are waiting for the decision of the court. At the same time, Coelce filed a new annulment action, which was also considered as inadmissible. Coelce also filed a claim against this resolution, but it did not succeed. The special resort was rejected.

The lawsuit was remitted to the Federal Superior Court and we are waiting for the decision about the extraordinary resort.
Amount: R\$26.9 millions - US\$ 8.6 millions.

Plaintiff : State of Ceará
Defendant : Coelce
Court : Tax Review Authority
Number/Identification : Administrative proceeding No.2008.03658-0

Summary of proceedings: On April 10, 2008 the Treasury of the State of Ceará issued a Tax Assessment against Coelce. Such assessment is related to the calculation of the ICMS for 2003 and 2004 based on the comparison between monthly data of gross income for sales of electric energy from the financial statements and the taxable bases in the calculation

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document regarding the ICMS. The amount was changed in accordance with the information furnished by the Office of the Treasury. Process status: On May 12, 2008 Coelce filed an objection to the Infringement Document. We are waiting for the resolution of the objection. On November 26, 2008 the appealable decision by the Treasury of Ceará maintained the ICMS Infringement Document filed against Coelce. December 9, 2008 the aforementioned decision that the ICMS Infringement Document was maintained against Coelce was notified. The company may file a voluntary appeal at the Taxpayer Council within a 20 calendar day period, which may be extended for another 10 days, starting from the evidence of the notification in the proceeding. On January 5, 2009 the 30 day period for the filing of the aforementioned resort for an unappealable administrative decision started.
Amount: R\$ 146.4 millions - US\$ 62.7 millions.

Plaintiff : State Office of Treasury
Defendant : Coelce
Court : Tax Review Authority
Number/Identification : Administrative Proceeding No.2006.25755-6

Summary of proceedings: Infringement Document filed for the non-collection of the ICMS in regard to the Difference of Interprovincial Fractional Part.

Process status: The Infringement Document was filed on November 29, 2006. On January 2, 2007 Coelce filed an objection. We are waiting for the judgment of the objection.

Amount: R\$ 28.9 millions - US\$12.3 millions

Investluz S.A.

Plaintiff : Federal Union
Defendant : Investluz
Court : Federal Treasury
Number/Identification : Administrative Proceeding No.10380.012956/2006-84

Summary of proceedings: Claim filed to require COFINS (social security financing tax) credits (effect of COFINS on financial income, dividends and retirement of shares).

Process status: The claim was filed on December 21, 2006. An objection was filed on January 22, 2007. We are waiting for the judgment of the objection.

Amount: R\$ 24.1 millions - US\$ 10.3 millions.

Compañía de Interconexión Energética S.A.

Plaintiff : CIEN
Defendant : Federal Union
Court : 21st Federal Court of the Rio de Janeiro Judicial Section
Case/Identification : 2005.5101.011614-6

Summary of proceedings: A lawsuit was brought challenging the declaration of unconstitutionality of Law 9.718/98 (enlarging the base and calculation of PIS and COFINS taxes) and establishing the right to credit and compensation, considering that the Constitutional Court (STF) found in favor of the taxpayers.

Process status: On February 12, 2007, the decision handed down with regard to the appeal from the Treasury was published, determining that CIEN should submit a declaration regarding the appeal. On March 12, 2007, the decision regarding the declarations submitted by CIEN and the supplementary appeal, aimed at considering a barring by limitation after 10 years, not 5, as the lower court judge had considered, was published. With the declaration by the Public Prosecutor's Office regarding the declarations and appeal filed by CIEN having been submitted, the appeals were sent to the judge for final sentencing. Waiting for the decision regarding the appeals filed.

Amount: R\$ 50.9 millions - US\$ 21.8 millions. (Active contingency — recovery of credits)

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Plaintiff : Municipality of Itá
Defendant : CIEN
Court : Single Court County of Itá (SC)
Case/Identification : 068.03.000397-8

Summary of proceedings: The Municipality of Itá (SC) filed a legal claim against CIEN petitioning advanced protection to determine that Itá was the place where the event taxed with ICMS (VAT) in selling electrical energy imported from Argentina, occurred, and also to determine that the invoices for such operation should obligatorily be issued in Itá—Santa Catarina subsidiary, not in Garruchos — Rio Grande do Sul, as CIEN normally does.

Process status: On March 11, 2003 the claim was tried by the Municipality of Itá. On March 12, 2003 the early trusteeship required by the plaintiff was deferred. On April 14, 2003 Cien filed a resort (“tort”) against such decision. On August 16, 2005 the resort filed by Cien was considered admissible and the claim was abated with no resolution of the legal significance of the claim due to absence of the required “intention to bring an action” by the Municipality of Itá. Due to this decision on October 10, 2005 Cien filed a resort (“seizures of statement) so that the amount of the sentence of the Municipality of Itá was changed to “losing party’s cost”. On November 22, 2005 our resort was considered as inadmissible. Against that decision on February 14, 2006 the parties filed “special resorts”, which were not accepted by the court. On March 14, 2007 Cien filed a “tort” against that decision at the Superior Court. On October 19, 2007 the Superior Court considered as inadmissible the “tort” filed by Cien. On October 29, 2007 Cien filed a new resort (“tort”) against that decision. The judgment of this resort has not been delivered yet. On October 31, 2008 the Municipality of Itá was notified to express its opinion on the resort filed by Cien. On November 25, 2008 the resort filed by Cien was considered as inadmissible. We are waiting for the publication of that decision.

Amount: None

Plaintiff : Federal Treasury of Rio de Janeiro — MF
Defendant : CIEN - COMPANHIA DE INTERCONEXÃO ENERGÉTICA
Court : National Tax Court of Rio de Janeiro
Case/Identification : 18471.000814/2007-48

Summary of proceedings: Fine for Lack of Import Documentation - On July 11, 2007, the Federal Tax Authorities (SRF) issued an “Infringement Proceeding” against CIEN for imports of energy in 2002. According to the Tax inspector formal requirements required by general regulations for tax documentation of imports were not met, so a fine equivalent to 100% of the value of the imports was being imposed. However, there was no approved law whatsoever regulating tax documentation to be prepared when importing electrical energy until May, 2006. Since May, 2006, CIEN has all the documentation required by the law.

Process status: On August 10, 2007, an appeal was filed with the first administrative instance. On September 14, 2007, the Claim was judged inadmissible. On the same date, the decision of the first administrative instance was sent to the second administrative instance (Council of Taxpayers) for a resolution. On December 6, 2007, the SRF published an Interpretative Declaratory Ruling stipulating that no penalty of fine whatsoever was imposed by reason of the non-existence of electrical energy import and export records for operations performed until May 2, 2006, the date on which Regulatory Instructions 649 of April 28, 2006 came into force. This ruling definitively resolves the administrative process dealing with the lack of import records, which has already been won in the first instance, in CIEN’s favor. A copy of the interpretative ruling was submitted to the Council of Taxpayers, asking for the proceeding to be closed. Waiting for the Council of Taxpayers to declare the proceeding closed. On February 27, 2008 the claim was sent to the Third Taxpayers Council. We expect the application of the interpretation favorable to us and that the proceeding is abated.

Amount: R\$ 351.4 millions - US\$ 111.9 millions.

Endesa Cachoeira S.A.

Plaintiff : Municipality of Cachoeira Dourada
Defendant : Centrais Elétricas Cachoeira Dourada S.A. (“CDSA”)
Court : Public Finance Court of Itumbiara County
Case/Identification : 2005.0334233-0

Summary of proceedings: As a result of the unbundling of CELG, one of whose successors was CDSA, and the privatization of CDSA, the Municipality of Cachoeira Dourada brought two proceedings against the company charging the ITBI (Tax on Conveyance of Real Estate).

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Process status: 1. Proceeding regarding the conveyance of real estate. Arguments for the defense: The Federal Constitution and the Labor Code stipulate word for word that the ITBI does not apply to conveyance of real estate in unbundling operations. CDSA's appeal against this proceeding is still pending a decision by the second administrative instance (The decision was unfavorable to CDSA in the first administrative instance - May, 2003). 2. Proceeding regarding the transfer of shares: Arguments for the defense: The ITBI does not apply to the transfer of movable property (shares), which as recognized by the Court of Goiás (Court of Appeal). In June, 2006, the Municipality filed for enforcement of the amount of this claim against CDSA, despite it having been declared null and void by the Court Goiás. CDSA filed a plea of prior judgment with effect of *res judicata*, and in June, 2007, the Court of Goiás declared the legal enforcement abated since it understood that the writ of execution of the Municipality was not enforceable. On August 21, 2007, the Municipality of Cachoeira Dourada lodged an appeal against this decision. We lodged our rejoinder on October 1, 2008. On November 12, 2008 the proceeding was remitted to the Court. On September 23, 2008 the Court of Goiás delivered a judgment. The court unanimously maintained the appealable decision that had considered as abated the executory process (decision favorable to CDSA). We are waiting for the publication of the decision. On December 2, 2008 the judgment of the Court of Goiás was published. We are waiting for the opinion of the Municipal Treasury.
Amount: R\$ 212.3 millions - US\$ 90.8 millions.

Plaintiff : Municipality of Cachoeira Dourada
Defendant : CDSA
Court : Municipal Secretary of Finance
Case/Identification : None

Summary of proceedings: ISS (Services Tax) — The municipality of Cachoeira Dourada has notified CDSA, through a Claim, that the Company owes the Municipality the Services Tax (ISS) on generation of electrical energy produced between 1997 and 2000. The municipality understands that the generation of energy is a service. However, the generation of energy is not on the list of ISS taxable services (Federal legislation) and, therefore, cannot be considered a taxable event under that tax. The Brazilian Federal Constitution expressly prohibits application of any tax on electrical energy operations other than the ICMS (VAT), II (Import Tax) or IE (Export Tax).

Process status: Administrative proceeding: Waiting for the Municipality to make a decision regarding the appeal lodged. If lost, an appeal will be lodged with the second administrative process. Court proceedings: In parallel fashion, on September 12, 2007, a legal action was brought to void such administrative collection and declare it inadmissible. On September 28, 2007, the petition was approved provisionally by the judge and the requirement to pay tax was stayed until the admissibility of the administrative collection was resolved. On February 13, 2008 the municipality made its plea for the defense and on February 29, 2008 CDSA made its plea for the defense. On July 21, 2008 there was an appealable decision favorable to CDSA. We are waiting for the opinion of the Municipality. On August 1, 2008 the decision was published. In the event of loss we will file a resort in the second administrative instance. The Municipality did not have an opinion (did not file a claim) against the appealable judgment and the period allowed for that expired. However, the judgment will be reviewed by the court of appeal. This review is an obligatory routine judicial procedure required by the Brazilian procedural law, when there is a judgment against the Treasury and the amount of the litigation is over 60 minimum wages. We are waiting for the review of the appealable judgment by the court of appeal.
Amount: R\$ 87.6 millions - US\$ 37.5 millions.

Endesa Fortaleza S.A. (“Endesa Fortaleza”)

Plaintiff : Endesa Fortaleza
Defendant : Federal Union
Court : 1st Federal Court of Ceará
Case/Identification : 2002.81.00.020687-1

Summary of proceedings: Generator Set — Endesa Fortaleza filed a lawsuit against the Federal Union towards the end of 2002, with a view to it recognizing that the goods imported for the turbo-generator sets are “Other Generator Sets”, so as to be able claim the 0% Import Tax (II) and Tax on Industrialized Products (IPI). The Federal Union argues that the imported goods are not generator sets. CGTF won an accessory resolution in its favor allowing it to clear the goods through customs at a 0% rate, subject to R\$56 million (US\$29 million) — updated at June, 2007 with the court. In order to prevent the taxes from becoming null and void, the Federal Tax Authorities brought an action requiring the suspension of the tax until the proceedings pending against the Federal Union are resolved.

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Process status: The lawsuit against the Federal Union is pending resolution in the lower court. In parallel fashion, the Action brought by the Federal Tax Authorities (whose enforcement is suspended until the lawsuit against the Federal Union is resolved) was declared null and void in the first administrative instance because it did not comply with the requirements of form. The Tax Authorities may well bring another action correcting the errors. On February 21, 2008 the Treasury expressed its opinion in regard to the resort filed by Endesa Fortaleza and the expert's report prepared in 2005. On April 17, 2008 CGTF made its representations about the technical report filed by the Treasury. On May 12, 2008 the proceeding was remitted to the Public Prosecutor's Office of the Treasury and it was returned with no representations or opinion of the Treasury. On September 19, 2008 the appealable judgment was delivered and it was favorable to Endesa Fortaleza. The aforementioned decision recognized the classification of the power generator in accordance with Endesa Fortaleza's claim and determined that the judicial deposit should continue as guarantee of the proceeding until the final judicial decision. We are waiting for the filing of the resort by the Federal Treasury at the Regional Federal Court (RFC), which is the second judicial instance, against the appealable judgment favorable to Endesa Fortaleza. The period allowed for the Federal Treasury to file the aforementioned resort is 30 days starting from the publication of the appealable judgement. On September 29, 2008 the aforementioned judgment was issued. On November 10, 2008 the Treasury was notified about the appealable judgment favorable to Endesa Fortaleza. Therefore, the 30 calendar day period starts from that date (the period expires on December 10, 2008) so that the Treasury files the resort at the Regional Federal Court. We are waiting that it is informed whether the Treasury filed the resort at the Regional Federal Court within the period. We noted that the Judge's secretary made a mistake as she sent the proceeding to the Legal Department of the Federal Union (LDFU) instead of having sent the proceeding to the Public Prosecutor's Office of the Treasury. On December 10, 2008 the LDFU returned the litigation and informed the aforementioned mistake. As a result of the above, the notification to the Treasury dated November 10, 2008 was nullified. We are waiting for a new notification to the Treasury, when a new 30 calendar day period will start so that the Treasury files the resort at the Regional Federal Court. This new notification should be sent after the end of the judicial holiday due to year-end holidays, that is, January 7, 2009. We do not know the exact date of the notification.

Amount R\$ 125.1 millions - US\$ 53.5 millions.

Plaintiff : Treasury
Defendant : Endesa Fortaleza

Summary of Proceedings: The Federal Tax Authorities have issued a Resolution to collect PIS/COFINS taxes allegedly owed in 2003 to 2004.

Process status: The resolution was received on February 12, 2007. Pleas for the defense were raised on March 14, 2007. The Resolution was judged to be partially admissible on November 5, 2007. The appealable judgment considered that the income from the contract for the purchase and sale of energy with Coelce is not subject to paying cumulative PIS/COFINS but is subject to non-cumulative ones. However, the resolution was judged admissible with regard to the month of October, 2004. An appeal was lodged on December 5, 2007. On December 2, 2008 the decision was announced. The decision maintained the administrative appealable judgment. We are waiting for the formalization and notification of the decision.
Amount R\$ 35.8 millions - US\$ 15.3 millions.

Compañía de Transmisión del Mercosur S.A. (“CTM”)

Plaintiff : CTM
Defendant : Province of Corrientes (Argentina)
Court : Supreme Court of the Nation
Case/Identification : C-222/03

Summary of proceedings: CTM initiated a statement of certainty action against the Province of Corrientes, for the Supreme Court to declare that the activity carried out by the company in the province is under federal jurisdiction and therefore exempt from the Gross Income Tax that the Province of Corrientes currently demands. It also requested an injunction, to order the General Revenue Department of the Province of Corrientes to abstain from demanding CTM the payment of the mentioned tax.

Process status: The Supreme Court (the “Court”) on August 21, 2003, resolved

- (i) That it was competent to see the cause;
- (ii) Notify the Province of Corrientes of proceedings;

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(iii) Issue the injunction requested by CTM (to not innovate) in relation to the payment of the gross business income tax included in the Fiscal Code of the Province of Corrientes with regard to the activity carried out by CTM, in the following terms: "Decree the injunction requested, and consequently, orders the Province of Corrientes to abstain from pursuing the fiscal execution of the gross business income tax regarding the contract signed on June 14, 2000 between the National State and CTM for the construction, operation and maintenance of the second circuit for electric energy transport of the Nodo Rincón de Santa María-Nodo Frontera Garabi section (Province of Corrientes). The Province of Corrientes was notified of the demand and answered stating that there was no current and concrete requirement for the payment of the gross business income tax.

Likewise, it stated that according to express dispositions of the Provincial Fiscal Code, it corresponded that CTM pay the Gross Business Income Tax and the inapplicability Federal Pact for Employment, Production and Growth by which some provinces, including Corrientes, had committed to eliminate the Gross Business Income Tax. CTM rebutted each of the arguments invoked by the province in its presentation. Later, the Province of Corrientes requested the lifting of the injunction, presentation that was opportunely answered by CTM. On April 5, 2005, the Court rejected the request for the lifting of the injunction. On September 9, 2005, CTM requested the cause be opened to evidence and the CSJN set the conciliation audience for November 9, 2005. In the mentioned audience, the parties manifested that it was not possible to achieve conciliation. As a result, the case was opened to evidence. On March 13, 2006 the Court certified that the term for evidence was expired without any evidence pending and it instructed the parties to present their arguments regarding the evidence presented. Ctm argued on the evidence produced. The proceedings passed to the Attorneys Office on September 8, 2006. At December 27, 2006, the proceedings had not returned from the Attorneys Office. The case records returned from the Public Prosecutor's Office on April 30, 2004 with a negative verdict on the admissibility of the lawsuit, since it considered that there was no "case", as required by article 322 of the Procedural Code, since it is understood that there was no specific requirement from the Province. The proceedings were ready for sentencing on May 2, 2007, but no sentence has so far been issued.

Amount: Undetermined

Note 20. Collateral Obtained from Third Parties

During the years ended December 31, 2006, 2007 and 2008 the Company and its subsidiaries have not obtained collateral from third parties.

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Note 21. Foreign Currencies

As of December 31, 2007 and 2008, local and foreign currency-denominated assets and liabilities are as follows:

a. Current Assets

Account	Currency	As of December 31.	
		2007 ThUS\$	2008 ThUS\$
Cash	\$ Arg.	254	2,593
	Reais	79,610	16,350
Time deposits	US\$	18,595	3,855
	\$ Arg.	354	292
	Reais	493,812	481,761
Marketable securities	US\$	133	53
Trade accounts receivable	Reais	809,653	540,608
Accounts receivable, net	Reais	14,491	5,486
Other receivables	Reais	43,436	44,204
	\$ Arg.	—	17
Amounts due from	\$ Arg.	22,603	33,015
related companies		—	—
Inventories, net	Reais	3,498	1,805
Income taxes recoverable	\$ Arg.	8	11
	Reais	125,381	130,344
Prepaid expenses	Reais	86,995	76,353
Deferred income taxes	\$ Arg.	4,873	3,047
	Reais	48,881	38,419
Other current assets	Reais	72,293	94,729
Total current assets		1,824,870	1,472,942

b. Property, Plant and Equipment

Account	Currency	As of December 31.	
		2007 ThUS\$	2008 ThUS\$
Land	Reais	71,504	74,393
Building and infrastructure	\$ Arg.	85,342	85,342
	Reais	3,757,598	3,891,073
Machinery and equipment	Reais	1,445,633	1,679,970
Other plant and equipment	\$ Arg.	283	283
	Reais	314,167	326,243
Accumulated depreciation	\$ Arg.	(28,323)	(32,577)
	Reais	(1,969,361)	(2,177,990)
Total property, plant and equipment		3,676,843	3,846,737

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c. Other assets

Account	Currency	As of December 31,	
		2007	2008
		ThUS\$	ThUS\$
Investments in other companies.....	Reais	6	4
Long-term accounts receivable.....	\$Arg.	4,496	3,997
	Reais	59,777	32,900
Amounts due from related companies.....	Reais	254,376	326
Deferred taxes.....	Reais	225,931	161,232
Other long-term assets.....	Reais	330,022	268,590
	\$ Arg.	—	4,269
Total other assets		874,608	471,318
Total assets by currency.....	US\$	18,728	3,908
	\$ Arg.	89,890	100,289
	Reais	6,267,703	5,686,800
Total assets by currency		6,376,321	5,790,997

d. Current liabilities

Account	Currency	Within 90 days				90 days to 1 year			
		As of December 31, 2007		As of December 31, 2008		As of December 31, 2007		As of December 31, 2008	
		Amount	Average	Amount	Average	Amount	Average	Amount	Average
		ThUS\$	Rate	ThUS\$	Rate	ThUS\$	Rate	ThUS\$	Rate
Debt due to banks.....	US\$	265	—	—	—	40,415	—	—	—
and financial institutions.....	Yen	115	—	—	—	12,677	—	—	—
	Euro	—	—	—	—	—	—	—	—
	\$ Arg.	—	—	—	—	—	—	—	—
	Reais	238	—	11,723	13.23%	5,703	—	111,022	13.23%
Current portion of long - term.....	US\$	9,819	—	10,002	27.70%	11,019	—	9,712	12.82%
debt due to banks and.....	Euro	—	—	—	—	—	—	—	—
financial institutions.....	Reais	1,571	—	293	15.87%	95,887	—	144,740	29.18%
	\$ Arg.	—	—	—	—	—	—	—	—
Current portion of.....	Reais	—	—	—	—	186,296	—	14,766	15.43%
bonds payable.....	Reais	—	—	—	—	—	—	—	—
Long-term liabilities maturing									
within one year.....	Reais	—	—	—	—	1,548	—	769	5.00%
Dividends payable.....	US\$	1,413	—	—	—	—	—	—	—
	Reais	28,184	—	444	—	7	—	58	—
	US\$	—	—	2	—	—	—	—	—
Accounts payable.....	\$Arg.	23	—	43	—	—	—	—	—
	Reais	216,726	—	122,854	—	89,359	—	81,207	—
Notes payable.....	Reais	13,071	—	9,877	—	18,988	—	15,210	—
Miscellaneous payables.....	Reais	39,674	—	99,403	—	70,287	—	54,977	—
Accounts payable to.....	US\$	329,771	—	50,808	—	—	—	13,500	—
related companies.....	Reais	26,928	—	1,188	—	—	—	2,825	—
Accrued expenses.....	US\$	—	—	—	—	—	—	—	—
	\$ Arg.	1,057	—	964	—	—	—	—	—
	Reais	16,784	—	13,663	—	26,280	—	4,628	—
Withholdings.....	\$Arg.	—	—	2,139	—	—	—	—	—
	Reais	49,444	—	32,294	—	63,679	—	51,779	—
Income tax payable.....	Reais	—	—	—	—	—	—	—	—
	\$ Arg.	1,213	—	566	—	—	—	—	—
Other current liabilities.....	Reais	85,403	—	52,609	—	36,383	—	33,259	—
Total current liabilities.....	US\$	341,268	—	60,812	—	51,434	—	23,212	—
by currency.....	Reais	478,023	—	344,348	—	594,417	—	515,240	—
	\$ Arg.	2,293	—	3,712	—	—	—	—	—
	Euro	—	—	—	—	—	—	—	—
	Yen	115	—	—	—	12,677	—	—	—
Total current liabilities		821,699		408,872		658,528		538,452	

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e. Long-term liabilities as of December 31, 2007

Account	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Annual average interest rate	Amount	Annual average interest rate	Amount	Annual average interest rate	Amount	Annual average interest rate
Due to banks and financial institutions.....	US\$	38,501	21.00%	40,351	12.51%	57,627	21.00%	6,653	9.00%
	Reais	312,975	28.00%	552,517	28.00%	83,633	28.00%	—	—
Bonds payable.....	Reais	—	—	278,664	31.00%	—	—	—	—
Notes payable.....	Reais	71,642	11.00%	30,277	11.00%	18,667	11.00%	—	—
Miscellaneous payables.....	Reais	28,060	—	10,713	—	19,875	—	—	—
	US\$	—	—	—	—	82,119	—	—	—
Amounts payable to.....	Reais	—	—	—	—	—	—	—	—
related companies.....	US\$	16,426	—	—	—	—	—	—	—
Accrued expenses.....	Reais	472,414	—	—	—	—	—	—	—
Other long-term liabilities.....	Reais	25,105	—	—	—	—	—	—	—
Total long-term liabilities.....	US\$	54,927	—	40,351	—	139,746	—	6,653	—
by currency.....	Reais	910,196	—	872,171	—	122,175	—	—	—
Total long-term liabilities.....		<u>965,123</u>		<u>912,522</u>		<u>261,921</u>		<u>6,653</u>	

f. Long-term liabilities as of December 31, 2008

Account	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Annual average interest rate	Amount	Annual average interest rate	Amount	Annual average interest rate	Amount	Annual average interest rate
Due to banks and financial institutions.....	US\$	50,855	21.43%	35,346	21.43%	34,713	21.43%	2,771	9.01%
	\$ Arg.	—	—	—	—	—	—	—	—
	Reais	356,117	24.00%	315,912	24.00%	21,461	10.00%	—	—
Bonds payable.....	Reais	—	—	216,451	34.00%	—	—	—	—
Notes payable.....	Reais	54,867	11.00%	15,501	11.00%	8,784	11.00%	862	11.00%
Miscellaneous payables.....	Reais	22,244	—	13,045	—	7,685	—	—	—
Amounts payable to.....	Reais	—	—	—	—	—	—	—	—
related companies.....	US\$	14,106	—	—	—	—	—	—	—
Accrued expenses.....	Reais	384,644	—	—	—	—	—	—	—
Other long-term liabilities.....	Reais	16,475	—	—	—	—	—	—	—
Total long-term liabilities.....	US\$	64,961	—	35,346	—	34,713	—	2,771	—
by currency.....	Reais	834,347	—	560,909	—	37,930	—	862	—
Total long-term liabilities.....		<u>899,308</u>		<u>596,255</u>		<u>72,643</u>		<u>3,633</u>	

Note 22. Sanctions

During 2008, neither regulatory bodies nor other administrative authorities have imposed any sanctions on the Company, its Directors or its management.

Note 23. Environment

During the year ended December 31, 2008, the Company and its subsidiaries have implemented the ISO 14001 environmental management system, and the OHSAS 18001 health care and labor security system.

Note 24. Subsequent Events

From January 1, 2009 to the date of issuance of these financial statements, there have been no subsequent events that would materially affect the financial statements in question.

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Note 25. Differences between Chilean and United States Generally Accepted Accounting Principles

Chilean GAAP varies in certain important respects from U.S. 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 U.S. 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) Deferred income taxes

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. 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 has been recorded against the deferred tax assets and liabilities recognized as of January 1, 2000. Such complementary assets and liabilities are being amortized to income over the estimated average reversal periods of the underlying temporary differences to which the corresponding deferred tax asset or liability relates.

Under U.S. GAAP, companies must account for deferred taxes in accordance with SFAS No. 109, which requires an asset and liability approach to financial accounting and reporting for income taxes, using the following basic principles:

- i. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carryforwards.
- ii. 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 recognized prior to the period in which such changes are enacted into law.
- iii. Deferred tax assets are reduced by a valuation allowance, to the extent that, based on the weight of available evidence, it is deemed more likely than not that the deferred tax assets will not be realized.

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 taxes payable or refundable in future years as a result of temporary differences at the end of the current year.

The principal difference between U.S. GAAP and Chile GAAP relates to 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. Additionally, under U.S. GAAP, temporary differences arising in connection with fair value adjustments on business combinations result in deferred taxes and a corresponding adjustment to goodwill. An adjustment is required in the reconciliation to U.S. GAAP to record goodwill arising from deferred tax liabilities related to past business combinations (see Note 25 II (b)). When required, the income tax effects of U.S. GAAP adjustments are recorded in our reconciliations to U.S. GAAP. The effect of these differences on the net income and shareholders' equity of the Company is included in paragraph (n) below.

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(b) PIS-COFIN

Brazilian Tax Dispute — PIS and COFINS

In 1998, Brazilian Law 9718/98 was enacted, which increased the base for both PIS (Contribuição aos Programas de Integração Social — Contributions to Social Integration Programs) and COFINS (Contribuição para Financiamento da Seguridade Social — Contributions to the Financing of Social Security), which are social contributions taxation on revenues, beginning in 1999 to be levied on other revenue lines and not only sales, while at the same time, increasing the rate for COFINS from 2% to 3%.

The Company's subsidiary in Brazil, Ampla, has decided not to pay such PIS and COFINS taxes under Law 9718/98 and has filed a tax lawsuit dispute challenging that the payment of PIS and COFINS on other revenues was unconstitutional. During 2007, such subsidiary received a favorable verdict from local courts, agreeing with the Company and ruling in favor of it on the grounds of the unconstitutionality of Law 9718/98. Such ruling, however, could be appealed by the Brazilian Government and would only achieve a final resolution upon the final decision of the Brazilian Federal Supreme Court. In this respect, several other companies have filed similar lawsuits on the same basis and have obtained a favorable ruling on the matter from the Brazilian Federal Supreme Court. Such cases have set a base jurisprudence ground that makes virtually certain that the final verdict will be in favor of the Company and, therefore, reducing to a remote, if any, the probability of the Company to make any payment in relation to this tax dispute.

Under Chilean GAAP, after the favorable verdict by a local court of the Company's dispute and considering the base jurisprudence, the Company considered that it is not probable that it will have to pay any amount in relation to PIS and COFINS taxes as a result of Law 9718/98. As such, we have reversed the provision in 2007.

Under US GAAP, the probability of payment is irrelevant if settlement of the liability is required by current law or by contract. When the obligating event or transaction has occurred (in this instance, through sales or other revenues), the probability of payment is not relevant in determining whether a contractual or legal obligation is a liability or a loss contingency. That is, when the obligating event or transaction has occurred, the enterprise has incurred a liability; and accordingly, there is no contingency. Therefore, until the Brazilian Federal Supreme Court announces a favorable and final ruling the amount should stay provisioned by not recording the reversal made under Chilean GAAP.

The effect of this difference on the net income and shareholders' equity of the Company is included in paragraph (n) below.

(c) Pension and post-retirement benefits accounting

During 2006, the Company adopted FAS 158 "Employer's Accounting for Defined Pension and Other Postretirement Plans - an amendment of FASB Statements N°87, 88, 106 and 132 (R)". These statements 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 to statements 87 or 106. The adoption resulted in the recognition through AOCI for accumulated effect through the 2006 year - end of prior service costs and related plan assets in the balance sheet of the certain Brazilian subsidiaries. The effects of the adoption of SFAS 158 are presented in paragraph (n) below.

The effects of accounting for post-retirement benefits under US GAAP have been presented in paragraph (n).

(d) 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 is 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 accounting for all acquired assets and liabilities for all acquisitions after January 1, 2004. Technical Bulletin No. 72 states that whenever the negative goodwill exceeds the fair value of identified non-monetary assets, the excess must be recognized immediately as income.

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Under U.S. GAAP, the fair value of the net assets acquired in excess of the purchase price is allocated proportionately to reduce the values assigned to long-lived assets. If the allocation reduces the long-lived assets to zero, the remainder of the excess is recorded as an extraordinary gain to income.

The effect of reduced depreciation expense on the long-lived assets (for which no circumstances changed requiring an impairment test under SFAS No. 144) to which negative goodwill had been allocated under U.S. GAAP net of reversals of both amortization and write-offs of negative goodwill recorded in Chilean GAAP (over the appropriate useful lives as defined in the first paragraph) are included in paragraph (n) below.

The adjustment related to negative goodwill necessary to make the consolidated financial statements conform to US GAAP is included in paragraph (n) below and is as follows:

- The effects of reducing depreciation expense, due to the proportionate allocation of the excess purchase price to property, plant and equipment and other effects on income.

(e) Capitalized interest and exchange differences

In accordance with Chilean GAAP, the Company has capitalized both interest on debt directly related to property, plant and equipment under construction and 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. The Company has optioned for not capitalizing indirect interest cost under Chilean GAAP.

Under U.S. 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 to the extent that interest cost would have been avoided if the project had not been done. In addition, under U.S. GAAP, foreign currency translation exchange differences may not be capitalized. The accounting differences between Chilean and U.S. GAAP for financing costs and the related depreciation expense are included in the reconciliation to U.S. GAAP under paragraph (n) below.

(f) Capitalized general and administrative expenses

Under Chilean GAAP, a portion of administrative and selling expenses were capitalized as part of the cost of construction in progress because a substantial portion of the efforts of management were involved in the administration of major projects. Under U.S. GAAP, general and administrative expenses are charged to expense unless they can be directly identified with the supervision of the construction of specific projects. Under Chilean GAAP the Company has also capitalized other administrative expenses into other long-term assets, which are prohibited under US GAAP. The effects of eliminating capitalized general and administrative expenses and the related depreciation and amortization for U.S. GAAP purposes are shown below under paragraph (n).

(g) Elimination of capitalized interest in Brazil

Until 1999, under Chilean GAAP, the Company capitalized interest to property, plant and equipment as a result of the creation of a legal reserve specifically permitted in Brazil for the electricity industry by crediting interest expense. Under U.S. GAAP, interest capitalized must be based on actual interest incurred, and as such the effects of the elimination of the interest capitalized to property, plant and equipment and the effects on depreciation expense are included in paragraph (n) below.

(h) Translation of Financial Statements of Investments Outside of Chile

Under Chilean GAAP, in accordance with Technical Bulletin 64 ("B.T. 64") the financial statements of foreign subsidiaries 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 remeasured into US dollars. The Company's foreign subsidiaries in Argentina and Brazil all meet the criteria of foreign subsidiaries that operate in countries exposed to significant risks

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under BT 64, and are remeasured into US dollars. The Company has remeasured 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.

The amount of foreign exchange gain (loss) included in income that is attributable to operations in unstable countries because these amounts have been remeasured into US dollars was ThUS\$(15,006), ThUS\$(164,819) and ThUS\$184,457 for the years ended December 31, 2006, 2007 and 2008 respectively (See Note 17).

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.

(i) 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, however under Chilean GAAP the changes in the fair value for cash flow hedges is recorded against other assets (losses no realized) or other liabilities (gain no realized) in the balance sheet. 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. However, hedge accounting was applied under Chilean GAAP to other derivative instruments in addition to those applied under US GAAP in those periods. Starting as of and for the years ended December 31, 2006, 2007 and 2008, the Company applied hedge accounting to derivative instruments executed in those years.

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SFAS 133 also requires that certain embedded derivatives be separated and reported on the balance sheet at fair value and be subject to the same rules as other derivative instruments. Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements under Chilean GAAP.

The effects of the adjustment with respect to financial derivatives, commodity derivatives, and embedded derivatives for the years ended December 31, 2006, 2007 and 2008 are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (n) below.

(j) Special Obligations

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, which will represents a Tariff decrease in the electric distribution entities of the Group located in Brazil. According to this, for US GAAP purposes a regulatory liability has been recognized and a charge to current year earnings for ThUS\$9,226, in accordance to the provisions of FAS No. 71, "Accounting for the Effects of Certain Types Regulation".

Under Chilean GAAP, regulatory accounting described in FAS No. 71, does not apply and therefore the adjustment above mentioned has not been recorded.

The effect on shareholders' equity and net income for the years presented is included in (n) below.

(k) Deferred income

During 2000, fiber optic cable was contributed to the Company in return for granting the contributing company access to the fiber optic network after installation in the Company's electricity distribution system. Under Chilean GAAP, the contributed assets were recorded at their fair market value, with a corresponding credit recognized as income in 2000. Under U.S. GAAP, the amount was deferred and amortized over the life of the related service contract. This adjustment reverses the gain under Chilean GAAP and records the amortization of the deferred income recognized under U.S. GAAP.

The effect on shareholders' equity and net income for the years presented is included in (n) below.

(l) Regulated assets and deferred costs

The electricity sector in Latin American countries is regulated pursuant to applicable laws. Most of the Company's sales are subject to node price regulation, which is designed to ensure an adequate supply of energy at reasonable, determined prices, which considers a variety of factors. The marginal cost pricing model is not solely based upon costs incurred by the Company, and as a result, the requirements of U.S. GAAP under SFAS No.71, "Accounting for the Effects of Certain Types of Regulation", related to a businesses whose rates are not regulated are not applicable, except for the Company's operations in Brazil as described below.

As a result of changes in Brazilian Electricity Laws and Regulations, the Company's distribution subsidiaries in Brazil, 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 five 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 rate set by the regulator. The deferred regulatory asset is eliminated when the Company collects the related

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costs through billings to customers. ANEEL perform a rate review on an annual basis. If ANEEL excludes all or part of a cost from recovery, that portion of the deferred regulatory assets is impaired and is accordingly reduced to the extent of the excluded cost. The Company has recorded deferred regulatory assets, which it expects to pass on to its customers in accordance with and subject to regulatory provisions.

The regulations also included certain fixes costs or VPA costs, which each distribution company is permitted to defer and pass on to their customers using future rate adjustments. VPA costs are limited by concession contracts to the cost of purchased power and certain other costs and taxes. Due to uncertainty in the Brazilian economy, ANEEL delayed the approval of such VPA rate increases. An Executive Order in October 2001 created a tracking account mechanism, in order to calculate the variation in the VPA costs for future rate adjustment calculation purposes. The Company has not recognized any regulatory assets for VPA costs incurred prior to 2001, because costs incurred prior to January 1, 2001, are not recoverable through the tracking account.

Under Chilean GAAP, the Company recognized revenue and deferred costs related to the regulated assets. Under U.S. GAAP, in accordance with EITF 92-7, "Accounting by Rate Regulated Utilities for the Effects of Certain Alternate Revenue Programs", revenue amounts not expected to be collected within 24 months, have been deferred.

The effect of deferring revenues expected to be collected after two years is included in (n) below.

(m) Effects of minority interest on the U.S. GAAP adjustments

The net income and shareholders' equity under Chilean GAAP is adjusted in the U.S. GAAP for the impact of the U.S. GAAP reconciling items on the allocation of income and loss to minority interests. The sum of this adjustment and the minority interest reflected in our consolidated income statement and balance sheet for each period presented under Chilean GAAP represents the allocation of our results and shareholders' equity to our minority shareholders' under U.S. GAAP.

The effect of this adjustment is included in net income and shareholders' equity reconciliation to US GAAP under paragraph (n) below.

(n) Effect of conforming to U.S. GAAP

The reconciliation of reported net income required to conform to U.S. GAAP is as follows:

	As of December 31,		
	2006	2007	2008
	ThUS\$	ThUSS	ThUSS
Net income in accordance with Chilean GAAP	173,228	219,467	451,497
Deferred income taxes (paragraph a)	1,370	2,157	(1,383)
Pension and post-retirement benefits (paragraph c)	292	(9,297)	(3,332)
Capitalized interest (paragraph e)	22,357	16,709	9,198
Depreciation capitalized interest (paragraph e)	(3,599)	(2,714)	(4,403)
Difference foreign exchange capitalized (paragraph e)	59	58	58
Capitalized general and administrative expenses (paragraph f)	(6,905)	(22,026)	(10,867)
Elimination of amortization of capitalized legal reserve (paragraph g)	877	878	877
Derivative instruments (paragraph i)	(11,452)	(6,937)	—
Deferred income (paragraph k)	245	245	246
Regulated assets (paragraph l)	(6,692)	965	—
Effects of minority interest on the U.S. GAAP adjustments (paragraph m)	(2,525)	149,106	(14,295)
Deferred tax effects on the U.S. GAAP adjustments	1,832	8,987	5,802
Amortization of negative goodwill (paragraph d)	2,988	2,988	2,987
Special obligations (paragraph j)	—	(259,348)	(9,226)
PIS - COFIN (paragraph b)	—	(27,166)	—
Application of SFAS 158	—	11,139	38,872
Net income in accordance with U.S. GAAP	<u>172,075</u>	<u>85,211</u>	<u>466,031</u>
Net income in accordance with U.S. GAAP	172,075	85,211	466,031
Other comprehensive income (loss):			
SFAS 158	—	(2,479)	(10,007)
Comprehensive income in accordance with U.S.GAAP	<u><u>172,075</u></u>	<u><u>82,732</u></u>	<u><u>456,024</u></u>

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The reconciliation to conform shareholders' equity amounts to U.S. GAAP is as follows:

	<u>As of December 31,</u>	
	<u>2007</u>	<u>2008</u>
	ThUS\$	ThUS\$
Shareholders' equity in accordance with Chilean GAAP	1,908,163	2,208,341
Deferred income taxes (paragraph a)	(41,098)	(42,481)
Pension and post-retirement benefits liabilities long term (paragraph c)	5,838	2,506
Capitalized interest (paragraph f)	159,357	164,152
Exchange difference (paragraph f)	(897)	(839)
Capitalized general and administrative expenses (paragraph g)	(36,999)	(47,866)
Elimination of capitalized legal reserve (paragraph h)	(8,639)	(7,762)
Deferred income (paragraph k)	(3,434)	(3,188)
Effects of minority interest on the U.S. GAAP adjustments (paragraph n)	131,167	128,180
Negative goodwill (paragraph e)	(31,738)	(28,751)
Deferred tax effects on the U.S. GAAP adjustments	(78,788)	(62,005)
Special obligations (paragraph k)	(259,348)	(268,574)
PIS - COFIN (paragraph c)	(27,166)	(20,590)
Shareholders' equity in accordance with U.S. GAAP	<u>1,716,418</u>	<u>2,021,123</u>

The changes shareholders' equity in U.S. GAAP as of each year-end are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
	ThUS\$	ThUS\$	ThUS\$
Shareholders equity in accordance with U.S. GAAP - January 1	1,714,714	1,833,348	1,716,418
Dividends paid during the year	(67,993)	(199,662)	(151,319)
SFAS 158, net deferred tax	14,552	(2,479)	(10,007)
Net income in accordance with U.S. GAAP for the year	<u>172,075</u>	<u>85,211</u>	<u>466,031</u>
Shareholders equity in accordance with U.S.GAAP - December 31	<u>1,833,348</u>	<u>1,716,418</u>	<u>2,021,123</u>

II. Additional disclosure requirements:

(a) Basic and diluted earnings per share:

	<u>For the year ended December 31,</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	ThUS\$	ThUS\$	ThUS\$
Chilean GAAP earnings per share	1.04	1.32	2.72
Basic and diluted U.S. GAAP earnings per share	1.03	0.51	2.80
Total number of common outstanding shares at December 31,	166,259	166,259	166,259
Weighted average number of common shares outstanding (000's)	166,259	166,259	166,259

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There are no requirements to provide earnings per share disclosures under Chilean GAAP. The earnings per share figures for both U.S. GAAP and Chilean GAAP purposes have been calculated by dividing the respective earnings (loss) amounts in accordance with U.S. 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.

(b) Income taxes:

The provision (benefit) for income taxes charged to the results of operations determined in accordance with U.S. GAAP is as follows:

	2006		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Income tax provision under Chilean GAAP			
Current income taxes as determined under Chilean GAAP	(170)	(125,673)	(125,843)
Deferred income taxes as determined under Chilean GAAP	4,632	104,558	109,190
Total income tax provision under Chilean GAAP	4,462	(21,115)	(16,653)
U.S. GAAP adjustments:			
Deferred tax effect of applying SFAS No. 109	—	1,370	1,370
Deferred tax effect of adjustments to U.S. GAAP	—	1,832	1,832
Total U.S. GAAP adjustments:	—	3,202	3,202
Total Income tax provision under U.S. GAAP	4,462	(17,913)	(13,451)
	2007		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Income tax provision under Chilean GAAP			
Current income taxes as determined under Chilean GAAP	(1,049)	(123,144)	(124,193)
Deferred income taxes as determined under Chilean GAAP	(1,670)	12,598	10,928
Total income tax provision under Chilean GAAP	(2,719)	(110,546)	(113,265)
U.S. GAAP adjustments:			
Deferred tax effect of applying SFAS No. 109	—	2,157	2,157
Deferred tax effect of adjustments to U.S. GAAP	—	8,987	8,987
Total U.S. GAAP adjustments:	—	11,144	11,144
Total Income tax provision under U.S. GAAP	(2,719)	(99,402)	(102,121)
	2008		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Income tax provision under Chilean GAAP			
Current income taxes as determined under Chilean GAAP	(583)	(131,994)	(132,577)
Deferred income taxes as determined under Chilean GAAP	621	(9,829)	(9,208)
Total income tax provision under Chilean GAAP	38	(141,823)	(141,785)
U.S. GAAP adjustments:			
Deferred tax effect of applying SFAS No. 109	—	(1,383)	(1,383)
Deferred tax effect of adjustments to U.S. GAAP	—	5,802	5,802
Total U.S. GAAP adjustments:	—	4,419	4,419
Total Income tax provision under U.S. GAAP	38	(137,404)	(137,366)

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Deferred tax assets (liabilities) as of balance sheet dates are summarized as follows:

	2007			2008		
	SFAS No. 109 Applied to Chilean GAAP Balances ThUS\$	SFAS No. 109 applied to U.S. GAAP Adjustments ThUS\$	Total Deferred Taxes under SFAS No. 109 ThUS\$	SFAS No.109 Applied to Chilean GAAP Balances ThUS\$	SFAS No. 109 applied to U.S. GAAP Adjustments ThUS\$	Total Deferred Taxes under SFAS No. 109 ThUS\$
Property, plant and equipment	5,191	17,115	22,307	5,191	19,198	24,389
Derivative contracts	—	—	—	—	—	—
Tax losses	66,931	—	66,931	38,837	—	38,837
Contingencies	129,541	9,236	138,777	103,592	7,001	110,593
Allowance for doubtful accounts	131,591	—	131,591	57,643	—	57,643
Actuarial deficit (companies Brazil)	24,750	(1,984)	22,766	29,437	(852)	28,585
Salaries for construction-in progress	8,637	—	8,637	6,195	—	6,195
Other events	10,192	—	10,192	4,986	1,084	6,070
Intangible	—	—	—	2,621	—	2,621
Valuation allowance	—	—	—	(1,440)	—	(1,440)
Total deferred income tax assets	376,833	24,367	401,201	247,062	26,431	273,493
Property, plant and equipment	54,121	48,974	103,095	52,998	32,624	85,622
Regulated assets (deferred assets)	51,702	—	51,702	24,140	—	24,140
Finance costs	10,721	—	10,721	—	—	—
Exchange difference	13,682	—	13,682	5,669	—	5,669
Capitalized interest	—	54,181	54,181	—	55,812	55,812
Contingencias	—	—	—	2,334	—	2,334
Other events	8,020	—	8,020	1,704	—	1,704
Total deferred income tax liabilities	138,246	103,155	241,401	86,845	88,436	175,281
Net deferred assets (liabilities)	238,587	(78,788)	159,800	160,217	(62,005)	98,212
Complementary Account	41,098	(41,098)	—	42,481	(42,481)	—
Net deferred tax asset (liability)	279,685	(119,886)	159,800	202,698	(104,486)	98,212

Accumulated tax losses by country as of December 31, 2007 and 2008, are as follows:

	December 31, 2007		December 31, 2008	
	Amount ThUS\$	Year of expiration	Amount ThUS\$	Year of expiration
Argentina	278,970	2012	891	2013
Brazil	367,733	Do not expire	192,817	Do not expire
Total	646,703		193,708	

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A reconciliation of the U.S. GAAP Statutory Income Tax rate to the Company's effective tax rate on net income is as follows:

	2006		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Statutory US GAAP tax	(730)	(101,360)	(102,090)
Effect of higher foreign tax rates	(22)	—	(22)
Increase (decrease) in rates resulting from:			
Non-taxable items	5,214	102,079	107,293
Non-deductible items	—	(29,032)	(29,032)
Other	—	10,400	10,400
Tax (benefit) expense at effective tax rate	<u>4,462</u>	<u>(17,913)</u>	<u>(13,451)</u>

	2007		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Statutory US GAAP tax	(2,130)	(25,372)	(27,502)
Effect of higher foreign tax rates	(62)	—	(62)
Increase (decrease) in rates resulting from:			
Non-taxable items	—	128,519	128,519
Non-deductible items	(527)	(205,784)	(206,311)
Other	—	3,235	3,235
Tax (benefit) expense at effective tax rate	<u>(2,719)</u>	<u>(99,402)</u>	<u>(102,121)</u>

	2008		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Statutory US GAAP tax	478	(304,010)	(303,532)
Effect of higher foreign tax rates	14	—	14
Increase (decrease) in rates resulting from:			
Non-taxable items	55	226,315	226,370
Non-deductible items	(509)	(80,732)	(81,241)
Other	—	21,023	21,023
Tax (benefit) expense at effective tax rate	<u>38</u>	<u>(137,404)</u>	<u>(137,366)</u>

Additionally, effective January 1, 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.

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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 subsidiaries will recognize interest and penalties related to unrecognized tax benefits in interest expense and other operating expense, respectively.

We are potentially subject to income tax audits in numerous jurisdictions in Brazil and Argentina 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.

Jurisdiction	Tax Years Subject to Examination
Argentina	2002-2008
Brazil	2004-2008

(c) Segment disclosures:

The Company is primarily engaged in the distribution and generation of electricity in Argentina and Brazil. The Company provides these and other services through four business segments:

- Generation
- Distribution
- Transmission
- Corporate and other

Generation involves the generation of electricity through its subsidiaries Cachoeira Dourada and CGTF. Distribution involves the supply of electricity to regulated and unregulated customers. Transmission involves the transmission of high voltage the electricity produced by generation companies. The Company's reportable segments are strategic business units that offer different products and services and are managed separately. The methods of revenue recognition by segment are as follows:

Generation

Revenue is recognized when energy and power output is delivered and capacity is provided at rates specified under contract terms or prevailing market rates.

Distribution - Operating Revenues

Revenue is recognized when energy and power is provided at rates specified under contract terms or prevailing market rates.

Distribution - Non Operating Revenues

Revenue is recognized as services are provided, such as public light posts, telephone poles, and other services related to distribution services.

Transmission

Revenue is recognized as services are provided, through to tolls for the transmission service of high voltage the electricity produced by generation companies.

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Corporate and Other

Revenue is recognized as services are provided, or when supplies or equipment are sold.

The following segment information has been disclosed in accordance with U.S. reporting requirements; however, the information presented has been determined in accordance with Chilean GAAP:

	Generation	Transmission	Distribution	Corporate and other	Eliminations	Consolidated
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
2006						
Total revenues.....	<u>305,823</u>	<u>270,290</u>	<u>1,789,292</u>	<u>—</u>	<u>(293,305)</u>	<u>2,072,100</u>
Operating income.....	<u>154,167</u>	<u>(1,425)</u>	<u>342,023</u>	<u>(9,026)</u>	<u>—</u>	<u>485,739</u>
Depreciation and amortization	<u>(38,158)</u>	<u>(25,463)</u>	<u>(152,066)</u>	<u>(49)</u>	<u>—</u>	<u>(215,736)</u>
2007						
Total revenues.....	<u>396,584</u>	<u>175,598</u>	<u>1,994,767</u>	<u>—</u>	<u>(296,141)</u>	<u>2,270,808</u>
Operating income.....	<u>191,667</u>	<u>46,651</u>	<u>428,867</u>	<u>(9,546)</u>	<u>—</u>	<u>657,639</u>
Depreciation and amortization	<u>(32,902)</u>	<u>(24,938)</u>	<u>(150,211)</u>	<u>(84)</u>	<u>—</u>	<u>(208,135)</u>
Identifiable assets including	<u>1,244,893</u>	<u>854,657</u>	<u>4,711,456</u>	<u>1,994,678</u>	<u>(2,429,363)</u>	<u>6,376,321</u>
2008						
Total revenues.....	<u>503,085</u>	<u>146,481</u>	<u>2,398,610</u>	<u>—</u>	<u>(216,085)</u>	<u>2,832,091</u>
Operating income.....	<u>240,527</u>	<u>94,909</u>	<u>550,375</u>	<u>(18,879)</u>	<u>—</u>	<u>866,932</u>
Depreciation and amortization	<u>(34,177)</u>	<u>(28,798)</u>	<u>(167,746)</u>	<u>(251)</u>	<u>—</u>	<u>(230,972)</u>
Identifiable assets including	<u>1,055,217</u>	<u>784,363</u>	<u>4,265,377</u>	<u>2,301,451</u>	<u>(2,615,411)</u>	<u>5,790,997</u>

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A summary of activities by geographic area is as follows:

	Argentina	Brazil	Total
	ThUS\$	ThUS\$	ThUS\$
2006			
Total revenues.....	<u>14,867</u>	<u>2,057,233</u>	<u>2,072,100</u>
Long lived assets (net) (1).....	<u>61,579</u>	<u>3,496,756</u>	<u>3,558,335</u>
Total assets.....	<u>108,980</u>	<u>5,611,505</u>	<u>5,720,485</u>
2007			
Total revenues.....	<u>14,093</u>	<u>2,256,715</u>	<u>2,270,808</u>
Long lived assets (net) (1).....	<u>57,302</u>	<u>3,619,541</u>	<u>3,676,843</u>
Total assets.....	<u>112,455</u>	<u>6,263,866</u>	<u>6,376,321</u>
2008			
Total revenues.....	<u>13,885</u>	<u>2,818,206</u>	<u>2,832,091</u>
Long lived assets (net) (1).....	<u>53,048</u>	<u>3,793,689</u>	<u>3,846,737</u>
Total assets.....	<u>104,195</u>	<u>5,686,802</u>	<u>5,790,997</u>

(1) Long-lived assets include property, plant and equipment.

(d) Concentration of risk:

The Company does not believe that it is exposed to any unusual credit risk from any single customer. The Company's debtors are dependent on the economy in region, which could make them vulnerable to downturns in the economic activity in the countries in which the Company operates.

No single customers accounted for more than 10% of revenues for the years ending December 31, 2006, 2007 and 2008.

(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, 2008
	ThUS\$
2009	303,027
2010	295,204
2011	328,810
2012	365,476
2013	86,740
Thereafter.....	<u>37,411</u>
Total.....	<u>1,416,668</u>

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(f) Disclosure regarding interest capitalization:

	Year ended December 31,		
	2006	2007	2008
	ThUS\$	ThUS\$	ThUS\$
Interest expense incurred	280,895	287,552	295,962
Interest capitalized under U.S. GAAP	22,357	16,709	9,198

(g) Fair value measurements and the fair value option.:

a) Disclosures about fair value of financial instruments:

The following methods and assumption were used to estimate the fair value of each class of financial instruments as of December 31, 2007 and 2008 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

The fair value of time deposits is equal to its carrying value due to its 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 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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The estimated fair values of the Company's financial instruments compared to Chilean GAAP carrying amounts are as follows:

	2007		2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash	79,864	79,864	18,943	18,943
Time deposits	512,761	512,761	485,908	485,908
Marketable securities	133	133	53	53
Accounts receivable	809,653	809,653	540,608	540,608
Notes receivable, net	14,491	14,491	5,486	5,486
Other accounts receivable, net	43,436	43,436	44,221	44,221
Amounts due from related companies	22,603	22,603	33,015	33,015
Long-term accounts receivable	64,273	64,273	36,897	36,897
Accounts payable and other	(336,925)	(336,925)	(205,174)	(205,174)
Notes payable	(510,544)	(510,544)	(179,276)	(179,276)
Long-term debt	(1,857,060)	(1,868,428)	(1,416,668)	(1,448,319)
Derivative instruments	(35,780)	(35,780)	(11,174)	(11,174)

b) Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements. The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. FSP FAS 157-2 delayed the effective date for all nonfinancial assets and liabilities until January 1, 2009, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The following section describes the valuation methodologies we use to measure different financial instruments at fair value.

Derivatives

The derivatives portfolio is entirely over-the-counter (OTC), your measurement is estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies. Also, these estimates consider assumptions for the Company's own credit risk and the respective counter party credit risk. Level 2 derivative assets and liabilities primarily include certain over-the-counter, collar, cross currency swap, and swap contracts.

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Debt and bond payable

Only the debt and bond payable designated as a hedged item in a fair value hedge are measurement to fair value. The measurement this hedged items are the following:

When available, we use observable market data, including pricing on recent closed market transactions, to value this debt and bond payable which are included in Level 2. When this data is unobservable, we use valuation methodologies using current market interest rate data adjusted for inherent credit risk and such loans are included in Level 3. When appropriate, loans are valued using collateral values as a practical expedient.

(thousands of US\$)	December 31, 2008	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Assets				
Financial Derivatives	—	—	—	—
Total assets	—	—	—	—
Liabilities				
Financial Derivatives	(11,174)	—	(11,174)	—
Debt and bond payable	(52,888)	—	(52,888)	—
Total liabilities	(64,062)	—	(64,062)	—

c) Fair Value Option

Effective January 1, 2008, the Company adopted SFAS No. 159, which provides entities the option to measure many financial instruments and certain other items at fair value. Entities that choose the fair value option will recognize unrealized gains and losses on items for which the fair value option was elected in earnings at each subsequent reporting date. The Company has currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

(h) Derivative instruments

The Company is exposed to the impact of market fluctuations in the price of electricity, primary materials such as 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, and financial derivatives. All derivatives that do not qualify for the normal purchase and sales exemption under SFAS No. 133 are recorded at their fair value. On the date that swaps, cross currency swap contracts are entered into, the Company designates the derivatives as a “hedge”, if the documentation is not appropriate to designate as a “hedge”, the derivative’s mark-to-market adjustment flows through the income statement.

The Company has classified its derivatives into the following general categories: embedded derivatives, and financial derivatives. According to SFAS No. 133, an embedded foreign currency derivative should be separated from the host contract because none of the applicable exclusions are met (See Embedded Derivative Contracts below). For purposes of evaluating the functional currency of the Company’s subsidiaries in Argentina and Brazil, the Company applied BT 64, consistent with the methodology described in Note 25 1 paragraph (i), thus the functional currency of these subsidiaries was the US dollar as these subsidiaries were remeasured into US dollars because foreign subsidiaries operate in countries exposed to significant risks as determined under BT 64.

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The following is a summary of the Company’s derivative contracts as of December 31, 2007 and 2008.

	2007		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Financial derivatives	—	(35,780)	(35,780)
	2008		
	Argentina ThUS\$	Brazil ThUS\$	Total ThUS\$
Financial derivatives	—	(11,174)	(11,174)

Certain Company’s generation and distribution commodity contracts in 2006 could be seen as contracts that meet the definition of a derivative under SFAS No. 133 and are required to be accounted for at fair value. These conditions are (i) have an underlying, which is the market price of power at the delivery location and a notional amount specified in the contract; (ii) have no initial payment on entering into the contract; and (iii) have a net settlement provision or have the characteristic of net settlement because power is readily convertible to cash, as it is both fungible and actively traded in the country of generation or country of distribution.

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.

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 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 objective of Endesa Brasil’s interest rate risk policy is to protect the company and its subsidiaries against adverse effects of financial market volatility on their Financial Statements. Because of Brazilian financial market characteristics, in which fixed interest rate transactions are usually considerably more expensive than variable interest rate transactions, the majority of interests bearing liabilities held by the group are contracted at variable interest rate.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

Under US GAAP, for the years ended December 31, 2006, 2007 and 2008, the derivative portfolio for the Endesa Brasil Group is the following:

Accounting Classification	Risk Hedged	Derivative Instrument	Year ended December 31, (thousands US\$)					
			2006		2007		2008	
			Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value
Cash Flow Hedge	Interest Rate	Swap	21,390	(550)	19,615	(931)	17,714	(2,106)
Fair Value Hedge	Exchange Rate	CCS Swap	50,000	(6,231)	117,794	(33,598)	49,555	(9,068)
Investment	Exchange	CCS	2,468	(1,693)	1,062	(1,262)	—	—
		Total	73,858	(8,474)	143,558	(35,780)	67,269	(11,174)

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 2006, 2007 and 2008 revealed that the ineffective portion of our hedging contracts were immaterial.

Embedded Derivative Contracts

The Company enters into certain contracts that have embedded features that are not clearly and closely related to the host contract. As specified in SFAS No. 133, bifurcation analysis focuses on whether the economic characteristics and risks of the embedded derivative are clearly and closely related to the economic characteristics and risks of the host contract. In certain identified contracts, the host service contract and the embedded feature are not indexed to the same underlying and changes in the price or value of service will not always correspond to changes in the price of the commodity to which the contract is indexed. U.S. GAAP requires embedded features to be measured at fair value as freestanding instruments. Unless the embedded contracts are remeasured at fair value under otherwise applicable GAAP, the embedded feature must be valued at fair value with changes in fair value reported in earnings as they occur.

Embedded foreign currency derivative instruments are not separated from the host contract and considered a derivative instrument if the host contract is not a financial instrument and it requires payments denominated in either: (1) the currency of any substantial party to the contract, (2) the local currency of any substantial party to the contract, (3) the currency used because the primary economic environment is highly inflationary, or (4) the currency in which the good or service is routinely denominated in international commerce.

(i) Employee Benefit Plans:

The Group sponsor various benefit plans for its current and retired employees. A description of such benefits follows:

Benefits for Retired Personnel

Other benefits provided to certain retired personnel of Group include subsidies, additional medical insurance and additional post-retirement benefits. Descriptions of these benefits for retired personnel are as follows:

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

i) 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 Group. This benefit expires at the time of death of the pensioner.

ii) Worker's compensation benefits

Employees that were entitled to Worker's compensation insurance in prior years for work related injuries receive benefits from the Company when that insurance expires. This benefit continues at the time of death of the pensioner, to cover the surviving-spouse.

The Company has recognized liabilities related to complementary pension plan benefits and other postretirement benefits as stipulated in collective bargaining agreements. Under U.S. GAAP, post-retirement employee benefits have been accounted for in accordance with SFAS No. 87 and SFAS No. 106, with inclusion of prior-period amounts in current year's income as the amounts are not considered significant to the overall financial statement presentation. The effects of accounting for post-retirement benefits under U.S. GAAP have been presented in paragraph (p), above. The following data represents Chile GAAP amounts presented under FAS No. 132 Revised 2003 Employers' Disclosures about Pensions and other Postretirement Benefits, for Company's post-retirement benefit plans.

	At December 31, 2007	
	Pension Benefits ThUS\$	Other Benefits ThUS\$
Assets and obligations		
Accumulated benefit obligation	(634,987)	(44,410)
Plan assets at fair value	625,369	—
Unfunded accumulated benefit	<u>(9,618)</u>	<u>(44,410)</u>
Changes in benefit (obligations)		
Benefit (obligations) at January 1	(31,623)	(31,579)
Foreign exchange effect	(6,558)	(6,620)
Net periodic expense	(20,209)	(9,985)
Contributions	21,176	3,774
Benefit (obligations) at December 31	<u>(37,214)</u>	<u>(44,410)</u>
Funded Status of the Plans		
Projected Benefit Obligation	(662,583)	(44,410)
Fair value of the plans assets	625,369	—
Funded Status	<u>(37,214)</u>	<u>(44,410)</u>
Net liability recorded under U.S. GAAP	<u>(37,214)</u>	<u>(44,410)</u>
Change in the plan assets		
Fair value of the plan assets, beginning	421,046	—
Foreign exchange effect	124,732	—
Actual return on the plan assets	106,776	—
Employer contributions	12,988	—
Plan participant contributions	8,188	—
Benefits paid	<u>(48,361)</u>	—
Fair value of plans assets, ending	<u>625,369</u>	—

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

Service cost.....	(4,298)	—
Interest cost.....	(66,174)	(4,438)
Actual return on the plan assets.....	106,776	—
Actuarial gain (loss).....	<u>(56,513)</u>	<u>(5,547)</u>
Net periodic expenses.....	<u>(20,209)</u>	<u>(9,985)</u>

	<u>Pension Benefits</u>	<u>Other Benefits</u>
Assumptions as of December 31, 2007		
Weighted - discount rate (1).....	11.2%	12.1%
Weighted - salary increase.....	6.1%	—
Weighted - return on plan assets (1).....	12.8%	—
Weighted - long term inflation (2).....	4.7%	5.0%

(1) Includes fixed long term inflation assumption detail in (2)

	<u>At December 31, 2008</u>	
	<u>Pension Benefits</u>	<u>Other Benefits</u>
	ThUS\$	ThUS\$
Assets and obligations.....		
Accumulated benefit obligation.....	(463,832)	(35,659)
Plan assets at fair value.....	<u>414,265</u>	<u>—</u>
Unfunded accumulated benefit.....	<u>(49,567)</u>	<u>(35,659)</u>
Changes in benefit (obligations).....		
Benefit (obligations) at January 1.....	(37,214)	(44,410)
Foreign exchange effect.....	18,338	7,759
Net periodic expense.....	(51,003)	(4,974)
Contributions.....	<u>17,696</u>	<u>2,990</u>
Benefit (obligations) at December 31.....	<u>(52,183)</u>	<u>(38,635)</u>
Funded Status of the Plans.....		
Projected Benefit Obligation.....	(466,448)	(38,635)
Fair value of the plans assets.....	<u>414,265</u>	<u>—</u>
Funded Status.....	<u>(52,183)</u>	<u>(38,635)</u>
Net liability recorded under U.S. GAAP.....	<u>(52,183)</u>	<u>(38,635)</u>

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

Change in the plan assets		
Fair value of the plan assets, beginning	625,369	—
Foreign exchange effect	(185,337)	—
Actual return on the plan assets	(19,361)	—
Employer contributions	16,725	—
Plan participant contributions	971	—
Benefits paid	<u>(24,102)</u>	<u>—</u>
Fair value of plans assets, ending	<u>414,265</u>	<u>—</u>
Service cost	(3,966)	—
Interest cost	(54,271)	(3,900)
Actual return on the plan assets	(19,361)	—
Actuarial gain (loss)	<u>26,595</u>	<u>(1,074)</u>
Net periodic expenses	<u>(51,266)</u>	<u>(4,974)</u>
	<u>Pension Benefits</u>	<u>Other Benefits</u>
Assumptions as of December 31, 2008		
Weighted - discount rate (1)	11.65%	12.14%
Weighted - salary increase	7.25%	—
Weighted - return on plan assets (1)	12.45%	—
Weighted - long term inflation (2)	4.67%	5%

(1) Includes fixed long term inflation assumption detail in (2)

The company expects to pay-out of pension benefits for ThUS\$ 1,630, ThUS\$ 40,750, ThUS\$ 39,885, ThUS\$ 39,337 and 39,142 in 2009, 2010, 2011, 2012 and 2013, respectively.

The following data present some supplementary information regarding the Company's pension plans in Brazil:

Defined benefit pension plan asset allocations at December 31, 2007 and 2008, by assets category are as follows:

<u>Asset Category</u>	<u>2007</u> <u>Plan asset</u>	<u>2008</u> <u>Plan asset</u>
Equity securities	25.84%	13.28%
Debt securities	67.55%	77.11%
Real estate	5.76%	5.83%
Other	0.86%	3.77%

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements

(j) Presentation to U.S. GAAP

Certain reclassifications and adjustment would be made to the Chilean GAAP income statement in order to present the amounts in accordance with U.S. GAAP. For example, certain non-operating income and expenses under Chilean GAAP would be included in the determination of operating income under U.S. GAAP. Such reclassifications from non-operating to operating income and expense include the following:

- Losses arising from contingencies and litigation, and reversals thereof
- Gains and losses from disposals of fixed assets
- Taxes, other than income taxes
- Penalties and fines

	Years ended December 31,		
	2006	2007	2008
	ThUS\$	ThUS\$	ThUS\$
Operating income.....	391,744	408,256	830,468
Non-operating income and expenses, net.....	(117,938)	(324,380)	65,264
Income taxes.....	(13,451)	(102,121)	(137,366)
Minority interest.....	(88,280)	103,456	(292,335)
Net income.....	<u>172,075</u>	<u>85,211</u>	<u>466,031</u>
Other comprehensive income (loss):			
Application of FAS 158.....		(2,479)	(10,007)
Comprehensive income.....	<u>172,075</u>	<u>82,732</u>	<u>456,024</u>

Certain reclassifications and adjustments would be made to the Chilean GAAP balance sheet in order to present Chilean GAAP amounts in accordance with U.S. GAAP. Deferred taxes from depreciation differences that are recorded as short-term under Chilean GAAP would be recorded as long-term under U.S. GAAP. Additionally, the regulated asset recorded during 2001 by Coelce and Ampla, Brazilian subsidiaries, has been partially recorded in trade receivables and an additional component was recorded in current assets by Coelce under Chilean GAAP. However, under U.S. GAAP the presentation of these regulated assets should be classified as non-current assets as the recovery of these assets is not expected in the short term. Under U.S. GAAP, negative goodwill is allocated to long-lived assets instead of a separate line term in the other assets. 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.

	As of December 31,	
	2007	2008
	ThUS\$	ThUS\$
Current assets.....	1,722,719	1,425,022
Property, plant, and equipment, net.....	3,789,665	3,954,422
Other assets.....	945,021	490,487
Total assets.....	<u>6,457,405</u>	<u>5,869,931</u>
Current liabilities.....	1,487,290	967,914
Long-term liabilities.....	2,523,049	1,945,581
Minority interest.....	730,648	935,313
Shareholders' equity.....	1,716,418	2,021,123
Total liabilities and shareholders' equity.....	<u>6,457,405</u>	<u>5,869,931</u>

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements**(k) Recent accounting pronouncements**

FASB Statement No. 141 (Revised 2007), 'Business combinations' ("SFAS 141R"). SFAS 141R provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement applies 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 impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Statement No. 160, 'Non-controlling interests in consolidated financial statements - an amendment of ARB No. 51' ("SFAS 160"). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 141(R)-1, 'Accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies' ("FSP FAS 141(R)-1"). FSP FAS 141(R)-1 amends and clarifies SFAS 141R to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. Under the new guidance, assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. This FSP is effective for assets or liabilities arising from contingencies in 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 impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 152-2 and FAS 124-2, 'Recognition and presentation of other-than-temporary impairments' ("FSP FAS 152-2 and FAS 124-2"). FSP FAS 152-2 and FAS 124-2 clarifies that in periods in which an entity determines that a security's decline in fair value below its amortized cost basis as other than temporary, the entity shall present the total other-than-temporary impairment in the income statement with an offset for the amount of the total other-than-temporary impairment that is recognized in other comprehensive income, if any. This FSP is effective for interim and annual reporting periods ending after June 15, 2009. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 157-2, 'Effective date of FASB Statement No. 157' ("FSP FAS 157-2"). FSP FAS 157-2 delays the effective date of FASB Statement No. 157, Fair Value Measurements ("SFAS 157") for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

FASB Staff Position FAS 157-4, 'Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly' ("FSP FAS 157-4"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP is effective for interim and annual reporting periods ending after June 15, 2009 and is applied prospectively. The impact of implementing this new pronouncement on the Company's financial statements is currently unknown.

Endesa Brasil S.A. and Subsidiaries
Notes to the Consolidated Financial Statements**Adoption of International Financial Reporting Standards (IFRS)**

Considering that both Enersis and Endesa Chile have adopted IFRS as accounting standards starting on January 1, 2009, and expects that its next Form 20-F, for the fiscal year ended December 31, 2009, will be filed using IFRS as its accounting standard used to prepare the financial statements, Endesa Brasil does not expect to prepare reconciliations to US GAAP in the future.

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES



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SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

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SUMMARIZED BALANCE SHEETS

(Thousand of Chilean pesos as of December 31, 2008)

	Empresa Eléctrica Pehuenche S.A.		Empresa Eléctrica Pangué S.A.		Compañía Eléctrica Cono Sur S.A (**)		Compañía Eléctrica Tarapacá S.A.		Endesa Argentina S.A. (*)	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
ASSETS										
Current Assets	84,936,550	98,565,080	50,008,055	52,127,471	281,077,126	-	13,170,476	14,741,890	78,098,500	115,330,227
Property, Plant and Equipment	347,440,529	332,078,818	185,311,886	180,234,042	1,813,350,695	-	91,663,873	94,072,729	409,559,931	462,556,586
Other Assets	241,629	232,082	575,364	556,185	513,158,824	-	326,327	330,413	101,221,477	111,653,902
TOTAL ASSETS	432,618,708	430,875,980	235,895,305	232,917,698	2,607,586,645	-	105,160,676	109,145,032	588,879,908	689,540,715
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current Liabilities	66,070,100	71,944,490	6,478,073	16,836,464	201,525,894	-	9,011,541	13,281,035	111,677,563	164,795,264
Long-Term Liabilities	84,001,807	54,000,703	100,813,301	65,285,203	653,151,962	-	341,411	303,355	152,117,205	154,169,830
Minority Interest	-	-	-	-	845,784,668	-	-	-	178,730,439	202,810,476
Shareholders' Equity	223,777,346	223,777,346	91,131,128	91,131,128	900,265,667	-	103,099,643	103,099,643	88,793,152	113,028,890
Surplus (Deficit) During Development Period of Subsidiaries	-	-	-	-	-	-	-	-	-	-
Retained Earnings (Losses)	192,349	676,456	296,314	603,557	57,687,183	-	1,630,369	(7,291,920)	15,783,815	57,561,549
Net Income (Loss)	151,089,268	215,800,169	37,176,489	59,061,346	(22,023,246)	-	(8,922,288)	(247,081)	41,777,734	(2,825,294)
Interim Dividends (less)	(92,512,162)	(135,323,184)	-	-	(28,805,483)	-	-	-	-	-
LIABILITIES AND SHAREHOLDERS' EQUITY	432,618,708	430,875,980	235,895,305	232,917,698	2,607,586,645	-	105,160,676	109,145,032	588,879,908	689,540,715

SUMMARIZED STATEMENTS OF INCOME

For the years ended December 31, 2007 and 2008 (ThCh\$)

	Empresa Eléctrica Pehuenche S.A.		Empresa Eléctrica Pangué S.A.		Compañía Eléctrica Cono Sur S.A (**)		Compañía Eléctrica Tarapacá S.A.		Endesa Argentina S.A. (*)	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
OPERATING RESULTS										
Revenues	213,649,347	299,614,065	88,342,519	118,985,897	528,670,184	-	36,318,657	57,986,069	288,520,482	352,767,051
Cost of Operations	(30,662,667)	(34,032,344)	(37,830,444)	(46,008,207)	(288,716,587)	-	(46,951,489)	(57,749,899)	(256,415,695)	(328,741,064)
Gross Profit	182,986,680	265,581,721	50,512,075	72,977,690	239,953,597	-	(10,632,832)	236,170	32,104,787	24,025,987
Administrative and Selling Expenses	(232,676)	(315,959)	(184,440)	(188,623)	(15,327,392)	-	(504,993)	(389,344)	(4,176,572)	(6,011,029)
OPERATING INCOME	182,754,004	265,265,762	50,327,635	72,789,067	224,626,205	-	(11,137,825)	(153,174)	27,928,215	18,014,958
NON-OPERATING RESULTS										
Non-Operating Incomes	4,194,885	10,626,182	3,120,420	7,890,113	81,470,535	-	2,755,759	1,082,372	63,374,235	3,953,847
Non-Operating Expenses	(4,915,294)	(6,722,972)	(6,853,681)	(6,164,210)	(197,207,064)	-	(1,477,522)	(105,357)	(34,235,830)	(24,696,895)
Price-Level Restatement and Foreign Currency Translation	4,922,086	(3,369,652)	(472,481)	(1,641,593)	(33,109,080)	-	(299,587)	(1,021,916)	2,982,666	2,173,677
NON-OPERATING INCOME	4,201,677	533,558	(4,205,742)	84,310	(148,845,609)	-	978,650	(44,901)	32,121,071	(18,569,371)
Income Taxes	(35,866,413)	(49,999,151)	(8,945,404)	(13,812,031)	(45,547,156)	-	1,236,887	(49,006)	(13,848,170)	(5,850,249)
Extraordinary Loss	-	-	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	(54,078,703)	-	-	-	(4,423,382)	3,579,368
Negative Goodwill Amortization	-	-	-	-	1,822,017	-	-	-	-	-
NET INCOME	151,089,268	215,800,169	37,176,489	59,061,346	(22,023,246)	-	(8,922,288)	(247,081)	41,777,734	(2,825,294)

(*) Consolidated Financial Statements.

(**) Compañía Eléctrica Cono Sur S.A. was dissolved on September 1, 2008.

SUMMARIZED CASH FLOWS

For the years ended December 31, 2007 and 2008 (ThCh\$)

	Empresa Eléctrica Pehuenche S.A.		Empresa Eléctrica Pangué S.A.		Compañía Eléctrica Cono Sur S.A (**)		Compañía Eléctrica Tarapacá S.A.		Endesa Argentina S.A. (*)	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Net Positive (Negative) Cash Flow from Operating Activities	157,788,997	230,047,355	36,813,041	90,485,053	211,780,471	-	(5,789,176)	2,815,112	33,084,087	52,546,194
Net Positive (Negative) Cash Flow from Financing Activities	(156,689,904)	(229,074,089)	(46,905,661)	(72,052,159)	(330,751,516)	-	8,216,576	(40,393)	(13,132,046)	(2,315,798)
Net Positive (Negative) Cash Flow from Investment Activities	(1,107,014)	(281,063)	10,116,970	(18,455,509)	53,740,058	-	(2,422,090)	(2,762,943)	(19,120,776)	(33,287,608)
NET POSITIVE (NEGATIVE) CASH FLOW FOR THE PERIOD	(7,921)	692,203	24,350	(22,615)	(65,230,987)	-	5,310	11,776	831,265	16,942,788
Inflation Effect over Cash and Cash Equivalents	(7,632)	(20,703)	(972)	(545)	(15,297,809)	-	(2,843)	(373)	(7,452,288)	698,986
Net Increase (Decrease) in Cash and Cash Equivalent	(15,553)	671,500	23,378	(23,160)	(80,528,796)	-	2,467	11,403	(6,621,023)	17,641,774
Cash and Cash Equivalents at beginning of the year	34,312	18,759	433	23,811	108,216,062	-	2,688	5,155	30,060,480	23,439,457
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18,759	690,259	23,811	651	27,687,266	-	5,155	16,558	23,439,457	41,081,231

(*) Consolidated Cash Flows.

(**) Compañía Eléctrica Cono Sur S.A. was dissolved on September 1, 2008.

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.	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
8,845,983	10,468,815	1,281,349	1,476,463	6,446,245	11,730,914	-	-	47,615,444	39,398,827	6,273,309	9,152,541	75,426	84,437
456,098	719,589	2,069,966	2,812,988	23,308,498	21,384,406	-	-	106,523,375	101,094,455	37,083,029	89,615,972	-	-
246,585	840,455	761,573	861,814	5,372,915	2,782,676	29,768,376	41,352,470	11,771,284	12,887,958	87,120	1,542,729	7,145,757	8,055,783
9,548,666	12,028,859	4,112,888	5,151,265	35,127,658	35,897,996	29,768,376	41,352,470	165,910,103	153,381,240	43,443,458	100,311,242	7,221,183	8,140,220
4,391,255	6,050,214	448,422	915,922	158,744	203,148	2,992,117	3,057,780	76,670,860	33,582,047	39,610,937	94,886,220	268,269	287,794
2,077,270	2,145,558	193,808	202,826	8,854,674	7,852,756	-	-	41,989,894	24,562,773	3,084,861	2,900,655	-	-
4,108	4,893	-	-	-	-	-	-	-	-	-	-	-	-
2,492,089	2,559,352	2,706,933	2,813,029	46,709,460	46,709,460	58,791,837	73,417,071	39,005,904	39,005,904	681,846	681,846	9,688,877	10,947,862
-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,443	4,826	14,569	26,953	(21,537,006)	(20,595,220)	29,115,038	(32,015,578)	4,666,277	8,243,445	(104,025)	65,814	(2,129,884)	(2,735,963)
1,715,156	3,057,283	749,156	1,192,535	941,786	1,727,852	(61,130,616)	(3,106,803)	3,577,168	47,987,071	169,839	1,776,707	(606,079)	(359,473)
(1,135,655)	(1,793,267)	-	-	-	-	-	-	-	-	-	-	-	-
9,548,666	12,028,859	4,112,888	5,151,265	35,127,658	35,897,996	29,768,376	41,352,470	165,910,103	153,381,240	43,443,458	100,311,242	7,221,183	8,140,220

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.	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
21,941,293	28,128,490	5,150,522	5,197,485	6,559,101	6,939,449	-	-	241,508,113	189,756,422	59,895	4,840,599	-	-
(18,559,784)	(22,566,167)	(3,891,074)	(3,768,798)	(5,390,377)	(5,729,031)	-	-	(241,835,373)	(131,808,717)	(1,830)	(2,401,314)	-	-
3,381,509	5,562,323	1,259,448	1,428,687	1,168,724	1,210,418	-	-	(327,260)	57,947,705	58,065	2,439,285	-	-
(1,450,679)	(1,703,661)	(81)	-	(6,886)	(8,008)	(1,670)	(2,066)	(85,345)	(116,191)	(59,144)	(66,241)	(19,335)	(5,556)
1,930,830	3,858,662	1,259,367	1,428,687	1,161,838	1,202,410	(1,670)	(2,066)	(412,605)	57,831,514	(1,079)	2,373,044	(19,335)	(5,556)
388,021	540,874	333,582	171,378	603,539	1,081,584	367	12,036	2,198,515	3,737,169	-	364,504	40,848	9,078
(22,599)	(404,502)	(472,619)	(17,344)	(630,160)	(15,098)	(3,361,996)	(61,354,458)	(4,986,308)	(6,129,300)	(1,432,063)	(5,173,276)	(666,922)	(348,959)
(218,955)	(241,411)	(119,721)	(82,927)	(193,431)	(540,022)	256,496	213,872	7,798,521	2,446,616	1,635,650	4,551,111	39,330	(14,036)
146,467	(105,039)	(258,758)	71,107	(220,052)	526,444	(3,105,133)	(61,128,550)	5,010,728	54,485	203,587	(257,661)	(586,744)	(353,917)
(360,961)	(696,279)	(251,453)	(307,259)	-	(1,022)	-	-	(1,020,955)	(9,898,928)	(32,669)	(338,676)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,180)	(61)	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,715,156	3,057,283	749,156	1,192,535	941,786	1,727,852	(3,106,803)	(61,130,616)	3,577,168	47,987,071	169,839	1,776,707	(606,079)	(359,473)

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.	
2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
3,107,887	2,101,242	1,390,306	1,047,213	4,253,815	5,729,824	(18,198)	(281,885)	23,073,979	30,659,849	(4,765,878)	4,431,667	11,803	8,484
(2,654,681)	(1,396,665)	(1,201,484)	(168,092)	(4,217,185)	(5,760,544)	18,198	281,885	(17,269,524)	(26,036,768)	32,210,929	37,675,533	58,715	-
(251,158)	(468,076)	(186,588)	(879,416)	-	(43,061)	-	-	(5,890,129)	(4,622,661)	(27,443,227)	(42,072,601)	-	-
202,048	236,501	2,234	(295)	36,630	(73,781)	-	-	(85,674)	420	1,824	34,599	70,518	8,484
(33,290)	(42,877)	(105)	187	(6,879)	(9,167)	-	-	(64)	(27)	(49)	(285)	-	-
168,758	193,624	2,129	(108)	29,751	(82,948)	-	-	(85,738)	393	1,775	34,314	70,518	8,484
430,732	599,490	358	2,487	141,944	171,695	-	-	86,077	339	149	2,097	4,658	75,176
599,490	793,114	2,487	2,379	171,695	88,747	-	-	339	732	1,924	36,411	75,176	83,660

DECLARATION OF RESPONSIBILITY



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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Director
ID: F685628



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Director
ID: 00678878-X



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