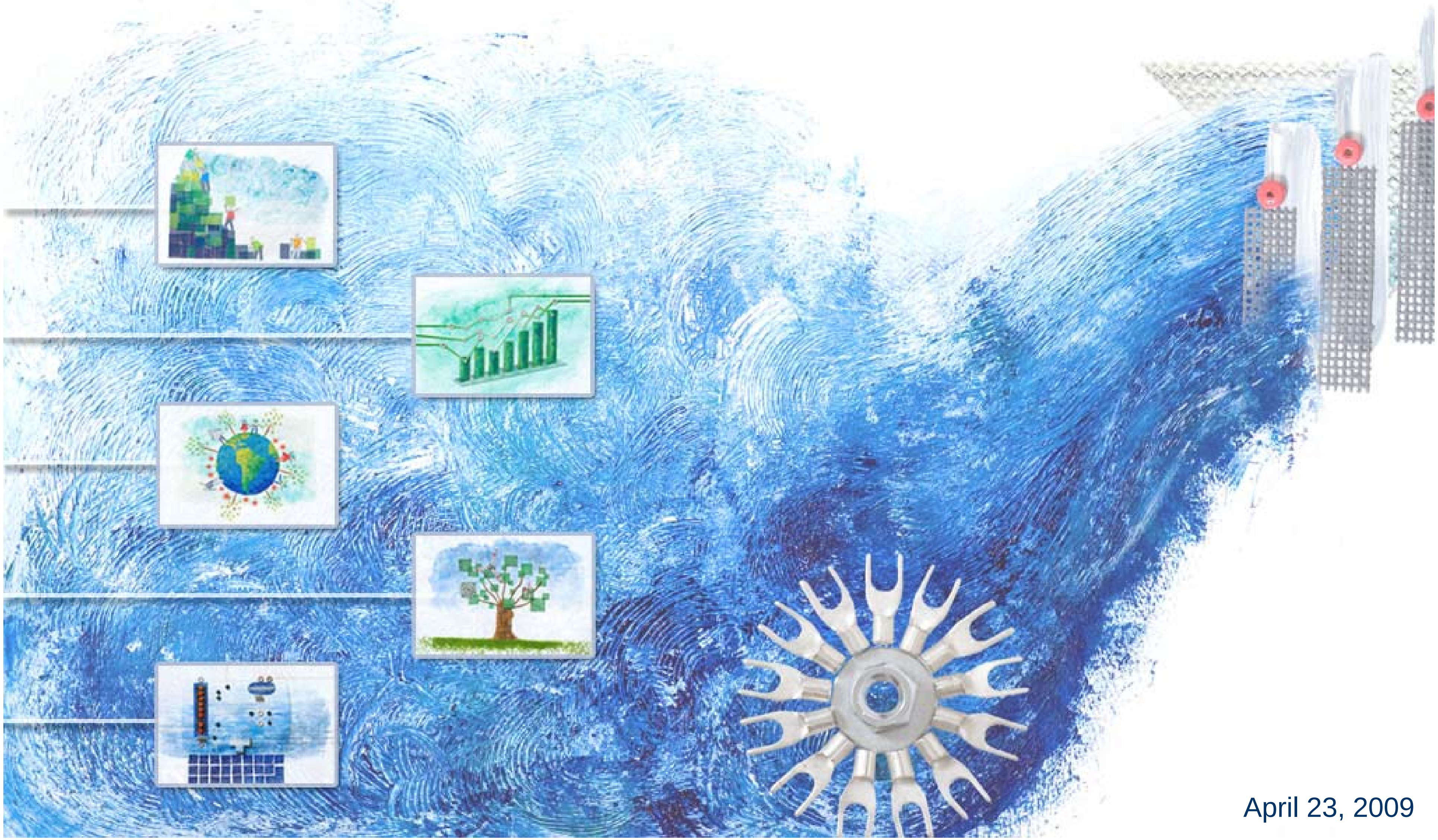
# IFRS Adoption Communication Plan



April 23, 2009

## Table of Contents

## Table of Contents

# 1. General Aspects

The following presentation contains audited accounting data from fiscal year ending December 31st, 2008, under Chilean accounting principles. The Company has conducted a theoretical exercise, legally unbinding, exercise with these figures in order to determine how they would change if booked under International Financial Reporting Standards (IFRS).

This exercise may only be used as a reference to explain the “expected” relevant impact on the financial statements as a result of this migration in accounting treatment.

## Transition to IFRS:

In order to determine the IFRS adoption balances, the Enersis Group decided to apply the exemption provided under paragraph 24 a) of IFRS 1 “First-time Adoption,” and has therefore decided to follow the footsteps of its parent company ENDESA, S.A. in adopting 1 January 2004 as the date of transition to the aforementioned international standard.

## Functional Currency:

The company has decided that its functional currency is the Chilean peso and that the functional currencies of its subsidiaries are the currencies of the countries in which each subsidiary is located.

## Consolidation:

The consolidation perimeter includes subsidiaries (global integration) and other companies in which the Group has joint control (proportional integration).

# Table of Contents

# 2. Main Impact on Statement of Financial Position (Balance Sheet)

- **Purchased Goodwill**

  The lower figures recorded since 2004 should rebound. This means a reversal in amortizations accrued from January 1st, 2004 to December 31, 2008 against 2008 capital (first-time adjustment).

  **Consequence: an increase in goodwill and equity.**

- **Price-level Restatement**

  The price-level restatement accrued from January 1st, 2004 to December 31, 2008 (first-time adjustment) against 2008 capital is eliminated.

  **Consequence: a decrease primarily in fixed assets and equity**.

- **Eliminating BT64**

  IFRS **requires that the functional currency be defined**, which, in the case of Endesa Chile, is the Chilean Peso and the local currencies of its subsidiaries.

  The aforementioned implies that assets are valued in local currency and consolidated at the closing exchange rate of the local currency and the Chilean peso. This is in lieu of BT64, under which asset were valued in dollars at historical cost and then converted into Chilean pesos at the closing exchange rate.

  **Consequence: a significant decrease in assets and equity.**

- **Consolidation Perimeter**

  In jointly-controlled companies IFRS allow for consolidating assets and liabilities through proportional integration. The adjustment is made by reclassifying the "Investments in Related Companies" item under Chilean accounting principles as assets and liabilities under IFRS.

  **Consequence: Significant impact on assets and liabilities.**

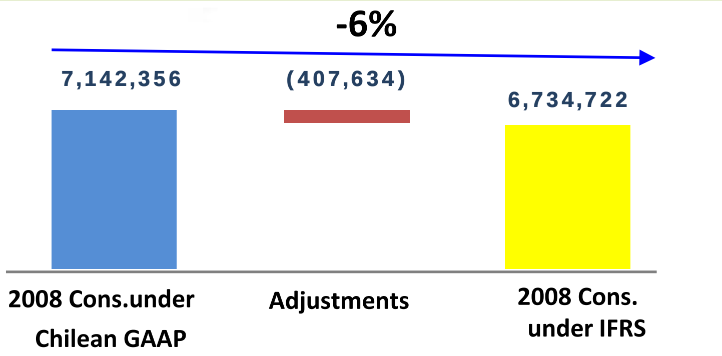
## Table of Contents

# 3. Comparison of Statement of Financial Position under Chilean accounting principles and IFRS

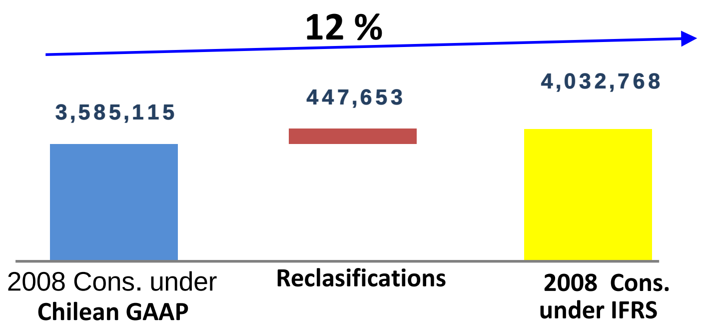
| Statement of Financial Position ( Million Ch$ ) | CONSOL. CHILEAN GAAP 12/31/2008 | ADJUSTMENTS IFRS | RECLASSIFICATIONS | CONSOL.IFRS 12/31/2008 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Total Current Assets | 1,168,792 | 75,121 | - | 1,243,913 |
| Total Fixed Assets | 5,040,757 | (500,720) | - | 4,540,037 |
| Total Other Assets | 932,807 | 17,965 | - | 950,772 |
| **TOTAL ASSETS** | 7,142,356 | (407,634) | - | 6,734,722 |
| **LIABILITIES** | | | | |
| Total Current Liabilities | 1,221,111 | 134,042 | - | 1,355,153 |
| Total Long-term Liabilities | 2,364,004 | 313,611 | - | 2,677,615 |
| Minority Interest | 1,192,717 | (89,493) | (1,103,224) | - |
| **Shareholder's Equity** | | | | |
| Parent Company | 2,364,524 | (765,794) | - | 1,598,730 |
| Minority Shareholders | - | - | 1,103,224 | 1,103,224 |
| Total Shareholders' Equity | 2,364,524 | (765,794) | 1,103,224 | 2,701,954 |
| **TOTAL LIABILITIES AND NET EQUITY** | 7,142,356 | (407,634) | - | 6,734,722 |

# 3.1 Summary of Main Changes to Endesa's Assets and Liabilities

Total Assets Decrease




Liabilities Increase

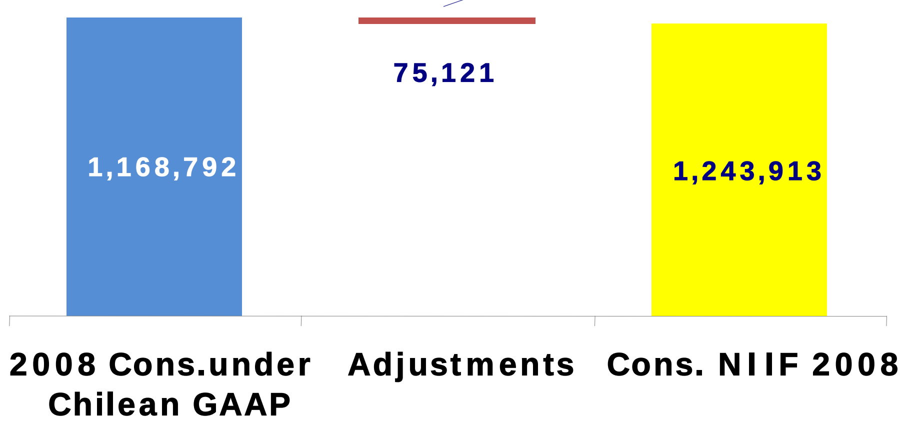



The aforementioned indicates that the changes do not imply greater financial indebtedness for the company

The decrease in total assets is mainly due to lower fixed assets as a consequence of the elimination of price-level restatement and the change of the functional currency in foreign subsidiaries.

The increase in liabilities generally results from recording concepts that are not booked under Chilean GAAP, such as minimum dividends (30% by law), as well as other concepts that change given the way in which the items are booked, such as deferred taxes and the proportional integration of jointly-controlled companies.

# 3.2. Current Assets




❖Ch$77,946 million, incorporation of Gasatacama, Transquillota and Hidroaysén through proportional integration.

❖ Ch$-3,751 million, deferred taxes s/t.

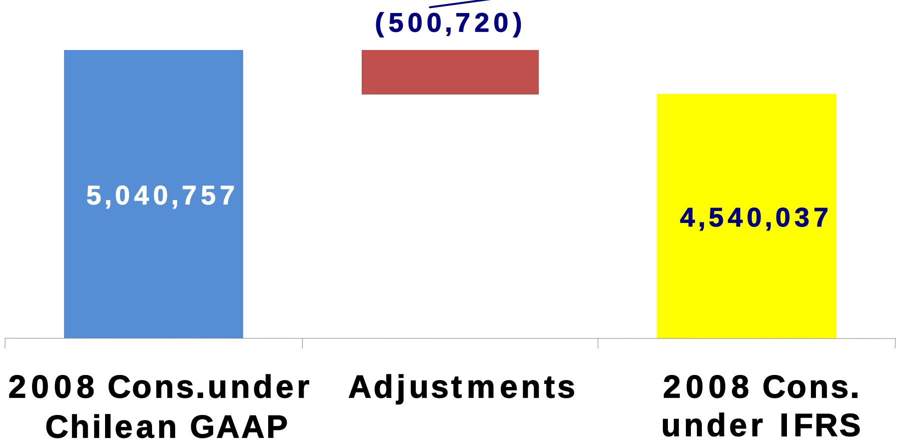
**Under Chilean GAAP**:

Jointly-controlled companies are recorded as “Investments in Related Companies”.

**Under IFRS**:

Jointly-controlled companies are consolidated through proportional integration.

# 3.3. Fixed Assets




❖ Ch$ -712,828 million: Eliminating effects of BT64 and price-level restatement.

❖ Ch$ 229,319 million: Incorporation of Gasatacama, Transquillota and Hidroaysén through proportional integration.

**Under Chilean Accounting Principles**:

Jointly-controlled companies are recorded as "Investments in Related Companies."

Fixed assets in foreign subsidiaries are valued at historical cost, in historical dollars, and converted into pesos at the closing Ch$/US$ exchange rate (BT64).

Fixed assets are adjusted through price-level restatement.

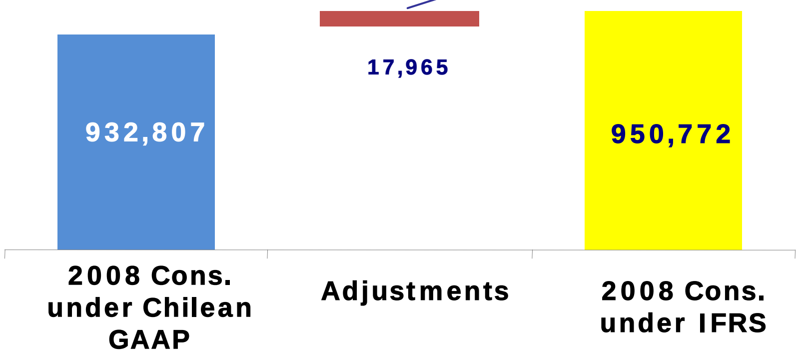
**Under NIIF**:

Jointly-controlled companies are consolidated through proportional integration.

Fixed assets are valued at historical cost in the local currency of each country and then converted into Chilean pesos at the closing exchange rate.

Price-level restatement is eliminated.

# 3.4. Other Assets




❖Ch$ 123,710 million, goodwill is recomposed at the beginning of the transition, thus reversing the amortizations carried out up to 2008 (first time adjustment).

❖Ch$ 169,773 million, deferred tax liabilities are not net of assets under IRFS.

❖Ch$-158,600 million, IFRS adjustments of investments in related companies (Endesa Brasil).

❖ Ch$ -80,323 million, Investments in Related Companies are eliminated from Gasatacama, Transquillota and Hidroaysén.

**Under Chilean Accounting Principles**:

Goodwill is amortized linearly during the estimated recovery period.

This allows for recording and amortizing negative goodwill.

Jointly-controlled companies are recorded as "Investments in Related Companies."

Assets and liabilities are netted through deferred taxes.

**Under IFRS:**

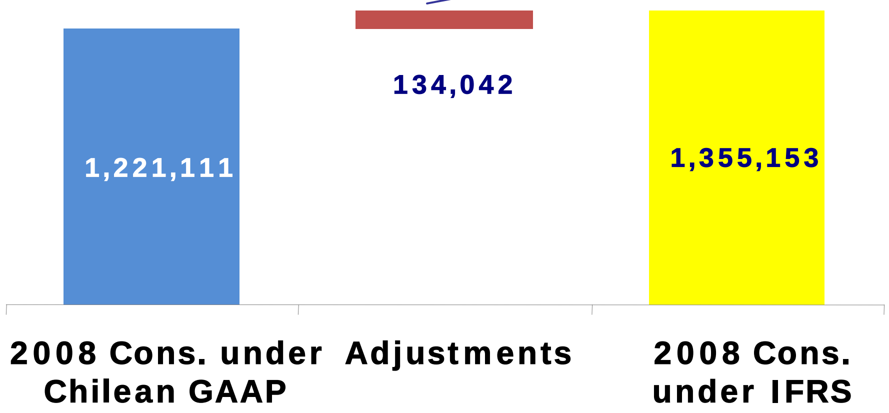
Goodwill is not amortized. It's determined by an impairment test.

Negative goodwill does not exist under IFRS.

Jointly-controlled companies are consolidated through proportional integration.

IFRS do not allow to net deferred taxes.

# 3.5. Current Liabilities




- Ch$ 86,627 million from recording minimum dividend.
- Ch$ 50,777 million from incorporating Gasatacama, Transquillota and Hidroaysén through proportional integration.

**Under Chilean GAAP**:

Jointly-controlled companies are recorded as "Investments in Related Companies."

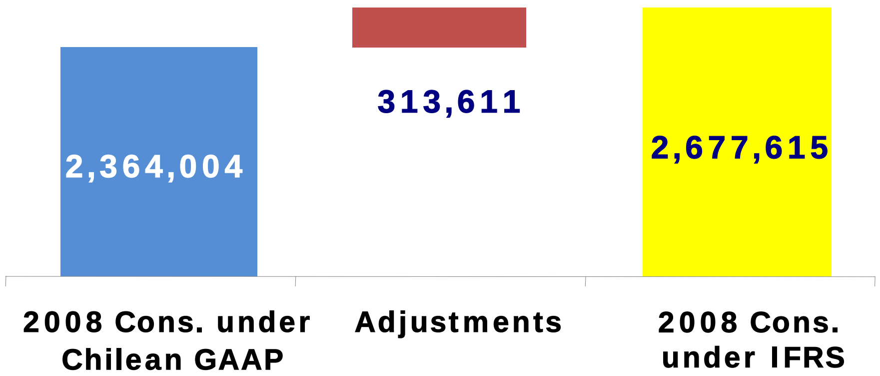
Minimum dividend is not booked.

**Under IFRS**:

Jointly-controlled companies are consolidated through proportional integration.

Minimum dividend is booked.

# 3.6. Long-term Liabilities




❖ Ch$ 262,661 million from recording deferred taxes generated from splitting deferred tax assets, new adjustments, and the elimination of supplementary accounts under BT60.

❖ Ch$ 62,002 million from incorporating Gasatacama, Transquillota and Hidroaysén through proportional integration.

**Under Chilean GAAP**:

Jointly-controlled companies are recorded as "Investments in Related Companies."

Deferred taxes recorded because application of BT60 contains supplementary accounts for an identical amount at the beginning.

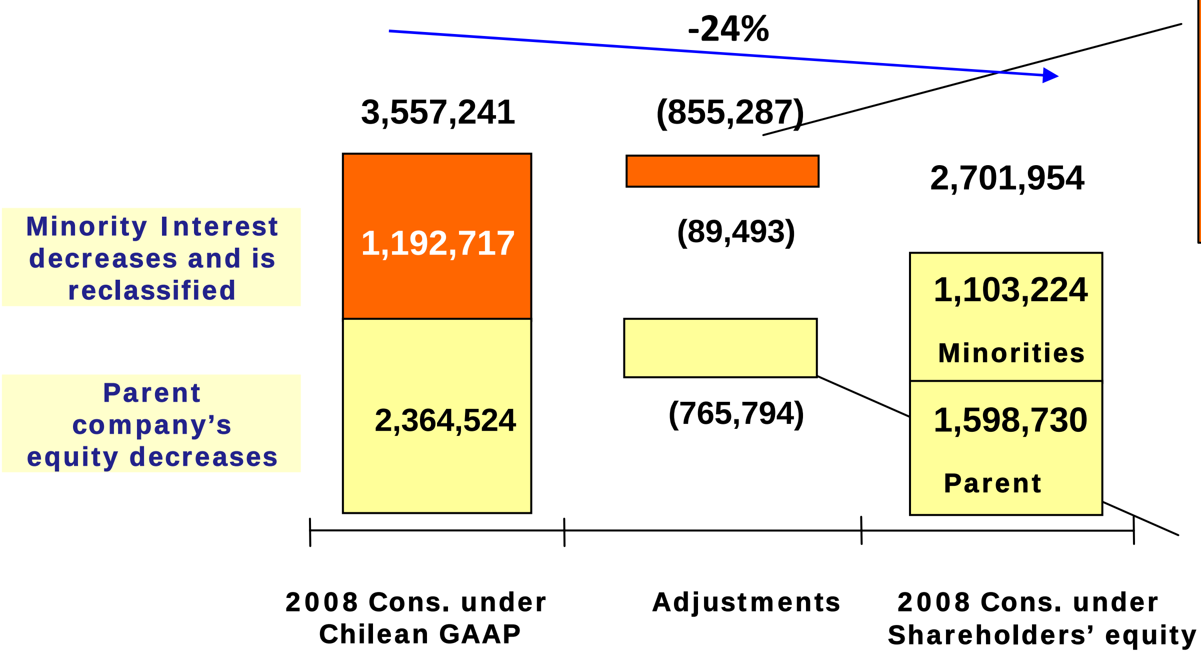
**Under IFRS**:

Jointly-controlled companies are consolidated through proportional integration.

Deferred taxes are recorded due to IFRS adjustments and supplementary accounts accepted under BT60 are eliminated.

The aforementioned makes it easier for shareholders and analysts to have a more appropriate valuation, over time, of the company's liabilities.

# 3.7. Summary of Main Changes to Equity




- ❖ **Ch$-42,226 million. Effects of BT64 on foreign investments and goodwill are eliminated.**
- ❖ **Ch$-33,941 million. Effects of deferred taxes.**
- ❖ **Ch$-10,793 million. Adjustment to Investments in Related Companies.**

- ❖ Ch$-436,860 million. Effects of price-level restatement on Chilean subsidiaries are eliminated.
- ❖ Ch$-146,772 million. Adjustment to Investments in Related Companies.
- ❖ Ch$-87,037 million. Minimum dividend recorded.
- ❖ Ch$-52,326 million. Effects of BT64 on foreign investments and goodwill are eliminated.

**Under Chilean GAAP:**

Share of minority shareholders is recognized as just another liability (not under equity).

**Under NIIF:**

Share of minority shareholders is part of the net Shareholders' Equity.

Accounting changes only. The underlying aspects of the business remain the same and do not have impact on future cash flows or future growth of essential assets.

## Table of Contents

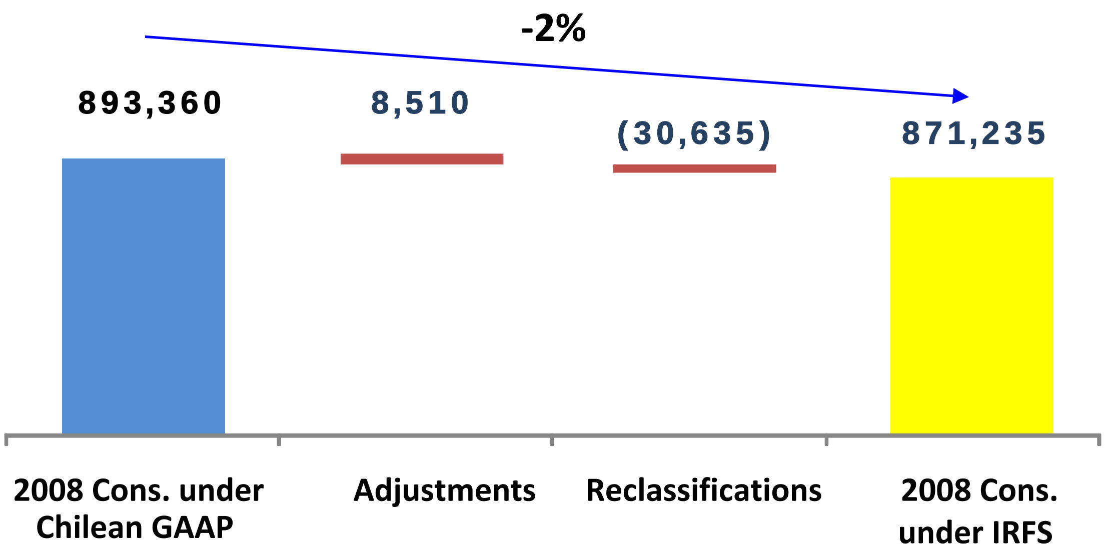
# 4. Comparison of 2008 Income Statement under Chilean GAAP and IFRS

| Income Statement ( Million of Ch$ ) | Consolidated Chilean GAAP 12/31/2008 | Consolidated IFRS 01/01/2009 |
|---|---|---|
| **Operating Income** | 893,360 | 871,235 |
| **Non-Operating Income** | (84,696) | (101,975) |
| **Income before taxes** | 808,664 | 769,260 |
| **Profit(loss) before minority interest** | 617,106 | 557,530 |
| Minority Interest | (180,686) | (124,353) |
| Goodwill | 6,172 | - |
| **Net Income** | 442,592 | 433,177 |

The primary changes recorded at the operating and non-operating level are due to differences in the accounting treatment of some of the items, and do not reflect changes at the business level. For example, the most significant changes in 2008 are as follows:

**1. The effect of BT64 application originated from foreign companies was eliminated.**
**2. Goodwill and negative goodwill amortizations are also eliminated.**
**3. The effects caused by the price-level restatement were eliminated.**
**4. Non-operating income (expense) is reclassified according to the nature of the transaction; the following transactions constitute the main ones: reliquidations and energy purchase in previous years, fines and financial amendments, in addition to civil, labor, and tax contingencies.**

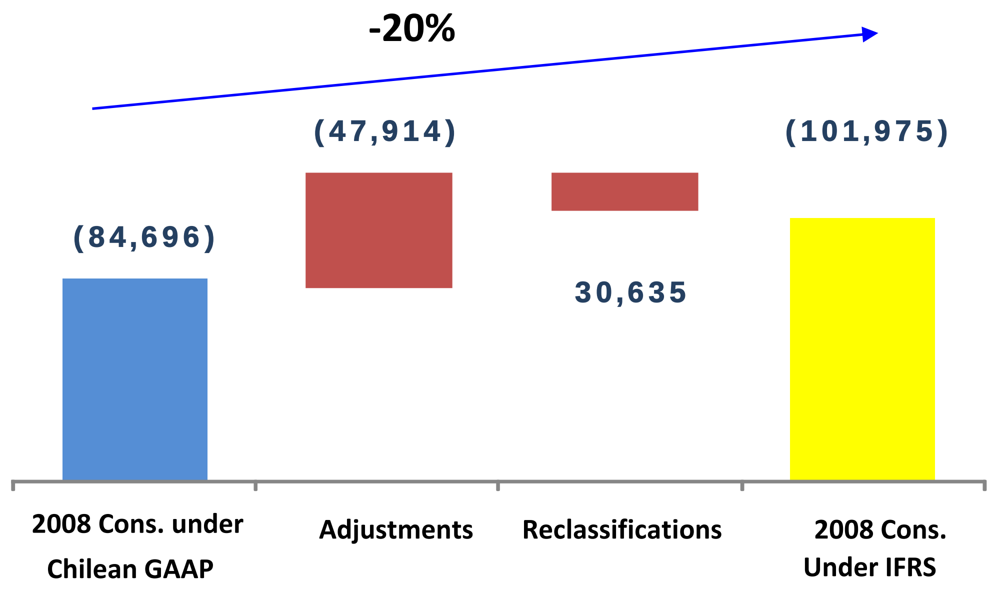
# 4.1. Operating Income




The 2% drop is essentially due to the following:

- An adjustment in fixed asset depreciation in keeping with the functional currency.
- Incorporation of companies through proportional integration.
- Elimination of integral price-level restatement from income accounts (no impact on bottom line).
- Furthermore, several items were reclassified for a total of Ch$ 30,635 million. This is because under IFRS there are no extraordinary income and expense items so they must be classified according to their category.

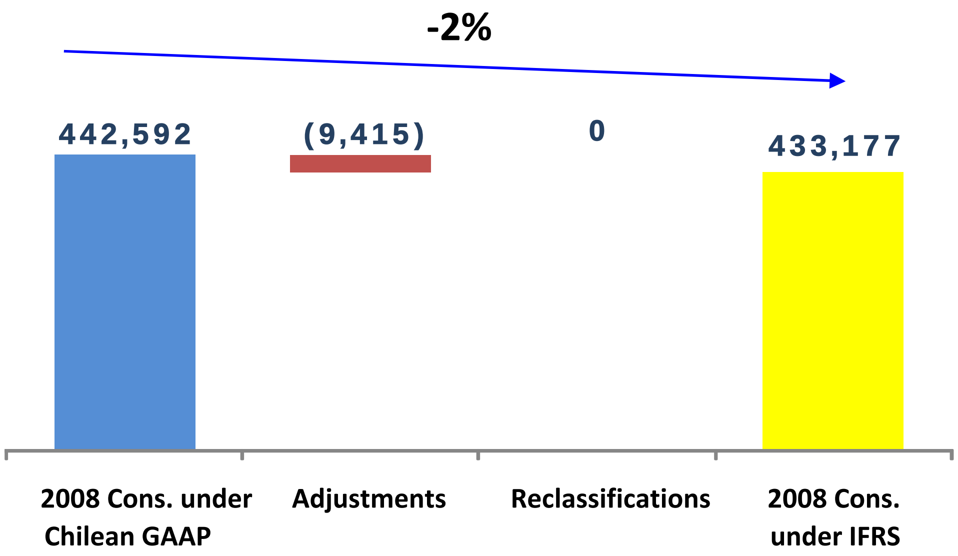
## 4.2. Non-Operating Income




The 20% decrease is essentially due to the following changes:

- Elimination of BT64 conversion effect generated by foreign subsidiaries (Ch$ 39,762 million in 2008).
- Proportional incorporation of jointly-controlled companies.
- Moreover, some items are reclassified since there are no non-operating income (expenses) under IFRS.

## 4.3. Net Income (Parent Company)




The negative 2% change in the parent company's net income is due to the previously highlighted accounting differences in operating income and non-operating income, net of minority interest, and income tax adjustments.

## Table of Contents

## 5. Conclusions

Migration of Endesa Chile into IFRS will imply greater stability in terms of results since previous accounting standards originated a high level of volatility (BT 64 and price-level restatement).

Migration of Endesa Chile into IFRS will simplify the analysis, interpretation and understanding of finanncial statements.

Business fundamentals remain the same and these accounting changes do not have cash flow effects.