

# energis 05

ANNUAL REPORT 2005

energis



SANTIAGO STOCK EXCHANGE  
ENERSIS

NEW YORK STOCK EXCHANGE (NYSE)  
ENI

LATIN AMERICAN STOCK EXCHANGE  
OF MADRID STOCK EXCHANGE (LATIBEX)  
XENI

ENERSIS S.A. WAS CONSTITUTED WITH THE NAME OF COMPAÑÍA CHILENA METROPOLITANA DE DISTRIBUCIÓN ELÉCTRICA S.A., AND ON AUGUST 1, 1988, THE COMPANY BECAME KNOWN AS ENERSIS S.A.. THE CAPITAL OF THE COMPANY AMOUNT TO TH.CH\$2,365,606,672, DIVIDED INTO 32,651,166,465 SHARES. ENERSIS SHARES ARE TRADED IN CHILEAN STOCK EXCHANGES, NEW YORK STOCK EXCHANGE IN THE FORM OF AMERICAN DEPOSITARY RECEIPTS (ADR) AND IN THE LATIN AMERICAN STOCK EXCHANGE OF MADRID STOCK EXCHANGE (LATIBEX). THE OBJECTS OF THE COMPANY ARE TO EXPLORE, DEVELOP, OPERATE, GENERATE, DISTRIBUTE, TRANSMIT, TRANSFORM AND/OR SELL ENERGY IN ANY OF ITS FORMS OR NATURE, IN CHILE OR ABROAD, EITHER DIRECTLY OR THROUGH OTHER COMPANIES, AND ACTIVITIES IN TELECOMMUNICATIONS AND THE PROVISION OF ENGINEERING IN CHILE OR ABROAD, AND ALSO HAS THE OBJECT OF INVESTING AND MANAGING ITS INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES. ITS TOTAL ASSETS WERE TH.CH\$10,253,592,300 AT DECEMBER 31, 2005. ENERSIS CONTROL A GROUP WHO OPERATE IN THE ELECTRICITY MARKET ON FIVE COUNTRIES IN LATIN AMERICA. IN THE YEAR 2005 OBTAIN A NET INCOME OF TH.CH\$68,016,865 AND AN OPERATING INCOME OF TH.CH\$805,366,156. EMPLOYEES: AT THE END OF 2005 IT GIVES DIRECT OCCUPATION TO 11,653 PEOPLE, THROUGH ITS SUBSIDIARIES COMPANIES OVER LATIN AMERICA.

# enersis 05

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# LETTER FROM THE CHAIRMAN

## TO OUR SHAREHOLDERS:

It is my duty to present you the Balance Sheet, Income Statement and information on the principal activities of our company during 2005, a year that we could describe as a very good one in all the areas of our business. For Enersis and all the companies linked directly or indirectly to the Group, last year was characterized as being a period in which we made our interests in the region stronger and more solid, with results that allow us to look confidently at the present and to continue to build a prosperous future for the Company.

## RESULTS

During 2005, our Company achieved a net income for the year of 68,017 million Chilean Pesos, reflecting a growth of 48.2 percent with respect to the same period of the previous year; no doubt, a good result. I should point out, furthermore, that the basis for comparison in 2004 had already experienced a growth by more than three times with respect to the year before, making this new achievement even more attractive.

However, together with obtaining advantageous profits, we wish to highlight the significant growth in the Company's operating income, an indicator that reflects our organization's main activity, which rose by 19.7 percent from 672,983 million Chilean Pesos in December 2004 to 805,333 million Chilean Pesos in December 2005.

It is also important to point out the 7.6 and 5.6 percent increases in demand for electric energy in the generating and distribution businesses, respectively, in the countries in which the Group operates and which confirm the projections made by our company, in order to maintain a sustained and efficient growth for the clients and communities that we serve in the continent.

## FINANCIAL ACTIVITIES

Whereas the Balance Sheet is very good, so are the financial ratios that continue to show good results. This is reflected in the consolidation of the financial structure of Enersis, increasing its liquidity and improving its access to the debt markets. Today, the financial reality allows the Enersis Group to have a maturity curve that matches in a better manner the characteristics of the electricity business where it operates.

Also worthy note is the favorable evolution of EBITDA, which has experienced an outstanding growth, rising more than 200 million US Dollars to a figure of 2,305 million US Dollars. With these indicators at hand, risk perception continues to fall, situation that has been confirmed by the local and international Risk Rating Agencies, which have improved the Company's rating.

First it was Moody's that raised Enersis' senior unsecured debt rating from Ba2 to Ba1. Fitch, confirmed its rating at BBB- and Standard & Poor's also confirmed the corporate credit rating at BBB- and furthermore raised Enersis' unsecured debt rating from BB+ to BBB-, eliminating the difference that existed and confirming the Company at the investment grade level.

I should point out the positive tendency regarding Enersis's classification of all the international rating agencies, a reflection of the improved financial profile, the favorable business performance, the positive changes in the Chilean regulatory framework, the solid competitive position in the countries in which the Group has operations (Argentina, Brazil, Chile, Colombia, y Peru) and the growing demand for electricity in the region, among others. Greater improvements in these tendencies could even result in new positive changes in the Company's rating.

In the same way, the improved liquidity partly explains why the shares in Enersis show a greater sensitivity to the decisions of the investors due to economic or market conditions. This has been proved with the closing price of the share closed at 111.19 Chilean Pesos, which meant an increase of over 18.7 percent during the year, while the price of the ADS amounted to 10.99 US Dollars, an increase of 29.1 percent.

#### SERVICE

Our number of consumers in the electric energy distribution business continues to grow and today we have more than 11.2 million clients in the six concession areas in Latin America where we deliver electricity. In order to comply with our mission, we are always making technical and commercial improvements so that our customers receive a service in line with the quality they deserve.

In order to offer an efficient service, it is necessary to start with a base that guarantees the basic provision of electrical energy, responsibility that falls in our generation plants, those that count on an installed capacity of 12,766 MW in the five countries in which we are present in the region.

#### THE COMPANY

In mid-year, the Board of Directors to establish an Audit Committee in response to the requirements of the Sarbanes-Oxley Act of the United States. Among its other functions, this Committee will be responsible for proposing the external auditors and their fees to the Shareholders' Meeting; supervising the external auditors' work; approving external auditing services; and establishing procedures for receiving and dealing with complaints in the accounting, internal control and auditing areas.

On the other hand, the business at Latin America level had an important movement, when constituting the new company Endesa Brasil S.A., that from October of 2005 began to be consolidated by Enersis. This one includes all the assets that the Enersis Group and ENDESA International (subsidiary of ENDESA, Spain) maintained in this country: Ampla, Fortaleza, Investluz, Cien, Cachoeira Dourada and Coelce.

The purpose of the new entity is to simplify the ownership structure of the Group's assets in Brazil, provide a greater stability to the local cash flows, improve the access to third party financing, as well as to consolidate the positioning of the Group in order to capture new investment opportunities.

#### AWARDS

Once again Enersis stood out for its prompt reporting to its shareholders. This time the Company was awarded the prize for the best electricity company in the region by the prestigious magazine, "Institutional Investor", edited in New York, in the category "Investor Relations", in the ranking where participates Latin American companies that trade their shares in the United States. This acknowledgement is made on the basis of the votes cast by the sell side sector corresponding to the specialized analysts that follow the electricity companies, rewarding for the second consecutive year, the work carried out by Enersis on these matters.

Furthermore, the "Illuminating Churches in the South of the World" program, headed by Enersis, was also singled out on two occasions during 2005. The first award was the "Conservation of National Monuments 2005" prize, in the Companies category, granted annually by the National Monuments Council. Fundación Futuro recently also awarded the "Ciudad" prize to this wonderful program for the significant contribution made by the Company towards enhancing the beauty of Santiago and its development.

We must recall that the illumination of religious temples has been taking place for five years. We share this task with Endesa Chile, Chilectra and Fundación Endesa and until now, the program has benefited some thirty churches in a noble enterprise that adds value to the buildings and preserves the cultural heritage of the country.

#### SOCIAL RESPONSIBILITY

In line with its permanent commitment to the community, our Company has assumed its responsibility with society with great enthusiasm and has centered its contribution on culture. Significantly outstanding in this area is the Illuminating Churches program, one of the emblematic activities of the Group, not only in Chile, but also in Peru and Colombia, where a total of 65 illuminating systems have been installed in churches and religious buildings.

Other outstanding activities during the year that comes to a close were the donations of books and libraries that benefited children and youth from villages culturally far away from development as well as an attractive library for the Universidad Católica de Valparaíso. Similarly, we would mention the sponsorship of the book "Los últimos senderos del Huemul" (The last paths of the Andean Deer), a publication that summarizes and updates all the information on this species in a special edition prepared by the Fundación San Ignacio del Huinay.

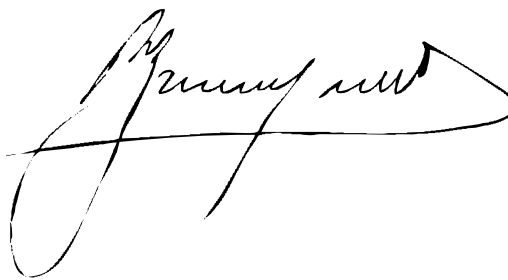
We also undertook, jointly with the daily newspaper, El Mercurio, the dissemination of information on the endemic fauna of Chile, an unprecedented publication of plates with illustrations of rare animals that inhabit this country and we participated actively in a cycle of conferences on topics related to economic contingencies for Chile's regions in addition to sponsoring different national and international venues on subjects related to corporate social responsibility.

#### HUMAN RESOURCES

With regard to our personnel, this year we successfully continued with the employee development and training policies, achieving 17,353 hours of instruction. Furthermore, Enersis received a prize for safety in the “Effective Action” category, awarded at its annual prize-giving by the Chilean Safety Association (ACHS) for its active control of risks at work, contributing significantly towards the low rate of labor-related accidents and illnesses during the past three years. Aimed in the same direction was the notable campaign against sedentary lifestyles undertaken by the Parity Committee, with simple and motivating actions that mobilized the staff in a creative way in an effort to improve and have a healthier quality of life.

Dear Shareholders, in this summary of year 2005, we feel certain that it was an excellent year for us, without serious setbacks, and very balanced and positive in terms of results. This allows us to look to the future of our business, in all the areas of its operation, confident that we are doing the correct job for you to have the tranquility, that Enersis is and will continue to be an exemplary company that enjoys economic and financial excellence.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Pablo Yrarrázabal', with a large, sweeping flourish extending to the right.

Pablo Yrarrázabal  
CHAIRMAN ENERSIS S.A.

# HIGHLIGHTS OF 2005



- Net income for the 2005 increased significantly by 48.2%, from Ch\$45,903 million to Ch\$68,017 million.
- Consolidated operating income of Enersis rose 19.7% from Ch\$672,983 million to Ch\$805,333 million.
- Sales of energy in the business of generation rose 7.6% from 53,442 GWh to 57,532 GWh and those of the distribution business rose 5.6 % from 52,314 GWh to 55,248 GWh.



- Enersis was awarded with the "Conservation of National Monuments 2005" prize in the category of Companies, which is awarded annually by the National Monuments Council, due to the successful program named "Lighting Churches to the South of the World."
- Likewise in September it was awarded by the Institutional Investor magazine as the best electric company of the region, in the "Relations with Investors" category.
- In October, Enersis organized the first international conference for Chilean issuers. This was attended by more than 200 people related to the national and international financial market.





- The clients served by the distribution companies of the Group increased 3.1% from 10.9 million to 11.2 million, in line with the average annual demographic growth.
- The share price of Enersis increased 18.7% throughout this year, while the ADS increased 29.1% to 10.99 dollars.
- In June, Enersis set up the Auditing Committee and in July the "Procedure of the Ethical Channel and the Processing of Complaints Report" was approved, according to Oxley Sarbanes Law of the United States of America.



- During the year, Fitch, Moody's and Standard & Poors improved the rating and the outlook of Enersis due to financial improvements, good results, the strong competitive position and growing demand for electricity in the region.
- In October, Enersis started to consolidate Endesa Brasil (Holdco), a holding subsidiary that includes all the assets in the generation, transmission and distribution that the Group and Endesa International have in Brazil.
- In November, Enersis and Endesa Chile sponsored in Madrid (Spain), during the latibex forum, "The evening of Chile" in order to encourage foreign investment in Chile.

## COMPARATIVE FINANCIAL STATEMENTS

MILLION OF CHILEAN PESOS (NOMINAL)	1996	1997	1998	1999	2000
Total assets	4,136,432	6,180,415	7,442,034	11,123,834	11,058,463
Total liabilities	2,028,207	3,202,042	4,017,266	6,822,701	6,444,707
Minority interest	1,465,902	2,272,352	2,640,805	3,602,470	3,513,155
Shareholder's equity	642,323	706,021	783,963	698,662	1,100,600
Current ratio	1.17	1.20	0.94	0.81	0.62
Debt ratio (1)	0.96	1.08	1.17	1.59	1.40
Sales	1,160,667	1,334,977	1,548,497	2,270,897	2,589,957
Cost of sales	(718,014)	(857,444)	(942,288)	(1,596,916)	(1,754,707)
Administrative and selling expenses	(117,240)	(115,129)	(129,857)	(244,742)	(314,736)
OPERATING INCOME	<b>325,413</b>	<b>362,404</b>	<b>476,352</b>	<b>429,240</b>	<b>520,514</b>
Non-operating result	(14,845)	(66,693)	(184,815)	(400,246)	(159,532)
NET INCOME (LOSS) FOR THE YEAR	<b>105,969</b>	<b>103,516</b>	<b>90,093</b>	<b>(78,159)</b>	<b>90,083</b>

(1) Total liabilities / (Shareholder's equity plus minority interest)

MILLION OF CHILEAN PESOS (NOMINAL)	2001	2002	2003	2004	2005
Total assets	12,388,155	12,621,165	10,732,747	10,507,525	10,253,592
Total liabilities	7,254,045	7,564,982	4,835,073	4,822,966	4,857,680
Minority interest	3,954,923	4,050,603	3,349,282	3,125,006	2,800,041
Shareholder's equity	1,179,186	1,005,580	2,548,392	2,559,553	2,595,871
Current ratio	0.71	0.56	1.02	1.49	0.88
Debt ratio (1)	1.41	1.50	0.82	0.85	0.90
Sales	2,970,273	2,485,873	2,352,333	2,708,925	3,215,797
Cost of sales	(1,966,322)	(1,730,050)	(1,651,732)	(1,898,088)	(2,185,190)
Administrative and selling expenses	(271,383)	(223,179)	(169,503)	(176,635)	(225,274)
OPERATING INCOME	<b>732,567</b>	<b>532,644</b>	<b>531,098</b>	<b>634,202</b>	<b>805,333</b>
Non-operating result	(483,496)	(796,530)	(449,911)	(368,653)	(404,994)
NET INCOME (LOSS) FOR THE YEAR	<b>40,926</b>	<b>(223,748)</b>	<b>12,468</b>	<b>44,308</b>	<b>68,017</b>

(1) Total liabilities / (Shareholder's equity plus minority interest)



Aerial view of Central El Guavio in Colombia.

# 01

## THE COMPANY

Endesa building, institutional headquarter of Enersis Group in Chile.

### CONSTITUTION DETAILS:

The company predecessor of Enersis S.A. was constituted with the name of Compañía Chilena Metropolitana de Distribución Eléctrica S.A., under public deed dated June 19, 1981 signed before the Santiago notary Patricio Zaldívar Mackenna and amended by public deed dated July 13 the same year and signed before the same notary. Its existence was authorized and its bylaws approved by Resolution No.409-S of July 17, 1981 of the Superintendency of Securities and Insurance (SVS). The extract of these two documents was registered

in the Santiago Trade Register (folio 13,099 No.7,269) for 1981, and was published in the Official Gazette on July 23, 1981. The bylaws had several amendments. On August 1, 1988, the company became known as Enersis S.A.. The last amendment is that appearing in public deed dated May 19, 2004 signed before the Santiago notary Patricio Zaldívar Mackenna, whose extract was inscribed in the Santiago Trade Register (folio 16,876 No.12,702) for 2004, and was published in the Official Gazette on June 5, 2004.

NAME	ENERSIS S.A.
LOCATION	SANTIAGO, BEING ABLE TO ESTABLISH AGENCIES OR BRANCHES IN OTHER PARTS OF THE COUNTRY OR ABROAD
KIND OF COMPANY	OPEN CORPORATION
TAX N°.	94.271.000 - 3
ADDRESS	SANTA ROSA N°76, SANTIAGO, CHILE
TELEPHONES	(56-2) 353 4400 - (56-2) 378 4400
FAX	(56-2) 378 4788
P.O. BOX	1557, SANTIAGO
WEB SITE	WWW.ENERSIS.COM
ELECTRONIC MAIL	INFORMACIONES@E.ENERSIS.CL
SECURITIES REGISTRY N°.	N° 175
EXTERNAL AUDITORS	DELOITTE & TOUCHE
SUBSCRIBED AND PAID CAPITAL (THCH\$)	2,283,404,124
CHILEAN STOCK EXCHANGES TICKER CODE	ENERSIS
NEW YORK STOCK EXCHANGE TICKER CODE	ENI
MADRID STOCK EXCHANGE TICKER CODE	XENI
ADR PROGRAM CUSTODIAN BANK	BANCO DE CHILE
ADR PROGRAM DEPOSITARY BANK	CITIBANK N.A.
LATIBEX CUSTODIAN BANK	BANCO SANTANDER
LATIBEX LINK ENTITY	SANTANDER CENTRAL HISPANO INVESTMENT S.A.
CHILEAN CREDIT RATING AGENCIES	FELLER RATE AND FITCH
INTERNATIONAL CREDIT RATING AGENCIES	FITCH, MOODY'S AND STANDARD & POOR'S

## CORPORATE PURPOSES OF ENERSIS:

The corporate purposes of the company are to explore, develop, operate, generate, distribute, transmit, transform and/or sell energy in any of its forms or nature, in Chile or abroad, either directly or through other companies, and activities in telecommunications and the provision of engineering in Chile or abroad. It also has the object of investing and managing its investments in subsidiary and associate companies that are generators, transmitters, distributors or sellers of electrical energy or whose business is related to any of the following: (i) energy in any of its forms or nature; (ii) the supply of public utilities or which have energy as their principal input; (iii) telecommunications and information technology; and (iv) internet trading activities.

In compliance with its principal corporate purposes, the company shall develop the following functions: a) promote, organize, constitute, modify, dissolve or liquidate companies of any kind whose objects are related to those of the company; b) propose to the subsidiary companies investment, financing and commercial policies, as well as

accounting systems and criteria which they should follow; c) supervise the performance of its subsidiaries; d) provide its subsidiary or associate companies with the financial resources necessary for developing their businesses and provide its subsidiaries with management services, financial, commercial, technical and legal advice, auditing services and in general services of any kind that appear necessary for their best performance.

Apart from its principal corporate purposes and acting always within the limits set by the Investment and Financing Policy approved by the ordinary shareholders' meeting, the company may invest in i) the acquisition, exploitation, construction, rental, administration, intermediation, commercialization and disposal of all kinds of movable and immovable assets, directly or through subsidiary or associate companies, ii) all kinds of financial assets including shares, bonds and debentures, trade paper and in general all kinds of securities and contributions to companies, whether directly or through subsidiary or associate companies.



# 02

## OWNERSHIP AND CONTROL

Operations center of the electrical system of Chilectra.

### OWNERSHIP STRUCTURE

The capital of the company is divided into 32,651,166,465 shares of no par value and all of the same and sole series. As of December 31, 2005 the total N° of shares were subscribed and payed, whose property was distributed as follows:

SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	%
ENDESA INTERNACIONAL S.A.	1	19,794,583,473	60.62
AFP'S	6	5,591,759,129	17.13
ADRS (CITIBANK N.A. PER SVS CIRCULAR NO.1375)	1	3,068,642,900	9.40
STOCKBROKERS, MUTUAL FUNDS & INSURANCE COMPANIES	115	2,407,145,945	7.37
FOREIGN INVESTMENTS FUNDS	27	210,399,986	0.65
OTHERS	9,097	1,578,635,032	4.83
<b>TOTAL</b>	<b>9,247</b>	<b>32,651,166,465</b>	<b>100.00</b>

## IDENTIFICATION OF THE CONTROLLERS

In accordance with the definition in Title XV of Law 18,045, the controller of the company, Endesa S.A, Spain, holds 60.62% of the share capital of Enersis through its control of Endesa Internacional S.A.

Endesa Internacional, S.A. on the other hand, is controlled in a 100% by Endesa, S.A., Spanish society whose property is very atomized and in which, no individual shareholder has a percentage of the participation over to 10.00%. At December 31st, 2005 and in accordance with the publishes in the CNMV (National Commission of the Market of Values of Spain), the main shareholders of Endesa, S.A. are: Caja Madrid with 9.00%, Chase Nominees Ltd. with 5.73%, AXA S.A. with 5.35% and State Street Bank and Trust with 5.04%.

## THE TWELVE LARGEST SHAREHOLDERS OF THE COMPANY

Enersis was owned by 9,247 shareholders at December 31, 2005. The twelve largest were:

NAME	TAX N°	NUMBER OF SHARES	%
Endesa Internacional S.A.	59.072.610-9	19,794,583,473	60.62
Citibank N.A. (ADRs & Chap.XIV)	97.008.000-7	3,641,088,348	11.15
AFP Provida S.A.	98.000.400-7	1,802,617,868	5.52
AFP Habitat S.A.	98.000.100-8	1,324,577,958	4.06
AFP Cuprum S.A.	98.001.000-7	919,861,776	2.82
AFP Santa María S.A.	98.000.000-1	667,574,861	2.04
AFP Summa Bansander S.A.	98.000.600-k	663,086,985	2.03
Banchile Corredores de Bolsa S.A.	96.571.220-8	476,723,543	1.46
AFP Planvital S.A.	98.001.200-k	214,039,681	0.66
Larraín Vial S.A. Corredora de Bolsa	80.537.000-9	157,932,687	0.48
Santander Investment Corredores de Bolsa	96.683.200-2	135,833,307	0.42
Bci Corredor de Bolsa S.A.	96.519.800-8	132,995,256	0.41
<b>SUB TOTAL 12 SHAREHOLDERS</b>		<b>29,930,915,743</b>	<b>91.67</b>
Other 9,235 Shareholders		2,720,250,722	8.33
<b>TOTAL 9,247 SHAREHOLDERS</b>		<b>32,651,166,465</b>	<b>100.00</b>

## MORE IMPORTANT CHANGES IN SHAREHOLDINGS

The more important changes in shareholdings in Enersis during 2005 were:

NAME	TAX	N° SHARES AT 31/12/2004	N° SHARES AT 31/12/2005	% CHANGE
Citibank N.A.(ADRs & Chap.XIV)	97.008.000-7	3,641,088,348	3,779,499,374	(3.66)
AFP Provida S.A.	98.000.400-7	1,802,617,868	1,909,012,845	(5.57)
AFP Habitat S.A.	98.000.100-8	1,324,577,958	1,118,467,473	18.43
AFP Cuprum S.A.	98.001.000-7	919,861,776	836,459,721	9.97
AFP Santa María S.A.	98.000.000-1	667,574,861	687,024,387	(2.83)
AFP Bansander S.A.	98.000.600-K	663,086,985	678,932,396	(2.33)
Banchile Corredores de Bolsa S.A.	96.571.220-8	476,723,543	475,856,976	0.18
AFP Planvital S.A.	98.001.200-K	214,039,681	190,666,018	12.26
Larraín Vial S.A. Corredora de Bolsa	80.537.000-9	157,932,687	102,285,086	54.40
Santander Investment S.A. Corredores de Bolsa	96.683.200-2	135,833,307	163,755,393	(17.05)
Bci Corredor de Bolsa S.A.	96.519.800-8	132,995,256	137,579,171	(3.33)
Fondo Mutuo Santander Acciones Chile	96.667.040-1	128,203,533	76,312,404	68.00



# 03

## SHARE TRANSACTIONS

New York Stock Exchange, United States.

### SHARES TRANSACTIONS CONDUCTED BY DIRECTORS AND MAIN EXECUTIVES

SHAREHOLDER	TAX N°	BUYER/SELLER	TRANSACTION DATE IN SHAREHOLDERS RECORD	NUMBER OF SHARES TRADED	TRANSACTION UNIT PRICE (CH\$)	TRANSACTION TOTAL AMOUNT	PURPOSE OF THE TRANSACTION	RELATIONSHIP WITH THE COMPANY
INVERSIONES SANTA VERÓNICA LTDA.	79.880.230-5	SELLER	06-04-2005	174,659	102.20	17,850,150	FINANCIAL INVESTMENT	RELATED TO HERNÁN SOMERVILLE, DIRECTOR
INVERSIONES SANTA VERÓNICA LTDA.	79.880.230-5	SELLER	06-04-2005	3,443,926	101.00	347,836,526	FINANCIAL INVESTMENT	RELATED TO HERNÁN SOMERVILLE, DIRECTOR
INVERSIONES SANTA VERÓNICA LTDA.	79.880.230-5	SELLER	06-04-2005	3,000,000	101.50	304,500,000	FINANCIAL INVESTMENT	RELATED TO HERNÁN SOMERVILLE, DIRECTOR
CONSUELO ALVIAL SOLER	16.209.886-1	BUYER	11-07-2005	4,590	118.76	545,108	FINANCIAL INVESTMENT	EXECUTIVE DAUGHTER
RICARDO ALVIAL SOLER	16.607.480-0	BUYER	11-07-2005	4,590	118.76	545,108	FINANCIAL INVESTMENT	EXECUTIVE SON
ROSARIO ALVIAL SOLER	17.409.139-0	BUYER	11-07-2005	4,590	118.76	545,108	FINANCIAL INVESTMENT	EXECUTIVE DAUGHTER
INVERSIONES SANTA VERÓNICA LTDA.	79.880.230-5	BUYER	29-11-2005	1,000,000	121.50	121,500,000	FINANCIAL INVESTMENT	RELATED TO HERNÁN SOMERVILLE, DIRECTOR



## SANTIAGO STOCK EXCHANGE, CHILEAN ELECTRONIC STOCK EXCHANGE AND VALPARAISO STOCK EXCHANGE

The quarterly transactions during the last 3 years on the stock exchanges where Enersis shares are traded, in Chile, through the Santiago Stock Exchange, as in Chilean Electronic Stock Exchange and Valparaiso Stock Exchange, and in the United States of America and Spain, through the New York Stock Exchange (NYSE) and the Latin American Stock Market on the Madrid Stock Exchange (Latibex) respectively, are detailed as follows:

### SANTIAGO STOCK EXCHANGE

During 2005, 7,515 million shares were traded on the Santiago Stock Exchange, equivalent to Ch\$839,519 million. The closing share price at December was Ch\$111.19.

SANTIAGO STOCK EXCHANGE	UNITS	AMOUNT (CH\$)	AVERAGE PRICE
1st Quarter 2003	435,639,838	26,289,331,211	60.35
2nd Quarter 2003	2,037,701,115	126,168,454,878	61.92
3rd Quarter 2003	2,615,141,119	183,158,237,990	70.04
4th Quarter 2003	2,949,415,326	241,758,079,458	81.97
1st Quarter 2004	1,413,791,567	114,464,836,990	80.96
2nd Quarter 2004	1,032,271,059	70,883,441,314	68.67
3rd Quarter 2004	2,236,312,231	180,354,445,209	80.65
4th Quarter 2004	2,248,285,905	202,705,192,331	90.16
1st Quarter 2005	1,348,339,507	129,184,082,805	95.81
2nd Quarter 2005	2,112,530,098	229,190,716,985	108.49
3rd Quarter 2005	1,840,936,792	215,658,892,589	117.15
4th Quarter 2005	2,212,992,708	265,485,390,022	119.97



### CHILEAN ELECTRONIC STOCK EXCHANGE

During the year, 1,798 million shares were traded on the Chilean Electronic Stock Exchange, equivalent to Ch\$202,698 million. The closing share price at December was Ch\$112.00.

CHILEAN ELECTRONIC STOCK EXCHANGE	UNITS	AMOUNT (CH\$)	AVERAGE PRICE
1st Quarter 2003	129,900,766	7,816,872,780	60.18
2nd Quarter 2003	701,457,496	44,548,746,027	63.51
3rd Quarter 2003	798,685,064	56,421,436,525	70.64
4th Quarter 2003	1,073,262,130	87,227,786,087	81.27
1st Quarter 2004	534,792,384	43,742,052,276	81.79
2nd Quarter 2004	219,310,562	16,749,908,612	76.38
3rd Quarter 2004	565,021,305	44,917,950,788	79.50
4th Quarter 2004	763,885,464	68,403,030,387	89.55
1st Quarter 2005	254,172,086	24,362,432,413	95.85
2nd Quarter 2005	476,168,653	51,910,060,501	109.02
3rd Quarter 2005	498,204,288	58,397,117,390	117.22
4th Quarter 2005	569,457,331	68,028,424,373	119.46

## 03 SHARE TRANSACTIONS

### VALPARAÍSO STOCK EXCHANGE

During the year, 65 million shares were traded on the Valparaíso Stock Exchange, equivalent to Ch\$7,184 million. The closing share price at December was Ch\$111.00.

VALPARAÍSO STOCK EXCHANGE	UNITS	AMOUNT (CH\$)	AVERAGE PRICE
1st Quarter 2003	9,976,687	588,061,758	58.94
2nd Quarter 2003	16,722,391	1,076,487,907	64.37
3rd Quarter 2003	20,788,077	1,486,507,277	71.51
4th Quarter 2003	22,763,455	1,864,617,521	81.91
1st Quarter 2004	17,400,165	1,414,623,582	81.30
2nd Quarter 2004	15,688,115	1,200,734,218	76.54
3rd Quarter 2004	12,719,018	1,209,656,286	95.11
4th Quarter 2004	12,601,377	1,160,034,348	92.06
1st Quarter 2005	21,367,282	2,057,215,407	96.28
2nd Quarter 2005	12,853,040	1,427,487,132	111.06
3rd Quarter 2005	9,405,452	1,107,429,833	117.74
4th Quarter 2005	21,499,005	2,591,673,759	120.55

### NEW YORK STOCK EXCHANGE (NYSE)

Enerjis shares began to be traded on the New York Stock Exchange (NYSE) on October 20, 1993. The ADS of Enerjis consists of 50 shares in the company and its ticker code in ENI. Citibank N.A. acts as the depositary bank and Banco de Chile as the custodian in Chile.

During 2005, 101 million ADS were traded in the United States of America, equivalent to US\$1,012 million. The closing ADS price was US\$10.99.

NEW YORK STOCK EXCHANGE	ADS	AMOUNT (US\$)	AVERAGE PRICE
1st Quarter 2003	2,396,400	9,594,354	4.00
2nd Quarter 2003	22,642,100	103,382,511	4.57
3rd Quarter 2003	28,205,200	144,246,700	5.11
4th Quarter 2003	43,052,600	285,393,515	6.63
1st Quarter 2004	36,556,900	251,401,801	6.88
2nd Quarter 2004	26,246,600	159,600,325	6.08
3rd Quarter 2004	26,505,200	166,479,161	6.28
4th Quarter 2004	30,515,600	231,918,560	7.60
1st Quarter 2005	19,729,400	162,167,776	8.22
2nd Quarter 2005	24,619,700	232,313,951	9.44
3rd Quarter 2005	28,894,300	307,507,588	10.64
4th Quarter 2005	27,267,100	309,549,753	11.35

### LATIN AMERICAN STOCK MARKET OF THE MADRID STOCK EXCHANGE (LATIBEX)

The shares of Enerjis began to be traded on the Latin American Stock Market of the Madrid Stock Exchange (Latibex) on December 17, 2001. The trading unit (block) for the company is 50 shares and its ticker code is XENI.

Santander Central Hispano Bolsa S.A. S.V.B. acts as the link entity and Banco Santander as the custodian in Chile.

During 2005, 2 million blocks were traded on Latibex, equivalent to €17 million. The closing price was €9.30.

LATIBEX	BLOCKS	AMOUNT (€\$)	AVERAGE PRICE
1st Quarter 2003	1,674,520	6,217,505	3.71
2nd Quarter 2003	1,590,018	6,210,510	3.91
3rd Quarter 2003	289,159,472	1,246,411,078	4.31
4th Quarter 2003	36,196,071	207,310,744	5.73
1st Quarter 2004	599,507	3,288,305	5.49
2nd Quarter 2004	665,930	3,377,061	5.07
3rd Quarter 2004	713,812	3,688,468	5.17
4th Quarter 2004	589,448	3,455,069	5.86
1st Quarter 2005	590,534	3,711,369	6.28
2nd Quarter 2005	559,731	4,172,973	7.46
3rd Quarter 2005	449,276	3,916,131	8.72
4th Quarter 2005	499,837	4,829,056	9.66

## 04

## DIVIDEND POLICY

Shareholders meeting of Enersis 2005.



#### DISTRIBUTABLE EARNINGS

The following shows the distributable earnings for year 2005:

	THCH\$
Net income for the year	68,016,865
Amortization of negative goodwill	(15,496,564)
Net income	52,520,301

## DIVIDEND POLICY

The Board exposed to the Ordinary Shareholders Meeting of Enersis, celebrated on April 8, 2005, the following Dividend Policy that the Board expected to fulfill during exercise 2005:

“Not to distribute interim dividends against net income for the year and propose to the ordinary shareholders’ meeting to be held during the first four months of 2006 a final distribution of an amount equivalent to 50% of the net income for 2005. Compliance with this program, in terms of dividend, will be subject to the net income

actually produced and to the results of projections periodically made by the company or the existence of certain conditions.”

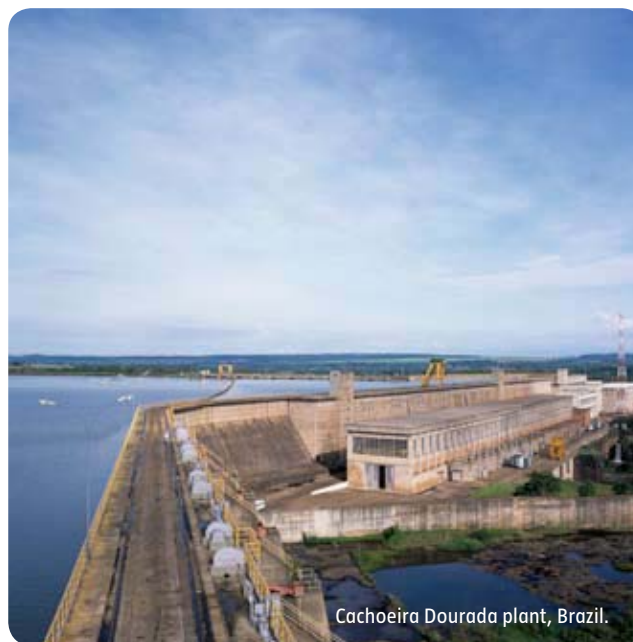
The Dividend Policy that the Board expect to fulfill during exercise 2006 opportunely will be approved by the Board of the company and properly informed to the shareholders in the General Ordinary Shareholders Meeting that will take place on March 21, 2006.

The following shows the dividends per share paid in recent years:

DIVIDEND N°	KIND OF DIVIDEND	DATE OF CLOSING	PAID DATE	Ch\$ PER SHARE	YEAR CHARGED TO
67	Interim	20.02.98	26.02.98	0.800000	1997
68	Definitive	07.05.98	13.05.98	4.500000	1997
69	Interim	20.11.98	26.11.98	1.600000	1998
70	Definitive	11.05.99	17.05.99	4.000000	1998
71	Definitive	19.04.01	25.04.01	1.806391	2000
72	Definitive	14.04.05	20.04.05	0.416540	2004

### SUMMARY OF SHAREHOLDERS' COMMENTS AND PROPOSALS

No comments were received in Enersis with respect to the business between January 1 and December 31, 2005 from the majority shareholders or groups of shareholders representing 10% or more of the issued shares with voting rights, in accordance with provisions of clause 74 of Law 18,046 and clauses 82 and 83 of the regulations of the Corporations Law.



Cachoeira Dourada plant, Brazil.

# 05

## MANAGEMENT AND HUMAN RESOURCES

## BOARD OF DIRECTORS

Enerasis is managed by a Board of Directors of seven members who remain in their positions for a period of three years and may be re-elected. The current board was elected at the ordinary shareholders' meeting held on March 31, 2003.

In the board session on June 29, 2005, Juan Ignacio de la Mata Gorostizaga and Rafael Español Navarro were designed directors in replacement of Alfonso Arias Cañete and Jose Luis Palomo Alvarez, respectively, and will remain in their positions until the total renovation of the directory in the next Ordinary General Shareholders Meeting to be made on March 21 of 2006.



### CHAIRMAN

**Pablo Yrarrázaval**

I.D.Nº: 5.710.967-K

Chairman of the Santiago Stock Exchange

### VICE CHAIRMAN

**Rafael Miranda**

I.D.Nº: 48.070.966-7

Industrial Engineer

Instituto Católico de Artes e Industrias (ICAI) de Madrid

### DIRECTOR:

**Juan Ignacio de la Mata**

I.D.Nº: 48.101.910-9

Degree in Law

Universidad de Madrid

### DIRECTOR:

**Rafael Español**

I.D.Nº: 48.101.912-5

Degree in Law

Universidad de Barcelona

### DIRECTOR:

**Ernesto Silva**

I.D.Nº: 5.126.588-2

Commercial Engineer

Pontificia Universidad Católica de Chile

### DIRECTOR:

**Hernán Somerville**

I.D.Nº: 4.132.185-7

Lawyer

Universidad de Chile

### DIRECTOR:

**Eugenio Tironi**

I.D.Nº: 5.715.860-3

Sociologist

School of Senior Studies in Social Sciences, Paris, France

### SECRETARY:

**Domingo Valdés**

I.D.Nº: 6.973.465-0

Lawyer

Universidad de Chile

## DIRECTORS' REMUNERATION

As required by clause 33 of the Corporations Law 18,046, the ordinary shareholders' meeting held on April 08, 2005 agreed the remuneration of the board of Enersis for the year 2005.

The amounts paid to Enersis directors as such, to members of the committee and to those that performed as directors of subsidiaries during 2005 are as follows:

PESOS AT DECEMBER 31, 2005 *			
DIRECTOR	BOARD OF ENERSIS	ENERSIS COMMITTEE	AUDIT COMMITTEE
Pablo Yrarrázaval	48,419,634	9,545,396	-
Rafael Miranda	31,503,656	-	-
José L. Palomo	11,319,436	-	-
Alfonso Arias	11,954,505	-	-
Juan Ignacio de la Mata	12,975,770	-	1,286,629
Rafael Español	12,339,749	-	1,286,629
Ernesto Silva	24,209,816	9,545,396	1,286,629
Hernán Somerville	24,209,816	9,545,396	-
Eugenio Tironi	24,209,816	-	-
<b>TOTAL</b>	<b>201,142,198</b>	<b>28,636,188</b>	<b>3,859,887</b>
* Gross amount			

## BOARD EXPENSES

The board made no use of the functioning expense budget in 2005.

## BOARD PRACTICES

The current Board of Directors was elected at the Shareholders' meeting dated March 31, 2003 for a period of three years. For the period during which that person has served, please see "Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management" above. Directors have no service contracts with Enersis.

## CORPORATE GOVERNANCE

Enersis is managed by its Executive Officers under the direction of its Board of Directors which, in accordance with the estatutos, or articles of incorporation or bylaws, of Enersis, consists of seven 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 seven directors expires on the same day. Staggered terms are not

permitted under Chilean law. If a vacancy occurs on the board during the three-year term, the Board of Directors may appoint a temporary director to fill the vacancy. In addition, the vacancy will trigger an election for every seat on the Board of Directors at the next Ordinary Shareholders' Meeting to be held. The current Board of Directors was elected in March 2003 and their terms expire in March 2006. On June 29, 2005, Directors Messrs. José Luis Palomo and Alfonso Arias resigned from the Board of Directors, and Messrs. Juan Ignacio de la Mata and Rafael Español were elected by the Board of Directors to fill the vacancies until the next Ordinary Shareholders Meeting to be held on March 31, 2006, when an entire new Board of Directors will be elected. The members of the Board of Directors do not have service contracts with Enersis or any of its subsidiaries 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 Enersis 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 on January 31, 2002, which determine the rules of conduct that must be followed by members of the Board of Directors, senior management and other executives 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 when acting in the securities markets.

The Charter Governing Executives ("Estatuto del Directivo"), approved by the Board on May 28, 2003, and the Employees Code of Conduct, which develop our principles and values, establish the rules governing dealings with customers and suppliers, and establish the principles that should be followed by employees in their work, including ethical conduct, professionalism and confidentiality. They also impose limitations on the activities that our senior executives and other employees may undertake outside the scope of their employment with us.

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

### **COMPLIANCE WITH NYSE LISTING STANDARDS ON CORPORATE GOVERNANCE**

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. Because we are a "controlled company" under NYSE rules (a company of which more than 50% of the voting power is held by an individual, a group or another company), we would not, were we to be a U.S. company, be subject to the requirement that we have a majority of independent directors, or nomination and compensation committees.

### **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, but are not required to comply with Rule 303A.07. We do not currently comply with Rule 303A.07, but as of July 31, 2005, we do comply with both 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 Enersis created an Audit Committee, composed of three directors meeting the independence requirements of the NYSE: Mr. Juan Ignacio de la Mata (Chairman), Mr. Rafael Español and Mr. Ernesto Silva. Mr. Español is relying on the exemption provided by Rule 10A-3(b)(1)(iv)(B), but otherwise meets the independence requirements of the NYSE.

As required by Chilean Law, Enersis also has a Directors' Committee composed of three directors. 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 or even a unanimity 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 one non-control director and of two directors appointed by the controlling shareholder.

### **CORPORATE GOVERNANCE GUIDELINES**

The NYSE's corporate governance rules require U.S.-listed companies to adopt and disclose corporate governance guidelines. Chilean law does not contemplate this practice, other than with respect to the codes of conduct described above.



## COMMITTEES AND OTHER ADVISORY BODIES

### *Directors' Committee (Comité de Directores)*

The Directors' Committee is composed of three members who are simultaneously directors of the Company. It 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 remuneration framework and compensation 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.

Pablo Yrarrázaval, chairman of the board, has also served as chairman of this committee since July 31, 2002. The other members are Hernán Somerville and Ernesto Silva.

### **THE AUDIT COMMITTEE (COMITÉ DE AUDITORÍA)**

The Audit Committee is composed of three independent members who are simultaneously directors of the Company. It performs the following functions:

- it is one of the committees responsible for the proposal of the appointment and compensation of independent auditors at the Shareholders' Meeting;
- it is responsible for the oversight of the work of independent auditors;
- it pre-approves of all audit and non-audit services provided by the independent auditors;

- it establishes of procedures for receiving and dealing with complaints regarding accounting, internal control and auditing matters.

## DIRECTORS' COMMITTEE

In accordance with clause 50 bis of Law 19,705, Enersis has a Directors' Committee comprising three members who have the powers and duties contemplated in that clause.

On April 1, 2003, the board of the company appointed Pablo Yrarrázaval (related to the controller), Hernán Somerville (related to the controller) and Ernesto Silva (un-related to the controller) as members of the Directors' Committee. The Directors' Committee in turn, at its meeting held on May 15, 2003, unanimously agreed to appoint Pablo Yrarrázaval as chairman and Domingo Valdés as secretary.

### ACTIVITIES OF THE DIRECTORS' COMMITTEE

The Committee met sixteen times during year 2005. It examined and approved the information on the operations referred to in Articles 44 and 89 of Law N° 18,046 on Corporations and prepared reports on these transactions. In addition to the above, during its meetings, the Committee dealt with specific subjects that are detailed below:

In its first session for the period, held on January 11, 2005, the Director's Committee examined the proposed designation of the investment bank, Deutsche Bank Chile, to assume the tasks determined by the Board of Directors in its meeting on December 15, 2004 with respect to the "Holdco Operation". Among the criteria utilized in its selection, consideration was given to the bank's pricing, credentials, chronogram, relationship with the Group, the quality of its proposal, the quality of the work team and the expenses involved. On this basis, the Director's Committee of Enersis proposed that the investment bank, Deutsche Bank Chile, be engaged in consideration of its having achieved first preference in the ranking of the proposals received.

In the second meeting, held on January 26, 2005, the Committee examined the Company's Unconsolidated and Consolidated Financial Statements as of December 31, 2005, their Notes, income statements and material information, together with the respective reports of the External Auditors and the Account Inspectors. Furthermore, the

Director's Committee reviewed the report prepared by the External Auditors on the banking and brokerage business, in accordance with the requirements of Joint Circular N° 960 of the Superintendence of Banks and Financial Institutions and the Superintendence of Securities and Insurance. In addition, the Directors' Committee approved the text of the report that had to be presented at the Company's Ordinary General Meeting of Shareholders on the Committee's activities during the 2004 period together with the expenses incurred, including its consultants' fees, during the period.

The Director's Committee also proposed to the Board of Directors the appointment of the external auditing firm, Deloitte & Touche for the year 2005 and, at the same time, agreed to propose to the Board of Directors the appointment of Feller Rate Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada as the private domestic credit rating agencies and Fitch Ratings, Moody's Investors Service and Standard & Poor's International Ratings Services as the private international credit rating agencies for Enersis S.A. for the year 2005.

In its third meeting, held on February 28, 2005, the Director's Committee approved the signing of the contract for information technology support at the shareholders' meetings between Enersis S.A. and its subsidiary Synapsis S.A., which it considered to be equitable and in accordance with normal conditions prevailing in the market.

In its fourth meeting, held on March, 2005, the Directors' Committee carried out a close examination of the terms of Bid N° SG-I-36-2004 named "Design, Construction and Start-up of the Expansion of the Sewage Treatment Plant in Barracas" and approved the signing of the respective contract between the subsidiary Aguas Santiago Poniente S.A. and the Consortium comprising Ecopreneur S.A. and Aguas y Riles S.A., which was declared to be equitable and in accordance with normal conditions prevailing in the market.

In the fifth meeting, held on April 27, 2005, the Director's Committee examined the Company's Unconsolidated and Consolidated Financial Statements as of March 31, 2005, their Notes, income statements and material information.

In the sixth meeting, held on May 4, 2005, the Director's Committee examined the methodology employed by Deutsche Bank, as advisor to Enersis S.A. in the Holdco Operation, and the valuation determined by this investment bank of the share participation held directly or indirectly by the contributing companies in the operating companies domiciled in Brazil that would be contributed to Holdco. Furthermore, the Committee was visited by the executives of Deutsche Bank who made a presentation on the methodology and assumptions employed in order to make a valuation of the distribution, transmission and generating assets that would be contributed by Enersis S.A., Endesa Internacional, S.A., Chilectra S.A. and Endesa Chile to Holdco and proceeded with a global review of the different aspects of the operation. With regard to this global review, Deutsche Bank explained the convenience and advantages of this operation for Enersis S.A. and these were specifically detailed during the presentation. After analyzing Deutsche Bank Chile's presentation on the Holdco Operation, the Committee agreed to empower the Chairman, Pablo Yrarrázaval, to agree with the other companies that will be contributing to Holdco on an exchange equation to be employed to determine the pro rata shares corresponding to Enersis S.A., Endesa Internacional, S.A., Chilectra S.A. and Endesa Chile in Holdco.

In the seventh meeting, held on May 19, 2005, the General Manager of Enersis S.A. made a brief summary of the various requests he had received from members of the Directors' Committee in respect of the analysis and study his area has been making on the subject of the "Holdco Operation", i.e. the reorganization of the assets that the Enersis Group and Endesa Internacional maintain in Brazil, through the creation of a holding company domiciled in Brazil, to which will be contributed all the shares in companies domiciled in Brazil and owned by Enersis S.A., Endesa Chile, Chilectra S.A. and Endesa Internacional S.A. The General Manager referred to the "Analysis of the Consistency of the Assumptions on the Electricity Market Considered in the Valuation of the Companies; Ampla, Coelce, CGTF, CDSA and CIEN for Comprising the Holding Company in Brazil", a document prepared by José Mário Miranda, a highly experienced executive who held, amongst others, the position of General Manager of the Brazilian National Electricity Agency (ANEEL). The General Manager of Enersis explained that this document had been requested by the Directors' Committee at the behest of one

of its members, Ernesto Silva, for the purpose of confirming the assumptions on electricity matters in Brazil employed by Deutsche Bank in the preparation of its study to determine the exchange equation to be applied in the incorporation of Holdco and that the report mentioned concluded that, in Miranda's opinion, such assumptions were perfectly supported. Furthermore, the General Manager made mention of certain additional reports requested from Deutsche Bank by the Directors' Committee at the behest of one of its members, Ernesto Silva, with a view to obtaining a greater detail in the evaluations made by this bank. Also, a brief analysis was made of the principal clauses of the investment agreement and of the pact between shareholders that would be signed by the companies contributing to Holdco.

In the eighth meeting dated May 24, 2005 the Directors' Committee examined the structure and characteristics of the Holdco Operation and the principal aspects of the document issued to this effect by Deutsche Bank. This document provides details of the principal estimates and methodology employed in the valuation of the distribution assets of Ampla and Coelce and in the valuation of the generating assets of CGTF (Fortaleza), Cachoeira Dourada and Companhia de Interconexao Energética (CIEN). Furthermore, the General Manager of Enersis S.A. expressed the main reasons that make it convenient and advisable to establish a Brazilian Holding Company through the contribution of the assets that the Enersis Group and Endesa Internacional S.A. (subsidiary of Endesa Spain) have in Brazil. In addition, the Directors' Committee analyzed the exchange equation in order to propose the approval of the operation to the Board of Enersis S.A., especially with regard to the exchange equation, the shareholders' pact and the investment agreement, as they are all equitable and in accordance with normal conditions prevailing in the market, and issued a report to this effect, in accordance with the contents of Article 50a, N° 3 of the Law on Corporations. The Committee went on to examine the mobile telephone service contract with Smartcom S.A. and agreed to approve its signing as it was found to be equitable and in accordance with normal conditions prevailing in the market. Furthermore, the Committee approved the terms of the financing of Pehuenche S.A, by Endesa Chile that was declared equitable and in accordance with normal conditions prevailing in the market.

In its ninth meeting, held on June 29, 2005 the Directors' Committee approved the signing of the contract to provide, maintain and update the software licenses, between Enersis S.A. and its subsidiary, Synapsis S.A., which was declared equitable and in accordance with normal conditions prevailing in the market.

In the tenth meeting, held on July 27, 2005, the Committee examined the Company's Unconsolidated and Consolidated Financial Statements as of June 30, 2005, their notes, Statements of Income and material information.

In the eleventh meeting, held on July 27, 2005, the Directors' Committee examined the operation that consisted of employing the consultancy services of the Law Firm, Silva, Rencoret, Schultz & Lehuedé, which was declared equitable and in accordance with normal conditions prevailing in the market.

In its twelfth meeting, held on September 28, 2005, the Directors' Committee approved the signing of the contract for services related to micro information technology and electronic mail between Enersis S.A. and the subsidiary Synapsis S.A., which was declared equitable and in accordance with normal conditions prevailing in the market. It also examined the contract putting an end to the mandate granted to Chiletra S.A. and the release from the support contracts, which was declared equitable and in accordance with normal conditions prevailing in the market.

In the thirteenth meeting, held on October 26, 2005, the Committee examined the Company's Unconsolidated and Consolidated Financial Statements as of September 30, 2005, their notes, Statements of Income and material information. Furthermore, it examined the operation involving the engagement of the services of the Universidad del Desarrollo to conduct an "Advanced Management Program" directed at the graduates working in Enersis S.A., which was declared equitable and in accordance with normal conditions prevailing in the market. It also declared as examined the remunerations systems and the compensation plans for the managers and principal executives of the Company.

In its fourteenth meeting held on November 25, 2005, the Directors' Committee examined the terms of the contract to

permit the workers of Synapsis S.A. and CAM, subsidiaries of Enersis S.A., to use the Lo Sáez Stadium and approved its signing as it was declared equitable and in accordance with normal conditions prevailing in the market.

In its fifteenth meeting, held on December 15, 2005, the Directors' Committee agreed to leave on record that it had formally and tacitly reviewed Enersis S.A.'s Letter on Internal Control prepared by the Company's Independent Auditors, Deloitte & Touche, referred to in Circular N° 980 of the Superintendence of Securities and Insurance. Furthermore, it examined and approved the terms of the contract for telecommunications services with Synapsis Soluciones y Servicios IT Limitada and approved its signing as this it was considered to be equitable and in accordance with normal conditions prevailing in the market.

Finally, in the sixteenth meeting, held on December 30, 2005, the Committee discussed a proposed modification of the Strategic Alliance signed between Enersis S.A. and Endesa Spain, involving a change in the term of the prior warning stipulated in Clause 4, N° 1 of the Strategic Alliance, from the current twelve months to six months. The Chairman of the Directors' Committee spoke briefly on the agreement and its main contents. The General Manager recommended accepting the proposed modification in order to preserve this social asset, constituted by the Strategic Alliance, and in respect of which, both Endesa Spain and Enersis S.A. each have the unilateral right to end it. Furthermore, the Directors' Committee observed from examining the letter sent by the Director of Endesa Spain, that the unequivocal conclusion is that should the proposed amendment not be approved, Endesa Spain would put an end to the Strategic Alliance. The Directors' Committee felt that it was correct to consider the modification as convenient to the best interests of Enersis S.A. and declared it equitable and in accordance with normal conditions prevailing in the market.

To conclude, during the year 2005, the Directors' Committee has fully considered the matters set out in Clause 50° of Law N° 18,046 on Corporations and has analyzed and contributed to the better development of these operations, especially with respect to Operation Holdco.

## EXPENSES OF THE DIRECTORS' COMMITTEE

During the year 2005, the Directors' Committee made use of the operating expenses budgeted and approved by the Ordinary General Meeting of Shareholders of the Company held on April 8, 2005. The Committee had to take on the services of consultant, José Mário Miranda, who prepared the report entitled "Analysis of the Consistency of the Assumptions on the Electricity Market Considered in the Valuation of the Companies; Ampla, Coelce, CGTF, CDSA and CIEN for Comprising the Holding Company in Brazil" for a value of approximately 7.6 million Chilean Pesos.

## AUDIT COMMITTEE

The creation of this Audit Committee was agreed by the Board of Enersis S.A. in its meeting held on June 29, 2005. The Audit Committee is different to the Board of Directors and the Directors' Committee required by Law N° 18,046 on Corporations. The Audit Committee is a requirement under the Sarbanes-Oxley Act of the United States of America and its complementary norms issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), in view of the fact that Enersis S.A. is an issuer of American Depositary Receipts (ADRs), which are duly registered with the NYSE and is also an issuer of bonds registered in the United States of America. Its functions include: i) Proposing with others to the General Meeting of Shareholders the designation of the independent auditors; ii) Being responsible for supervising the work of the Company's independent auditors; iii) Give prior approval of external auditing services and other services aside from the above, to be provided by the independent auditors; and iv) The establishment of procedures for receiving and resolving complaints in the accounts, internal control and auditing areas.

On June 29, 2005, the Company's Board appointed Juan Ignacio de la Mata, Rafael Español and Ernesto Silva as members of the Audit Committee of Enersis. In turn, in its meeting N° 1 held on July 26, 2005, the Audit Committee of Enersis S.A. agreed, with the unanimous vote of its members present, to appoint Juan Ignacio de la Mata as Chairman and Domingo Valdés as Secretary of the Committee.

## ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met on two occasions during the year 2005. The following specific matters were discussed on these opportunities:

In the first meeting, held on 26 July, 2005, the Audit Committee elected Juan Ignacio de la Mata as its Chairman and Domingo Valdés as its Secretary. Furthermore, the Committee proposed an Internal Regulation for the Audit Committee to the Board of Directors of Enersis S.A. covering the following subjects: a) the purpose of the Audit Committee and b) the Committee's duties and responsibilities. It also agreed to adopt the procedures for receiving, keeping and analyzing accusations and handle the information received through accusations and related to suspicious matters in the accounts or auditing areas and request its immediate implementation in order to comply rapidly with the datelines set down for this purpose in the Sarbanes-Oxley Act. It also approved an external audit of the system of receipt and handling of complaints by Enersis S.A.'s Independent Auditors, Deloitte & Touche, in order to count on an external and independent certification with regard to the efficient functioning of the system mentioned. Finally, the Audit Committee agreed to recommend to the Board of Enersis S.A. the emission of an Essential Fact to advise the Superintendence of Securities and Insurance and other pertinent authorities of the compliance with the requirements on this matter contained in the Sarbanes-Oxley Act. Furthermore, the Committee agreed to meet every three months, notwithstanding the possibility of agreeing, when considered pertinent, to meet on an extraordinary basis. Finally, the Committee approved the use of technological methods, namely, conference calls and video conferences, for communications with the Directors that comprise the Committee but are not physically present at the meeting, bearing in mind, nevertheless, that those channels may be used only if they comply with the requirement that the Directors that comprise the Committee, whether physically present in the meeting or that find themselves at some distance, must be simultaneous and permanently communicated with each other for the whole period of the meeting.

In the second meeting, held on October 25, 2005, the Audit Committee examined Enersis S.A.'s Unconsolidated and Consolidated Financial Statements as of September 30, 2005, their notes, Statements of Income and material information. In addition, the Committee agreed that it should be advised of the result of each and every investigation arising from the procedure for receiving and resolving complaints, receiving, keeping and analyzing accusations and for handling the information received through accusations related to suspicious matters in the accounts or auditing areas and that the Ethics Channel contemplate reporting cases directly to the Chairman of the Audit Committee so that he may decide whether they warrant consultation with the other members, or whether, due to their gravity, they warrant an extraordinary meeting of the Audit Committee. Furthermore, and in accordance with Section 202 of the Sarbanes-Oxley Act, the Audit Committee agreed to the prior approval of independent auditing services and those not related to the independent audit, to be provided by the independent auditors. Finally, the Audit Committee agreed to recommend to the Board of Enersis S.A. that it gives its prior approval, along the lines requested by Deloitte & Touche and provided that the provisions of Ordinary Official Circular N° 3048 of the Superintendence of Securities and Insurance of April 13, 2004, are complied with, particularly with regard to obtaining the pertinent "authorizations" from Enersis' management, to permit Deloitte & Touche to comply with the requirements of the Public Company Accounting Oversight Board.

## EXPENSES OF THE AUDIT COMMITTEE

On June 29, 2005, the Board of Enersis S.A. agreed that the Audit Committee should have a budget similar to that established for the Directors' Committee of Enersis S.A. During the year 2005, the Audit Committee did not make use of the budget for operating expenses, nor did this Committee have need to employ the services of consultants for carrying out its duties.

## SENIOR EXECUTIVES



**CHIEF EXECUTIVE OFFICER:**

**Mario Valcarce**

I.D. N°: 5.850.972-8

Business Administration Graduate  
Universidad Católica de Valparaíso

**CHIEF REGIONAL FINANCE OFFICER:**

**Alfredo Ergas**

I.D. N°: 9.574.296-3

Business Administration Graduate  
Universidad de Chile

**CHIEF REGIONAL PLANNING AND  
CONTROL OFFICER:**

**Macarena Lama**

I.D. N°: 21.495.901-1

Agronomist  
Escuela Técnica Superior de Ingenieros  
Agrónomos de Madrid

**CHIEF REGIONAL ACCOUNTING  
OFFICER:**

**Fernando Isac**

I.D. N°: 14.733.649-7

Economist  
Universidad de Zaragoza

**LEGAL COUNSEL:**

**Domingo Valdés**

I.D. N°: 6.973.465-0

Lawyer  
Universidad de Chile

**CHIEF COMMUNICATIONS OFFICER :**

**José Luis Domínguez**

I.D. N°: 6.372.293-6

Civil Engineer  
Pontificia Universidad Católica de Chile

**CHIEF AUDIT OFFICER:**

**Francisco Herrera**

I.D. N°: 7.035.775-5

Civil Engineer  
Pontificia Universidad Católica de Chile

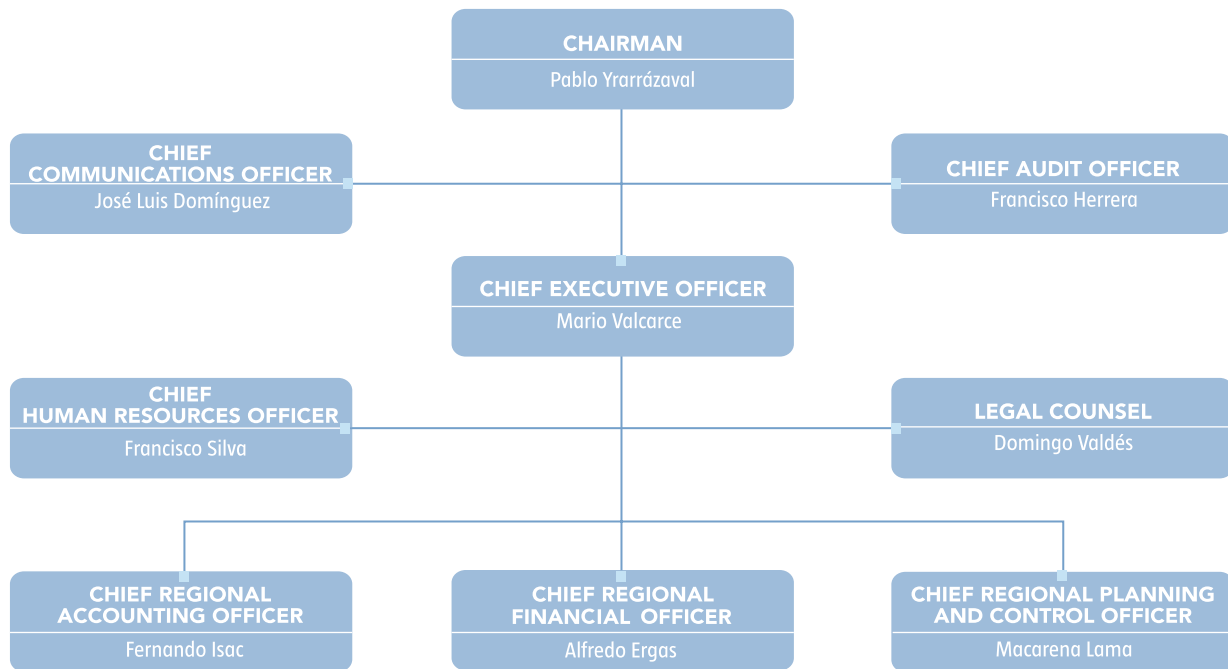
**CHIEF HUMAN RESOURCES OFFICER:**

**Francisco Silva**

I.D. N°: 7.006.337-9

Public Administration  
Universidad de Chile

## ORGANIZATIONAL STRUCTURE



### REMUNERATIONS OF SENIOR EXECUTIVES AND MANAGERS

The total remunerations received by the senior executives and managers of Enersis as of December 31, 2005, amounted to Ch\$ 1,861 million.

### INCENTIVE PLANS

Enersis has an annual bonus plan for its executives based on compliance of objectives and on the individual contribution towards the Company's results. This plan includes a definition of the range

of bonuses according to the level of seniority of the executives. The bonuses paid to the executives consist of a determined number of gross monthly remunerations.

### SEVERANCE PAYMENTS MADE

Severance payments made during 2005 amounted to Ch\$ 129 million. This amount corresponds to the managers that left the Company's employ during the year.

## DISTRIBUTION OF HUMAN RESOURCES

The personnel of Enersis are distributed as follows, including information on consolidated subsidiaries, in the five countries of operations in Latin America, as of December 31, 2005:

COMPANY	SENIOR EXECUTIVES	PROFESSIONALS AND TECHNICIANS	WORKERS AND OTHERS	TOTAL
Enersis	24	99	92	215
Endesa Brasil (1)	52	1,815	975	2,842
Endesa Chile (2)	58	1,365	137	1,560
Chilectra (3)	14	501	197	712
Edesur	30	1,651	657	2,338
Edelnor	13	328	195	536
Codensa	20	859	47	926
Synapsis (4)	15	682	217	914
Cam (5)	13	1,214	352	1,579
Inmobiliaria Manso de Velasco	4	13	14	31
<b>TOTAL</b>	<b>243</b>	<b>8,527</b>	<b>2,883</b>	<b>11,653</b>

(1) Includes: Ampla, Coelce, CIEN, Cachoeira Dourada, Fortaleza, CTM and TESA.

(2) Includes: Ingendesa, Pangué, Pehuenche, Celta, San Isidro, Central Costanera, El Chocón, Edegel, Emgesa, Betania, Enigesa and Túnel El Melón.

(3) Includes: Empresa Eléctrica de Colina and Luz Andes.

(4) Includes: Synapsis Chile, Synapsis Argentina, Synapsis Colombia, Synapsis Brasil and Synapsis Peru.

(5) Includes: CAM Chile, CAM Argentina, CAM Brasil, CAM Colombia and CAM Peru.



# 06

## COMPANY ACTIVITIES

## FINANCIAL ACTIVITIES

### LOCAL FINANCES

As of December 2005, the Enersis Group closed with a financial debt of USD 6,867 million. Of this amount, USD 3,645 million corresponded to Endesa Chile and USD 3,222 million to Enersis and its overseas subsidiaries. This debt is divided between bank borrowings and local and international bonds.

On the Chilean scene, during 2005 Enersis prepaid USD 265 million of the Revolving Credit for USD 350 million, leaving a balance outstanding at year-end of USD 85 million.

The subsidiary, Endesa Chile prepaid USD 120 million of the Revolving Credit for USD 250 million leaving a balance outstanding at year-end of USD 130 million.

In April 2005, Endesa Chile's subsidiary, San Isidro, prepaid the credit it had from Mitsubishi for USD 45 million that originally had a maturity date in 2008.

In May 2005, Endesa Chile made a voluntary redemption of the local Bonds Series C and D (with a coupon fixed interest rate of 6.68% in UF) for approximately UF 1 million, equivalent to approximately USD 31 million.

In June 2005, Pehuenche paid at maturity the private placement of USD 55 million.

All the financial operations carried out in 2005 achieved a reduction in the financial costs of the Enersis Group. Nevertheless, with the consolidation of the new subsidiaries resulting from the creation of Endesa Brasil, total debt increased in 2005.

During 2005, the Group implemented the project on Norms and Procedures (N&P) both in Chile and in the subsidiaries in Latin America. This internal control project permitted a standardization of procedures and operating methods.

### INTERNATIONAL FINANCES

During the year, the overseas subsidiaries of the Enersis Group continued to refinance their debts in order to improve pricing and term conditions, taking advantage of the improved macroeconomic environment and the healthier state of the industry. These subsidiaries have continued to seek financing in local currency insofar as their cash flows are in that currency, and the markets permit it in reasonable conditions.

During the year financial operations were carried out, both in refinancing and in new issues for an approximate amount of USD 715 million, of which USD 70 million corresponded to Argentina, USD 100 million to Colombia, USD 395 million to Brazil and USD 150 million to Peru.

In particular, we would highlight the following by country:

In Argentina, Edesur refinanced bank borrowings of approximately USD 32 million at terms between 2.5 and 3 years and managed to fix the rates on these refinancing operations. Furthermore, Costanera refinanced its syndicated loan of USD 30 million at 4.5 years with three years grace period. These operations permit a continuation of the plan to extend the average term of the debt in Argentina.

In Brazil, Ampla issued debentures for a total of 400 million Reales at 3 and 5 years, arranged refinancing with BNDES for 165 million Reales at 6 years (2.5 years grace) and refinanced bank debts of 220 million Reales at 4 and 5 years. All these credits have allowed Ampla to reduce its debt costs and extend its maturities.

In Colombia, during 2004, a large portion of the debt was refinanced with local long-term bonds and during 2005, only Emgesa issued a local bond for 210,000 million Colombian Pesos at 10 years. This bond was placed with a spread lower than Colombia's sovereign risk.

In Peru, Edelnor placed local bonds for a total of 60 million Soles at a term of 5 and 10 years. Furthermore, Edegel issued 153 million Soles at 3, 4, 5 and 7 years in several issues and USD 20 million at 7 years. These issues were utilized to refinance debts that were falling due during the year in better pricing conditions.

## HEDGING POLICY

The Group's policy on exchange rate hedging is based on cash flows and its object is to maintain a balance between the flows of cash indexed to foreign currency (US Dollars) and the levels of assets and liabilities in that currency.

Product of the UF/USD swap operations for USD 700 million during 2004, Enersis was able to maintain in 2005 a level of liabilities in USD Dollars close to the cash flows expected in that currency. This policy establishes maximum levels of consolidated accounting mismatches for Enersis and Endesa Chile. Thus it is occasionally necessary to arrange short-term cover.

As a result of the steps taken during the year, the Group's level of accounting mismatches remained within those established in the Company's policies.

The Group's policy on interest rate hedging consists of maintaining a higher level of the fixed-interest debt protected, over 70%.

With the reduction in floating-rate debt, the Company's hedging levels have remained close to 80%. Every time debt is prepaid, the related derivative instruments have been liquidated in order not to retain instruments with no underlying purpose.

## OTHERS

During this year, the Compliance and Capital Markets Management has consolidated its activities, cooperating actively with the different companies in the Group in their bank financing, bond issues and financial derivatives processes. As a result of this, an improvement was achieved in the contractual conditions of the credits granted, reaching greater flexibility in the performance of the companies and achieving positive effects for the credit analysis made by the risk rating agencies.

Each time Enersis or Endesa Chile decided to enter into a transaction that in some way was restricted by credit covenants, the necessary measures were taken in order to make those transactions feasible, obtaining waivers from the creditors at no cost whatsoever (the creation of Endesa Brasil).

The implementation of internal controls over financial information requirements of the Sarbanes-Oxley Act, has meant raising the standard of the companies in the Group in respect of the quality and clarity of the information released to the public. As a result of the above, corporate culture with regard to publications has improved, ensuring that the information to be divulged is duly supported and the language is clear, precise and consistent.

During the year, Enersis was awarded a prize by the "Institutional Investor" magazine as the best electricity company in the region in the "Investor Relations" category, a ranking with the participation of Latin American companies that trade their shares in the United States.

## RISK RATING

Enersis' risk perception has been falling during the year. This has been ratified by the Local and International Risk Rating Agencies, which, during this past year, have improved the Company's rating.

In January, Moody's raised Enersis' senior unsecured debt rating from Ba2 to Ba1. Furthermore, in October, this Agency raised the outlook from stable to positive.

In February, Fitch confirmed the Company's rating at BBB- and raised the outlook from stable to positive. In January, Standard & Poor's also confirmed the corporate credit rating at BBB- and raised the outlook from stable to positive. Furthermore, in October, it raised Enersis' unsecured debt rating from BB+ to BBB-, eliminating the difference that existed and confirming the Company at the investment grade level.

The tendency of this risk rating by all the international agencies is positive and reflects the improved financial profile, the favorable business performance, the positive changes in the Chilean regulatory framework, the solid competitive position in the various countries in which the Group has operations (Argentina, Brazil, Chile, Colombia, y Peru) and the growing demand for electricity in the region, amongst others. Greater improvements in these tendencies could even result in new positive changes in the Company's rating.

## 06 COMPANY ACTIVITIES

TYPE OF DEBT	FITCH	STANDARD & POOR'S	MOODY'S
Debt in local currency	BBB-	BBB-	-
Debt in foreign currency	BBB-	BBB-	Ba1
Outlook	Positive	Positive	Positive
INSTRUMENT	FITCH	FELLER RATE	
Shares	1st Class Level 1	1st Class Level 1	
Bonds	A+	A+	
Outlook	Stable	Stable	

### PROPERTY AND INSURANCE

The Company owns some equipment and sub-stations located in the Metropolitan Region on which it has insurance cover against risks such as fire, lightning, explosions, malicious acts, earthquakes, flooding, landslides and others.

### BRANDS

The Company has registered the following brands: Enersis, Chispazos, Dixsa, Enersis PLC and Internet at the speed of Enersis PLC light.

## HUMAN RESOURCES

During year 2005, the Human Resources management of Enersis designed a Strategic Plan directed at improving the Career Development, Internal Relations and Employee Benefits areas. In order to achieve its strategic objectives, management performed the following activities:

- First stage of an "Advanced Management Program" in which executives from all the areas of the Company participated with the purpose of updating their knowledge and of providing them with tools on the basis of new management tendencies, on subjects such as strategy, political, economic and technological environments and social responsibility, amongst others.
- "Workshop on Negotiation, according to the Harvard model", aimed at Area Heads and Supervisors for whom the subject of

negotiation is a key element for their continuous improvement in their processes.

- "Diploma in Financial Management" directed at homogenizing the technical competence of the administrative employees in the key areas of the business.

The training programs developed during 2005 totaled 17,353 hours of instruction, distributed in the following manner: 37% training for senior executives, 45% training for executives and 18% training for clerical staff.

Other significant projects carried out during the year were:

- Works to modernize the structure of the Enersis Group's Stadium used for sporting, recreational and cultural activities by the workers and their families.
- Implementation of the prize for academic excellence that is awarded to the workers' sons and daughters that achieve the best grades for the corresponding school period in Primary, Middle and High School.
- Activities that include the workers' families, such as: sports coaching, summer camps, vacations for workers' children, Christmas party for the whole family, training in basic abilities (photography, computers, etc.), amongst others.
- In the area of health and occupational safety, a campaign was conducted against sedentary lifestyles that included open-air activities directed by the Parity Committee, on the job exercises and campaigns for ergonomics.
- A web page was designed and implemented within the Corporate Intranet in order to communicate the activities of the Human Resources Management.
- The study on Managers' and Executives' competence required by the Company was concluded. This system constitutes a base for the development activities planned for year 2006.

## SOCIAL RESPONSIBILITY

Enersis does an outstanding job with the community as part of its commitment on Corporate Social Responsibility. This support involves educational, cultural and scientific projects that have permitted the Company to participate in an active way in the development of society.

Amongst the various contributions carried out by Enersis, be they individually or jointly with its business leaders, Chilectra and Endesa Chile, in addition to other non-profit making institutions and entities, the following stood out during 2005:

### DONATION OF BOOKS

Jointly with the "Revista del Libro" supplement to the El Mercurio newspaper, Enersis has handed out more than four thousand books thanks to a reinforcement campaign whose objective is to support culture in the remote communities far from urban centers. This past year, the program benefited children and youths from the public library in Hornopirén (Tenth Region), the G-8 school in the resort of Los Molles (Fifth Region) and the Municipal Library of Zúñiga (Sixth Region), a village that has been declared a typical region of this country.

### CONTRIBUTION TO REGIONAL DEVELOPMENT

For the second consecutive year, Enersis was present in the principal cities of Chile through its program of conferences organized by the Diario Financiero newspaper with the purpose of encouraging economic, political and social debate on the different regions that comprise the country. During the period, the cycle contemplated attractive exhibitions and talks by outstanding members of the political, social and economic world in the cities of La Serena, Valparaíso, Santiago, Iquique, Antofagasta, Concepción, Temuco, Puerto Montt, Valdivia and Punta Arenas.

### ENDEMIC SPECIES

Enersis, together with the El Mercurio newspaper and backed by the Ministry of Education, the San Ignacio del Huinay Foundation, the National Environmental Corporation (CONAMA) and the National Forestry Corporation (CONAF), in addition to advice and the

collaboration from young researchers of the natural wealth of Chile, published a series of plates to show species of fauna endemic to Chile in order to make them known and to help protect these species.

This project came to life through photographs and information on the selected fauna included weekly in the El Mercurio newspaper, depicting species such as the hummingbird from Arica, the seal from Juan Fernández Island, the chinchilla or the cold water coral (unique and non-existent in any other place on the planet), which reached thousands of homes throughout the country, by means of a reproduction of 140 thousand copies for each edition.

### ILLUMINATING CHURCHES

ILLuminating Churches in the South of the World has become an emblematic project for the Group, as, by installing modern ornamental illumination in the religious temples of Chile, it has made the city more beautiful and has added value by collaborating with the conservation of the cultural heritage.

As of the end of 2005, the program had illuminated twenty-nine monuments, which have been selected for their high architectural and spiritual worth. These are located between Parinacota, in the 4,300-meter high plateau in the extreme north of the country, and the Island of Chiloé in the southern zone.

Five years after its creation, the project has been developed through the work of conserving and preserving each church, through a respect for the identity and character of each one of them.

ILLuminating Churches in the South of the World is carried out jointly with the Endesa Foundation, Chilectra and Endesa Chile, thanks to the agreement signed with the Episcopal Conference of Chile and the support given by the Cultural Heritage of Chile Corporation. Furthermore, the Government has endorsed this program by giving its approval through the Law of Cultural Donations committee.

The impact caused by the program led to the Group being awarded the "Conservation of National Monuments 2005" prize, in the Companies category, granted annually by the Council of National Monuments, a recognition awarded to those that have stood out for their track record, dedication and commitment towards the protection and conservation of the cultural and natural heritage of the country.

## 06 COMPANY ACTIVITIES

Recently, the Futuro Foundation honored Enersis for this same program, by awarding it the “Ciudad” prize for being a solid contribution to the development and valuation of the city for a better quality of life for its citizens.

### CHRISTMAS FOR CHILDREN EXPOSED TO SOCIAL RISKS

More than 55 thousand minors between the ages of 5 and 12, belonging to 189 institutions that attend to children exposed to social risks, participated in the Christmas party that took place on December 4 and was organized by the office of the wife of the President of the Republic, Mrs. Luisa Durán.

This party constitutes the most important artistic and cultural event organized each year for these children, who were able to attend a first class show, enjoying an afternoon of recreation and relaxation with the dancers and singers from the TV program, “Rojo Fama contra Fama”, and later a show called “El Espejo de Nochebuena” (The mirror of Christmas Eve), based on the book “Alice in Wonderland” and staged with a special emphasis on choreography and music and backed up with leading edge technology such as robotized lighting and laser rays.

Enersis made a significant contribution towards making this encounter possible and collaborated in the transport of the minors and the security plan that stretched from the moment the buses left the institutions, through the time spent in the stadium, to the moment the children were returned.

### ON THE PATH TO THE HUEMUL

In December 2005, the book entitled “Los últimos senderos del Huemul” (The last paths of the Huemul) was published; the first publication written in Chile on the emblematic species that figures on the national coat of arms. This is a scientific/technical work that summarizes the life of the huemul, (a deer emblematic of the Southern Andes – “Chilean Guemal” or *Hippocamelus bisulcus*) with amazing photography and captures all that is known about this deer in the world.

Edited by the San Ignacio del Huinay Foundation and sponsored by Enersis, the information contained in this work is updated and compiles valuable papers on the research of this species written by Dennis Aldridge, Cristián Saucedo, Rodrigo López and Alejandro Vila, experts on the subject and involved in a bi-national plan for the conservation of the huemul.



Image belonging to the book “Los últimos senderos del huemul”.

# 07

## COMPANY BUSINESSES

### HISTORIC OVERVIEW

On June 19, 1981 Compañía Chilena de Electricidad S.A. created a new corporate structure, giving rise to a Holding Company with three subsidiaries. One of these was Compañía Chilena Metropolitana de Distribución Eléctrica S.A. In 1985, as a result of the privatization policy enacted for state-owned companies by the Government of Chile, the transfer of the capital stock of Compañía Chilena Metropolitana de Distribución Eléctrica S.A. to the private sector began. This process concluded on August 10, 1987. Through this process, private pension funds (A.F.P.), the company's workers, institutional investors and thousands of small investors became stockholders of the Company. The organizational structure was based upon operating activities or functions in which the achievements were evaluated on functions and its profitability was limited by a scheme of tariffs, due to the fact that the company was devoted exclusively to the distribution of electricity.

In 1987, the Board of Directors proposed a division of the various activities of the parent company. Thus, four subsidiaries were formed enabling them to be run as separate business units, each with its own objectives, and in this way expanding the activities of the company into other non-regulated businesses, though still related to the core business. This proposed division was approved by the Extraordinary Shareholders' Meeting held on November 25, 1987, which determined its new corporate purpose. As a result of the above, Compañía Chilena Metropolitana de Distribución Eléctrica S.A. became an investment company.

On August 1, 1988, under a resolution adopted by the Shareholders' Meeting held on April 12, 1988, one of the companies born out of the division changed its corporate name to Enersis S.A. The Extraordinary General Meeting of Shareholders held on April 12, 2002 modified the corporate purpose of the Company, introducing the activities in telecommunications and the investment and management of companies involved in telecommunications and information technology and brokerage via Internet.

Today, Enersis is one of the largest private electricity groups in Latin America, in terms of consolidated assets and operating income, achieved through stable and balanced growth in its electricity generation and distribution businesses, as well as in other businesses related to these activities.

The electricity distribution business abroad has been developed jointly with its subsidiary Chilectra, a company involved in the distribution of electricity in the Metropolitan Region of Santiago, Chile.

Enersis has developed its investments in the generation of electricity in the country and abroad mainly through its subsidiary Empresa Nacional de Electricidad S.A. (Endesa Chile).

In addition, the Company is present in businesses that complement its principal activities through majority equity holdings in the following companies:

Synapsis Soluciones y Servicios IT Ltda. Involved in supplying services and equipment related to information technology and data processing.

Inmobiliaria Manso de Velasco Ltda. Involved in the real estate business, through the integral development of real estate projects and in the management, rental, purchase and sale of the real estate holdings of Enersis and its subsidiaries in Chile.

Compañía Americana de Multiservicios Ltda. (CAM). Its activities are related to business and other operations in networks for public service companies, preferably in the service of measuring systems for public utilities and as a purchasing agent, importer and exporter, and also seller and supplier of materials for Enersis' subsidiaries and third parties.

### INTERNATIONALIZATION

Enersis started its international expansion process during 1992 through its participation in various privatizations in the neighboring countries in the continent, in this way establishing a significant presence in the electricity sectors of Argentina, Peru, Colombia and Brazil.

In July of that year, Distrilec Inversora S.A., a company in which Enersis holds a participation, was awarded Empresa Distribuidora Sur S.A., Edesur, a company that distributes electricity in the city of Buenos Aires, Argentina. Subsequently, in December 1995, Enersis acquired an additional 39% of this company and became its controlling shareholder.

Between July 1994 and December 1995 and through Inversiones Distrilima S.A., Enersis purchased 60% of the stock capital of Empresa



de Distribución Eléctrica de Lima Norte S.A., Edelnor, in Peru. Also that year, it acquired Edechancay.

During 1996, Enersis ventured for the first time into the Brazilian market, acquiring jointly with other partners an important part of the shares in Companhia de Eletricidade do Rio de Janeiro, Cerj, that distributed electricity in the city of Rio de Janeiro, Brazil. This company changed its name to Ampla Energia e Serviços S.A. and is known by its trade name, Ampla.

In 1997, Enersis participated successfully, through a consortium, in the process of capitalization and subsequent control of Codensa S.A. ESP, Codensa, a company involved in the electricity distribution business in the city of Bogotá and the Department of Cundinamarca, Colombia.

At the beginning of 1998, Enersis ventured once again into the Brazilian market. This time, through a consortium, which was awarded the control of Companhia Energética de Ceará S.A., Coelce, a company that distributes electricity in the State of Ceará in the north east of Brazil.

During 1999, Endesa (Spain) became the controlling shareholder of Enersis. Through a share purchase offer, in which it offered a price of 320 Chilean Pesos per share, the multinational company bought a further 32% of Enersis, which, added to the 32% acquired in August 1997, increased its final shareholding to 64%. The transaction, concluded on April 7, 1999, involved an investment of USD 1,450 million.

On May 11, 1999, Enersis acquired an additional 35% of Endesa Chile, in which it already held 25%. Consequently, Enersis attained approximately 60% of the ownership of the generating company, becoming its Parent Company and consolidating Enersis' position as one of the leading private electricity groups in Latin America.

Important operations were carried out during 2000 that are summarized as follows: The Company's capital was increased by USD 520 million; Furthermore, USD 1,400 million were incorporated as a result of the sale of the subsidiaries, Transelec, Esva, Aguas Cordillera and the real estate divestments, within the strategic framework of the Genesis Plan.

Significant investments were made during 2001: USD 364 million to increase the company's shareholding in Chilectra; USD 150 million

in the purchase of a 10% holding in Edesur, Argentina, which was owned by the company employees; USD 132 million to increase the participation in the Brazilian company Cerj (Ampla) and USD 23 million to increase by 15% the shareholding of Enersis in Río Maipo.

During the year 2002, progress continued in Chile on the construction of the Ralco hydroelectricity plant located in the VIII Region and in Brazil, of the Fortaleza Thermoelectricity Plant in the State of Ceará. Furthermore, the second phase of the electricity interconnection between Argentina and Brazil commenced operations, achieving a transmission capacity of 2,100 MW between the two countries. Also, Enersis strengthened the financial position of Ampla with the conversion of USD 100 million of subordinated bonds into equity and with a capital increase of USD 100 million. Furthermore, Enersis invested USD 1.6 million to increase by 1.73% its shareholding in Distrilima, the company through which it controls Edelnor.

During the year 2003, Enersis carried out a capital increase that permitted a rise in the Company's equity base by more than USD 2,104 million. With this operation, the shareholding of Endesa (Spain) in Enersis fell to 60.62%. In addition, the Company refinanced USD 4,018 million with various financial transactions such as new syndicated loans, bond issues on the local and international markets, prepayment of the "Jumbo II" loan and other minor operations. Finally, Enersis sold assets worth USD 757 million, which included the Canutillar generating plant and the electricity distribution company, Río Maipo.

In 2004, the Company refinanced debts of USD 2,100 million with various financial transactions such as new syndicated loans, bond issues on the local and international markets, prepayment of the "Jumbo III" loan and other minor operations. Also, the Ralco generating plant, a subsidiary of Endesa Chile, came on stream with a contribution of 690 MW of power.

In 2005, a Holding Company domiciled in Brazil was created, a subsidiary of Enersis S.A., by the name of Endesa Brasil S.A. This new company was incorporated with all the assets that the Enersis Group and Endesa Internacional had in Brazil: CIEN, Fortaleza, Cachoeira Dourada, Ampla, Investluz and Coelce. Also during 2005, Endesa Chile, with the participation of Ingendesa, started drawing up the feasibility study of the projects on the Baker and Pascua rivers that will imply more than 2,400 MW of new installed capacity for Chile.

In March, Endesa Chile created the company, Endesa ECO S.A. whose corporate purpose is to develop renewable energy in Latin America.



Furthermore, in August, Endesa initiated the construction of the San Isidro II combined cycle thermoelectricity plant, which will have an installed capacity of 377 MW. Also, in October, it commenced the construction of the Palmucho hydroelectricity plant with 32 MW of power.

On August 11, 2005 Endesa Chile became the owner of 100% of the shares in Compañía Eléctrica San Isidro S.A.

## RESEARCH AND DEVELOPMENT

Eneris' principal objective is to maximize the economic value of its equity through a stable growth based on electricity businesses that are rigorously evaluated and managed. The achievement of this objective is based on an investment strategy focused on increasing the value of the subsidiaries and affiliates and of new companies acquired.

A key factor in this strategy considers making investments that require, in a significant manner, the experience, management skills and operating capacity of Eneris and its subsidiaries. This requisite demands that investments be made in companies in which Eneris can have a strong influence on their management and operations, together with the power to approve or reject their investment projects.

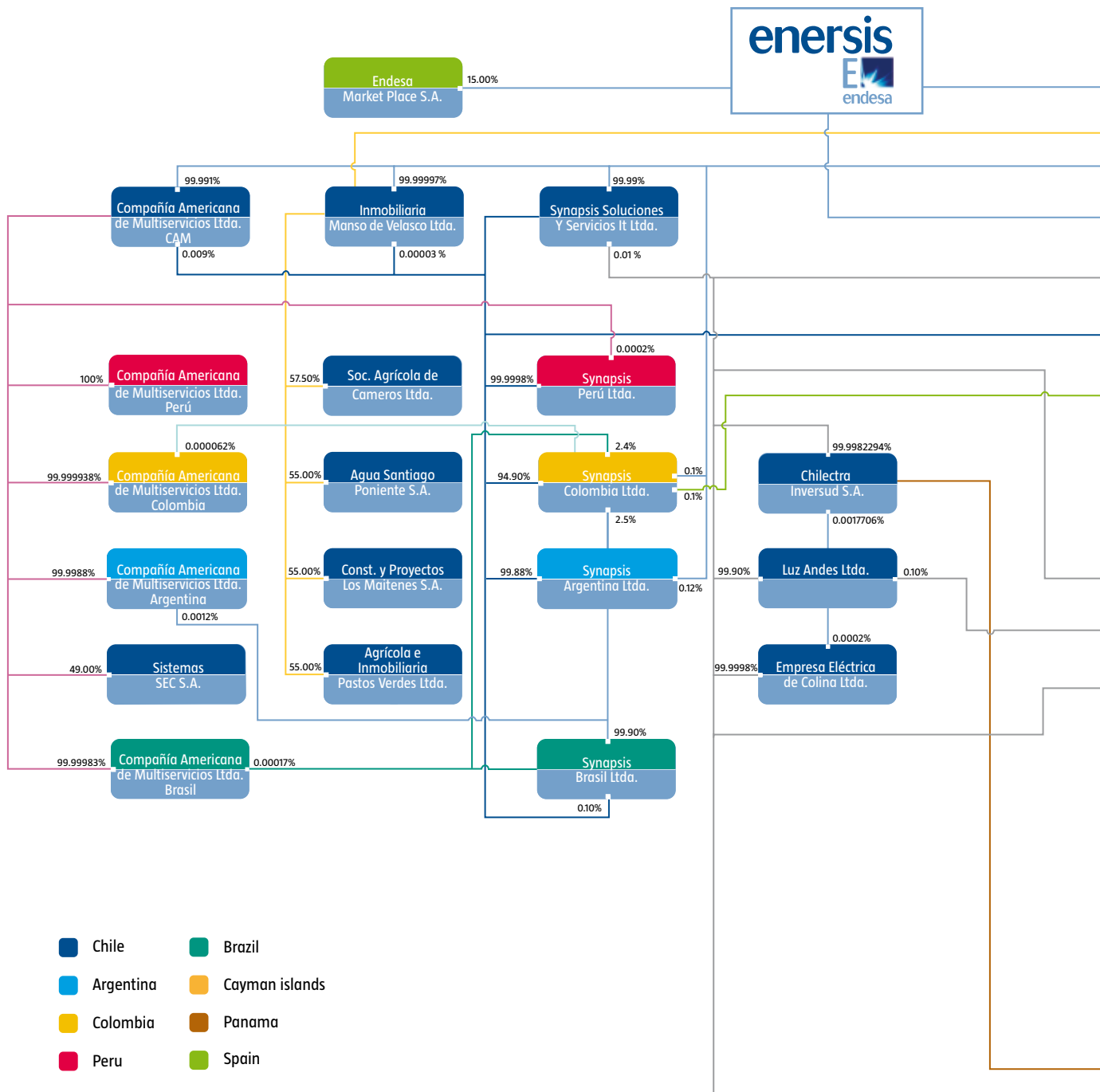
Another factor of development consists of counting on an exceptional team of professionals that actively interact with the subsidiaries, providing advice on the evaluation of their investment and financing projects and who are permanently on the alert for new opportunities in the respective areas of business in the Latin American market.

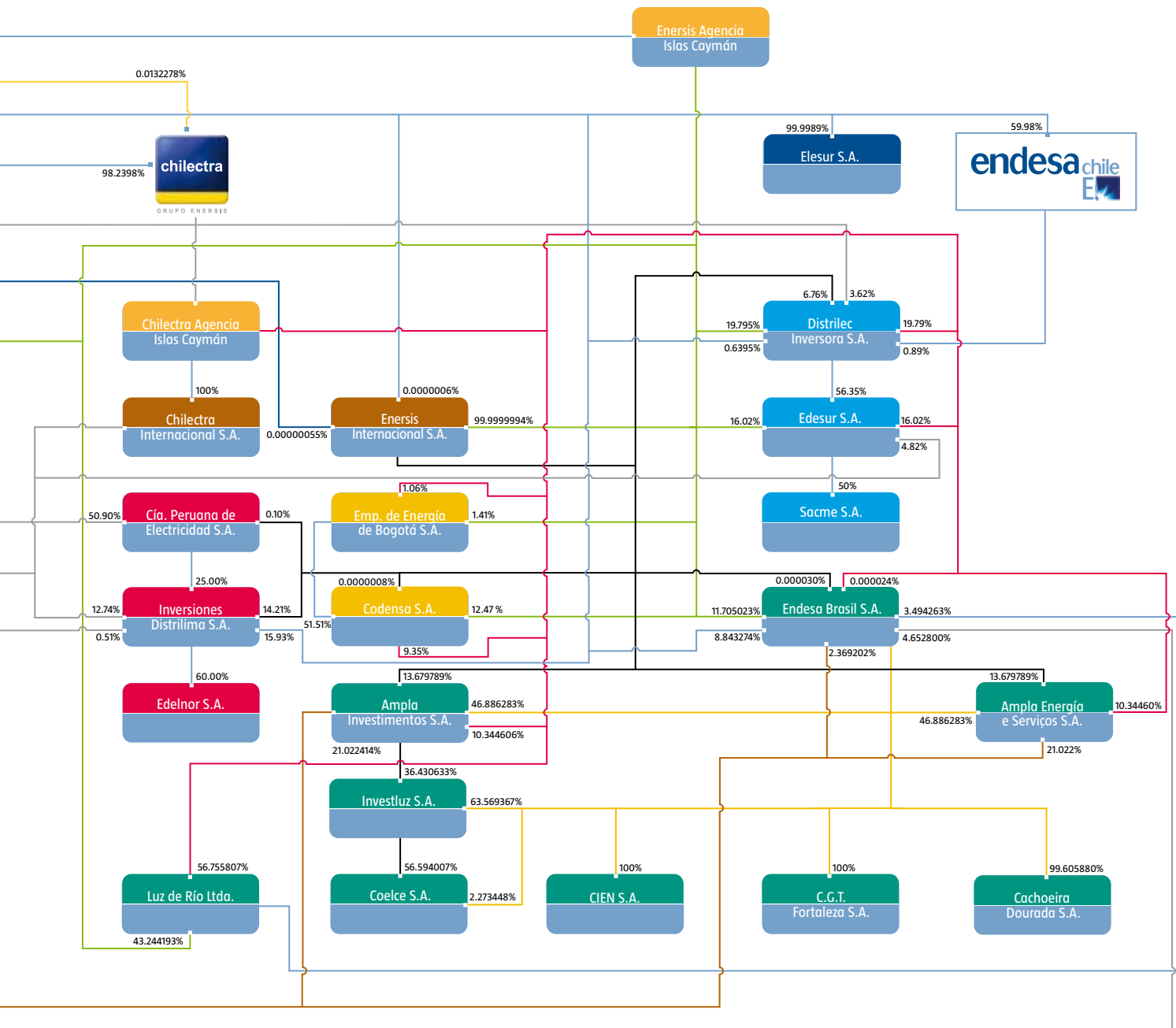
These factors permit Eneris to make investments that contribute to the growth in profits with an adequate consideration of the inherent risks arising from the businesses in which it participates.

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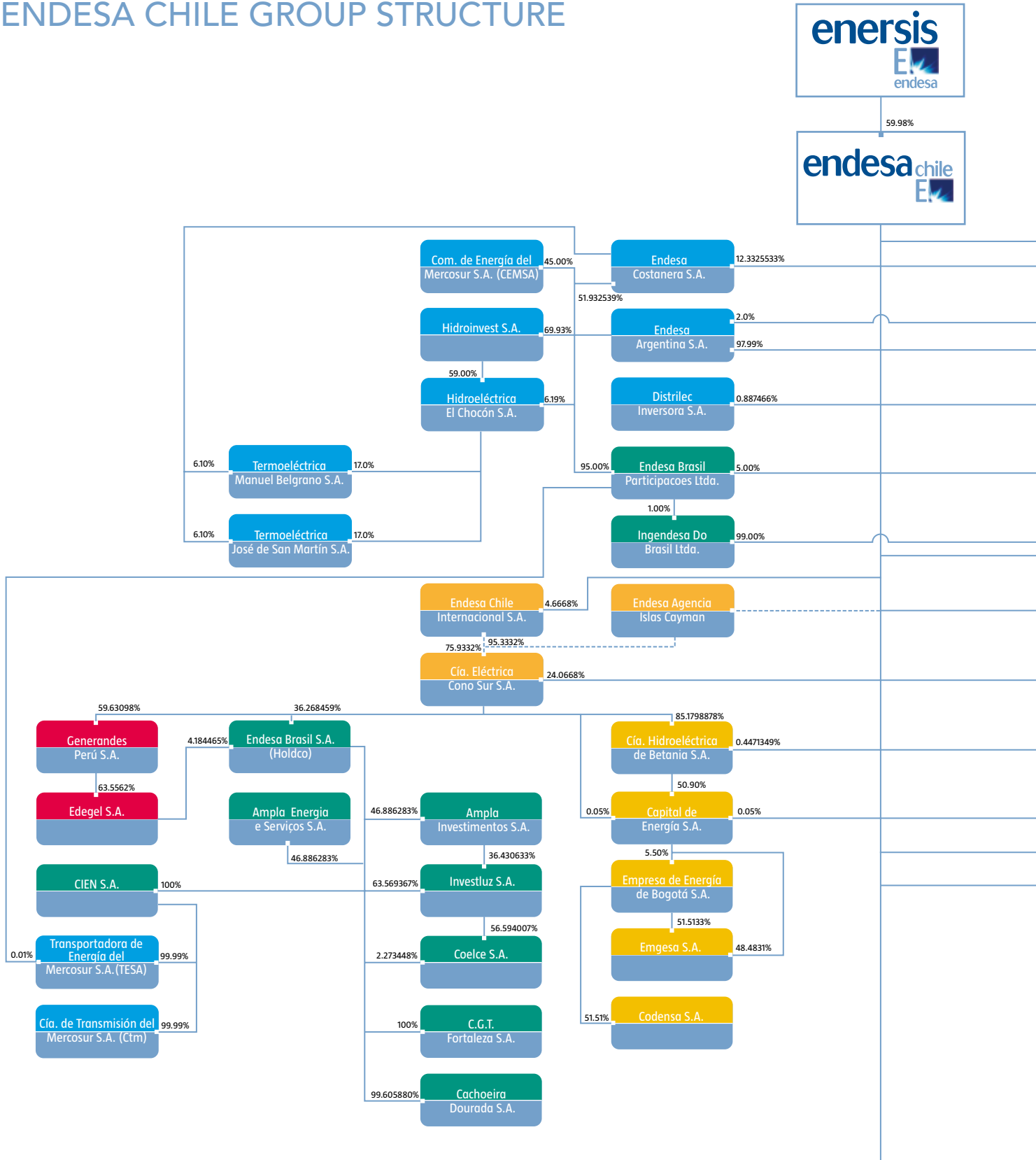
## ELECTRICITY BUSINESS

# ENERSIS GROUP STRUCTURE

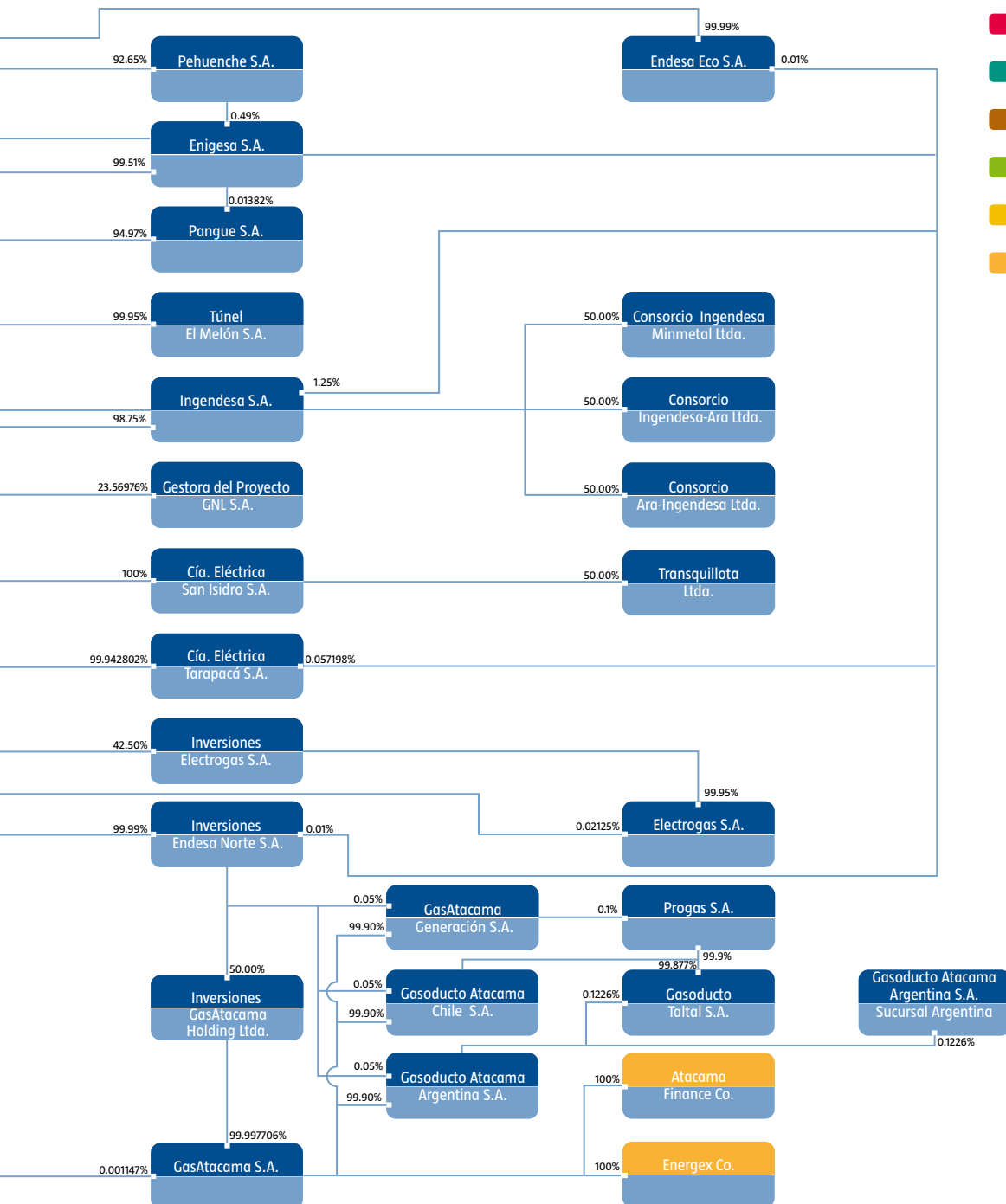




# ENDESA CHILE GROUP STRUCTURE



- Chile
- Argentina
- Peru
- Brazil
- Panama
- Spain
- Colombia
- Cayman islands



## DIRECT AND INDIRECT OWNERSHIPS



## Argentina

	Business	Ownership
Costanera	Gx	38.5%
El Chocón	Gx	28.5%
Edesur	Dx	65.1%
CTM	Tx	53.6%
TESA	Tx	53.6%
CEMSA	Tx	27.0%

## Brazil

	Business	Ownership
Endesa Brasil	Gx, Dx, Tx	53.6%
Cachoeira Dourada	Gx	53.4%
Fortaleza	Gx	53.6%
Ampla	Dx	69.6%
Coelce	Dx	34.9%
CIEN	Tx	53.6%

## Chile

	Business	Ownership
Endesa Chile	Gx	60.0%
Celta	Gx	60.0%
Pangué	Gx	57.0%
Pehuenche	Gx	55.6%
San Isidro	Gx	60.0%
Chilectra	Dx	98.2%
Atacama Chile	Ox	30.0%
Gasod. Tal Tal	Ox	30.0%
Electrogas	Ox	25.5%
Ingendesa	Ox	60.0%
Túnel El Melón	Ox	60.0%
Cam	Ox	100.0%
Synapsis	Ox	100.0%
I. Manso Velasco	Ox	100.0%
Tranquillota	Tx	30.0%

## Colombia

	Business	Ownership
Emgesa	Gx	14.7%
Betania	Gx	51.4%
Codensa	Dx	21.7%

## Peru

	Business	Ownership
Edegel	Gx	22.7%
Edelnor	Dx	33.4%

Gx: Generation  
 Dx: Distribution  
 Tx: Transmission / Trading  
 Ox: Pipelines & Others



## ARGENTINA

Under current structural regulations, the electrical industry in Argentina is regulated by: i) The National Electricity Regulating Entity (ENRE), in charge of the control and oversight of compliance to the norms of the sector, ii) The secretary of Ports en Energy, in charge of setting policies, regulations and procedures that are the norms for the energy sector and iii) the Organization In Charge of Dispatch, (currently Cammesa) which coordinates the economic operation of the system.

The generation companies in this country sell their production to distribution companies and other big clients, through the Wholesale Market (MEM), by means of contracts or spot prices set by Cammesa.

As of December, the installed capacity of MEM was 23,302 MW, of which 60% was thermoelectric capacity. The maximum demand in the year reached 16,143 MW and the annual consumption reached 87,780 GWh. Additionally during 2005, demand increased 5.8% compared to the year before.

Besides the MEM, there's a small subsystem called MEMSP, which serves customers of the Sistema Patagonico (Patagonian System) and whose installed capacity is 777 MW, the equivalent to 3.2% of Argentina's total capacity.

One to the effects of the 2002 crisis was the paralyzation of a percentage of the investments in generation, which added together with the growth of consumption implied a risk in supply on the medium term. The Secretary of Energy and Ports defined an agreement that consists in direct the amounts due from the generators with the MEM produced between January 2004 and December 2006, to an investment fund (FONINVEMEM), wish would develop new plants. The agreement signed in October 2005 establishes that generators will recover their amounts due plus market yields and will keep property of the new plants in a pro rata basis according to their contributions. It is expected that the date at which these plants with gas turbines enter into commercial operation to be December 2007, and the entrance into commercial operation with the complete combined cycle to be June 2008.

In the case of the gas market, measures were established seeking to recover the market. A price recovery path of gas at the well outlet was established (Resolution 208), creating fideicommissum (trust) arrangements to face the needed expansion the transport and created the Electronic Gas Market.



Costanera Plant, Argentina.

### GENERATION

Endesa Chile, through it subsidiaries Endesa Costanera S.A. and Hidroeléctrica El Chocón S.A., operates 3,624 MW of capacity, with 16% of the total installed capacity in the MEM, and with 14% of the energy sales in 2005.

### COSTANERA

This is a thermal plant of Gas-Steam which utilizes natural gas, fuel oil and diesel as generation fuel. It is located in the city of Buenos Aires. Its installed capacity is 2,304 MW.

As a consequence of the increased demand for electricity during the year, 8,402 net GWh were generated, 6.9% more than the year before, the consumption of natural gas being 1,518 million m<sup>3</sup>, 3% more than in 2004. To satisfy this increase of dispatch, the company consumed an additional 349,690 tons of fuel oil, which represents a 37% increase regarding the year 2004; and 7,348 m<sup>3</sup> diesel, represents a 54% reduction compared with last year.

## 08 ELECTRICITY BUSSINESS

Additionally, the total electric energy sales were 8,466 GWh.

In the operational aspect we want to point out that in March 2005, the Company reached a milestone in the thermal generation in the country with a production that surpasses one million Megawatt-hours, which implies an average hourly generation of 1,354 MW.

### EL CHOCÓN

This is hydraulic reservoir plant that users the waters of the Limay and the Collón Cura rivers through an artificial day. It's located in the provinces of Neuquen and Rio Negro, 80 kilometers from Neuquen. Its installed capacity is 1,320 MW.

In 2005, with favorable hydraulic conditions the company achieved a generation of 3,931 GWh, 15% more energy compared to the same period the year before.

The reservoir reached the end of the year with 97% of energy reserves compared with its maximum level. As such, before a year initially forecasted to be average in terms of amounts, the commercial strategy was centered on recovering the level of the dam, and giving priority to fulfilling water commitments to the Limay River as defined by the Interjurisdictional Authority of Watersheds. (AIC)

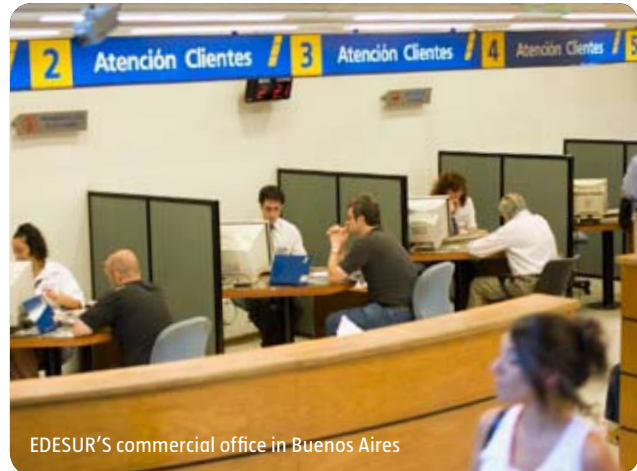
In the commercial aspect, the Hidroeléctrica El Chocón S.A. continued to focus its efforts on diversifying its portfolio of clients through commercializing in markets other than the spot market, giving priority to profitable long term relations with clients of proven commercial strong. As a result, during the fiscal year 2005, market share of fixed term contracts increased by 16%, reaching 1,145 GWh of energy thus commercialized.

The energy sales were 4,113 GWh.

## DISTRIBUTION

### EDESUR

Edesur has as its main objective the distribution and commercialization of electrical energy in the south zone of Buenos Aires and its surroundings, composed of two thirds of the Federal Capital and twelve parts of the province of Buenos Aires. The concession area covers 3,309 km<sup>2</sup>.



During year 2005, the company supplied 14,018 GWh to final customers, which represents an increase of 5.2% compared to 2004. 38.0% of this was distributed to the residential sector, 26.3% to the commercial sector, 10.2% to the industrial sector and 25.5% to others.

Regarding the tariff situation, a particular highlight is that on June 15, 2005 Edesur reached an agreement with the Government. Through a Letter of Understanding, the Government committed itself to deliver a new regulatory framework for the year 2006. This agreement also takes into account a transition period (August 1, 2005 – August 1, 2006) which contemplates an average increase of VAD to non-residential clients of 23% plus an additional 5% destined to specific investments.

Until now the tariff increase has not been approved. Parliamentary approval is required first, and then approval by the executive power is required.

Regarding energy losses index, it decreased to 11.4% in 2005.

Edesur is currently delivering electrical energy to 2,165,101 clients, 1.2% more than the year before. Of the total, 86.4% are residential clients, 12% are commercial, 1.2% are industrial, and 0.4% are other clients.

## BRAZIL

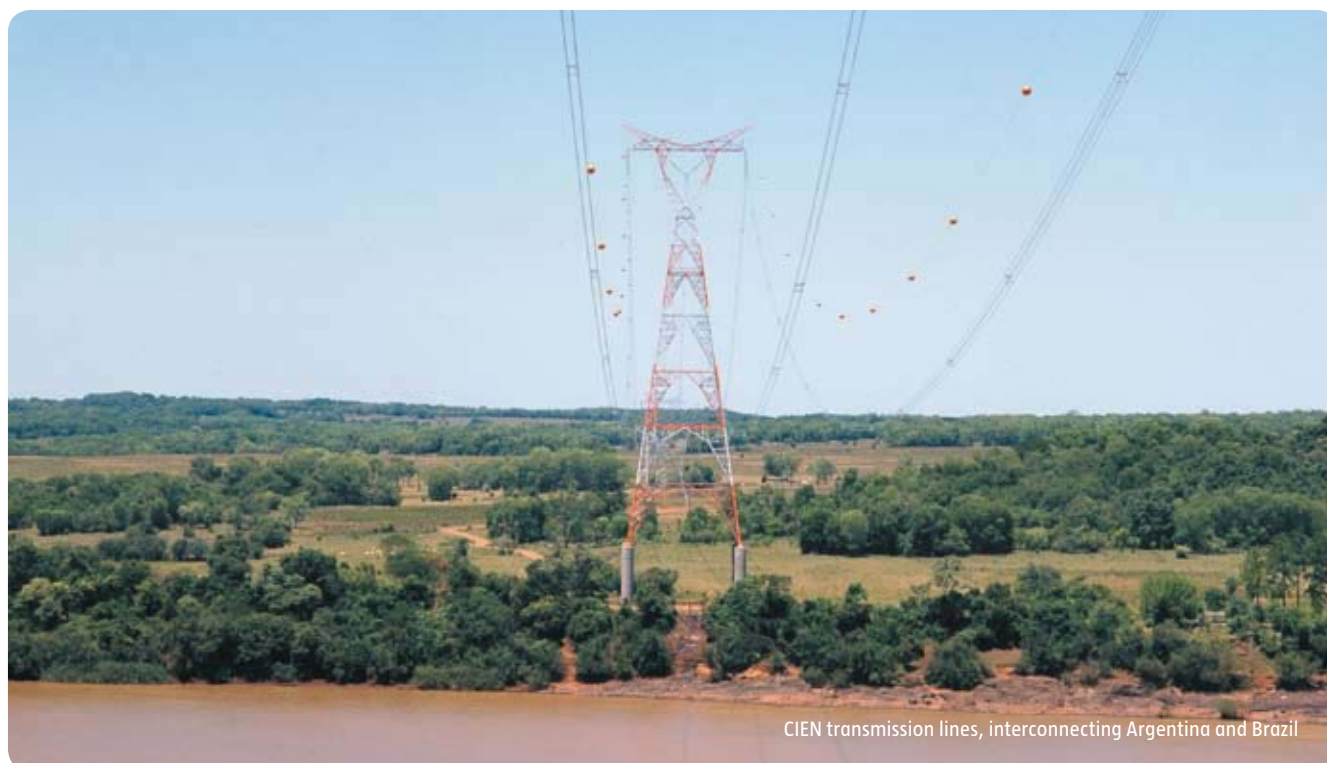
Under the current regulatory framework, the electrical industry in Brazil is extensively regulated by the Federal Government, acting through the Ministry of Mines and Energy (MME) and implements regulating policies through the National Agency of Electrical Energy (ANEEL). The National System Operator (ONS) is an independent organization, in charge of the economic dispatch of the system at a schedule level. The price for these spot transactions is determined by the Energy Assigning Market (MAE) which is controlled by the government.

As of December 2005 the installed capacity was 92,871 MW of the system, 77% of which is hydroelectric and 23% is nuclear and thermoelectric. The maximum demand in 2005 was 60,918 MW and the energy sales reached 336,146 GWh, which represents an increase of 3.9% compared to the year before.

After the rationing in 2002, the authority decided to re-study the economic operation rules of the Interconnected System. As such on the July 31, 2004 the MME published the Decree 5163-2004,

which defines a new regulatory framework, especially regarding the commercialization of electrical energy and the process of concessions for the entering of new electric facilities. The fundamental aspects of the new model implemented are the separations of the free market and the regulated market, and in this last case, the obligation of the distributors to contract the supply for regulated clients through public auctions done by the CCEE, those what are separated between public auctions of existing energy (the energy freed from the initial contracts fixed at the moment when the market was opened) and new energy (energy from new plants in the market).

As a result of these modifications, on December 7, 2004, the first process of public auctions of existing energy was carried out, and as of now, four of these processes have been carried out in which contracts have been commercialized of up to 8 years starting between 2005 and 2009. On December 16, 2005 the first public auction of new energy was celebrated, in which the periods were 15 years for thermoelectric plants and 30 years for hydroelectric plants.



CIEN transmission lines, interconnecting Argentina and Brazil

## ENDESA BRAZIL

On May 24, 2005 the board of Enersis approved the creation of the holding in Brazil under the name Endesa Brasil S.A. The objective of this reorganization of assets was to simplify the organizational structure allowing for greater efficiency and transparency of cash flows. This also provides greater stability in local cash flows through a centralized way of administration, optimizing the costs of financing. Additionally, it improves financing from third parties, and finally it positions the Group to be able to take advantage of new investment opportunities, making it the third largest integrated private group in Brazil.

For its operation, Endesa Brasil received successive capital contributions in the order of 1,704 million dollars, amount corresponding to the equity values as of September 30, 2005, according to Brazilian countable principles, of the direct and indirect ownership of the contributing companies: Ampla, Fortaleza, Investluz, Cien, Cachoeira Dourada and Coelce.

Since October 2005, Enersis started to consolidate Endesa Brasil with direct and indirect participation of 53.6%.

### GENERATION

Endesa Brasil through its subsidiary Cachoeira Dourada has a small participation in the Southeast-Midwest system, with 1% of its national installed capacity and 1% of its energy sales in 2005.

#### CACHOEIRA DOURADA

This is a hydraulic pass-through plant which uses the waters of the Paranaíba River to generate electricity. It's located in the State of Goiás, 240 km. south of Goiana. Its declared capacity is 658 MW.

The gross energy generation in 2005 was 3,559 GWh and its energy sales were 3,867 GWh.

#### FORTALEZA

This is a combined cycle thermal plant which uses natural gas and diesel-oil for generation. It's located in Caucaia County, 50 km. from the capital of the Brazilian state of Ceará. Its generation capacity is 311 MW, enough to supply a city of 1.2 million residential and industrial consumers, or enough to supply one third of the Ceará's needs.

The gross energy generation for 2005 was 347 GWh and the energy sales were 2,690 GWh.

### TRANSMISSION

#### CIEN

This allows the energetic integration of MERCOSUR and opens the possibility to import and export electricity between Argentina and Brazil in either direction. To this effect, there are two transmission lines with an installed capacity of 2,100 MW, which cover a distance of about 500 kilometers from Rincón Santa Maria in Argentina to Itá in the state of Santa Catarina in Brazil.

In 2005 the energy sales of CIEN were 6,567 GWh.

### DISTRIBUTION

#### AMPLA

This is an electrical energy distribution company which covers 73.3 % of the territory of the state of Rio de Janeiro, which is an area of 32,054 square kilometers. The population of this area is about 8 million people spread out among 66 counties. The main counties are: Niteroi, Sao Gonçalo, Petropolis, Campos, and the costal zone of Los Lagos.

During 2005, Ampla supplied 8,175 GWh, which represents and increase of 7.2% over the year 2004. Of the total energy sold, 37.7% correspond to residential clients, 18.3% to commercial clients, 11.8% to industrial clients, and 32.2% to other clients.

Regarding the tariff situation, Ampla requested the ANEEL to change the annual tariff readjustment date of December 2005 in the Concession Contract to March 15, 2006.

An auction of old electricity of the new model with contracts for 2008 and 2009 was held on April 2, 2005. Ampla will pay a total of 300 million reais until the end of their contracts.

Regarding the fight against energy theft in 2005, positive results were obtained, reaching the objective of containing the natural increase in the index of energy losses. In this context, the losses were reduced from 22.8% to 22.4%, as of December 2005. This as consequence of maintaining during the year the Ampla network project, that incorporates technological advances in the network to make the theft of electrical energy very difficult. The total number of clients where the Ampla Network has been implanted this year reaches 150,000. By December approximately 250,000 were connected, the objective being to reach 500,000 over the next few years.



Maintenance in city of Fortaleza

Ampla's clients reach 2,216,116, of which 1,987,228 correspond to the residential segment, 159,596 are from the commercial segment, 6,178 are from the industrial sector and 63,114 are from other sectors.

#### COELCE

Coelce is an electrical energy distribution company of the State of Ceará in north eastern Brazil which covers a concession zone of 148,825 square kilometers. The company serves a population of over seven million people.

As of December, 2005, energy sales reached 6,580 GWh, this being 7.1% greater than the same date in 2004. Of the total sold, 31.48% are to residential, 18.08% are to commercial, 23.40% are to industrial and 27.04% are to other clients.

CHESF (Hydroelectric Generation Company) was the greatest supplier of energy to Coelce, representing 36.8% of total purchases, followed

by Endesa Fortaleza with 34.4% and in third place diverse suppliers participating in the Auction of CCEAR (Commercialization Contract of Energy and the Regulated Environment) of 2004, that together participate with 28.8%.

Regarding the tariff situation, on April 22, 2005 supply tariffs were finally adjusted by 23.6%. In this readjustment the definite values of the component items of the rate revision calculation of 2003 were recognized.

The clients of Coelce reached 2,438,090, of which 79.7% correspond to the residential segment, 5.7% commercial, 0.3% industrial, and 14.3% to other sectors.

The energy losses at closing reached 14%, maintaining similar levels than previous fiscal years.

## CHILE

The electricity sector in Chile is regulated by three governmental entities which have the responsibility to apply and oblige fulfillment of the Law: The National Commission of Energy (CNE) has the authority to propose regulated tariffs (node prices), and likewise to draw up plans to for the building of new generation units; The Superintendence of Electricity and Fuels (SEC) which controls and oversees the enforcement of the laws, rules and technical norms of generation, transmission, and distribution of electricity, liquid fuels and gas; and finally, the Ministry of Economy which revises and approves the tariffs proposed by the CNE and regulates the granting of concessions to generation, transmission, and distribution companies, previously informed by the SEC.

According to the Chilean Law of Electricity, the companies involved in electric generation should coordinate their operations through the Economic Center of Charge Dispatch (CDEC) in order to operate the system at minimum cost while preserving the security of service. To this end, the CDEC plans and carries out the operation of the system, including the calculation of the marginal cost, which values the transfer of energy between generators.

From the physical point of view, the Chilean electricity sector is divided into four electric systems: the SIC (Central Interconnected System); the SING (The Great North Interconnected System) and two smaller isolated systems; the Aysen System and the Magallanes System.



Ralco Plant Machine House

The SIC the main electric system extends longitudinally over 2,400 kilometers, connecting Taltal in the north with Quellon on Chiloé Island in the south. With an installed capacity as of December 2005 of 8,538 MW, it's mainly a hydroelectric system. 58% is hydroelectric capacity, and 42% is thermoelectric capacity. The highest demand of the SIC in 2005 was 5,768 MW and the gross generation reached 37,965 GWh, which represents an increase of 4.5%.

The SING covers the north of the country from Arica to Coloso in the south, extending some 700 km. This system, with an installed capacity of 3,596 MW as of December 2005, is predominantly thermoelectric. (99.6% of the total installed capacity) The maximum gross generation of the SING in 2005 was 1,631 MW, and the gross generation reached 12.658 GWh, which represents an increase of 2.7% in regards to the same period the year before.

The Law 20,018 was promulgated in the Official Newspaper in May 2005, called the "Short Law II" that, among other things, defines the obligations of the distribution companies to have the supply permanently available for the total demand, carrying out long term public auctions to maintain this condition; it establishes that withdrawals will be subject to price regulation of the distribution companies without valid supply contracts will be a marginal cost, and the difference between this and the node price will be paid by the total of the regulated clients in the system; it widens the price band of the market for the calculating of the node price, enabling it to reach up to 30%, and permits generation companies to agree to temporary reductions or increases in consumption directly with the clients whose consumption is less than 500 KV.

### GENERATION

Endesa Chile is the main electrical energy generation company in Chile and a one of the greatest companies in the country, operating a total of 4,477 MW of installed capacity, which represents 37% of the national installed capacity. 76% of the installed capacity of Endesa Chile and its subsidiaries in Chile are hydraulic and 24% are thermal.

The generation capacity of Endesa Chile and its affiliates in Chile represents 50% of the total installed capacity in the SIC and 27% in the SING.

### ENDESA CHILE

It's important to recall that in September 2004, Endesa Chile initiated the Hydroelectric plant Ralco operations with 690 MW, which represents a 20% growth in the installed capacity of Endesa Chile



Chilectra's Providencia commercial office

and its subsidiaries in the SIC and a 6% growth in the total installed capacity in Chile.

In Chile during 2005, Endesa Chile and its subsidiaries generated 18,764 GWh.

The sales of electrical energy of Endesa Chile and its subsidiaries in SIC reached 19,788 GWh in 2005. This volume represents a 55% participation in the total sales of SIC. The sales to regulated clients represented 53.4%, sales to non-regulated clients made up 19.5%, and the 27.1% remaining were sales to the spot market.

Likewise, sales of electric energy to the subsidiary Celta and its clients of SING reached 943 GWh in 2005, representing 8% of participation in the total sales of SING.

## DISTRIBUTION

### CHILECTRA

Chilectra is the largest electrical energy distribution company in Chile in terms of energy sales. It covers 33 counties of the Metropolitan Region, and reaches 2,118 km<sup>2</sup> inside its concession area, including the areas covered by the Empresa Eléctrica Colina Ltda. y Luz Andes Ltda. It has 53 substations and 137 power transformers with a capacity of 6,030 MVA.

In 2005, physical energy sales reached 11,851 GWh, which represents an increase of 4.7% in regards to the same period in 2004.

On the other hand Chilectra bought energy in 2005 for 12,358 GWh from various generators in the country, the most important being: AESGENER 33.7%, Endesa Chile 24.6%, Colbun 26.7%, Puyehue 0.9%, Pangue 9.6%, and others 4.5%.

Regarding the tariff situation, Chilectra did not anticipate adjustments until the year 2008. Nonetheless, as a result of the "Short Law II", Chilectra will have to face participation in new public energy auctions for distribution, which will be in effect starting in 2009 with contracts of up to 15 years.

During 2005, Chilectra continued its efforts to control its energy losses, registering a 5.5% indicator as of December 31st.

Regarding commercial activity, as of December 31st, the total number of Chilectra clients added up to 1,404,224 which represents an increase of 2.4% at the same date the year before.

## COLOMBIA

Under the Colombian Law of Electricity, there are three entities which predominate in the electric market; the Regulation Commission for Electricity and Gas (CREG); the National Dispatch Center (CND) and the Administrator of the System of Commercial Interchange (ASIC).

The purchase and sale of electricity is done through bilateral transactions which can be made between generators, distributors, commercializes, and non-regulated clients. Nonetheless the CREG has been working since 2004 in a proposal to modify the law of contracting in the Colombian market to change to an Electronic Contracting System.

The installed capacity in the Colombian system as of December 2005 was 13,348 MW, of which 67% are hydroelectric capacity, and the rest is thermoelectric capacity and cogenerators.

The maximum demand in 2005 was 8,639 MW and the total demand reached 48,828 MW. The consumption in this period grew by 3.9% regarding the year before.

## GENERATION

Endesa Chile, through its subsidiaries Betania and Emgesa, had a market share of 20% in terms of installed capacity, and 22% en terms of energy sales during 2005.

### BETANIA

This is a dam hydroelectric plant which utilizes the waters of Magdalena River through and artificial reservoir, as well as the rivers Páez, Yaguará, and others for generation. It's located 340 kilometers southeast of Bogotá. Its declared capacity reaches 541 MW.

During 2005, Betania generated 2,101 GWh and sold 2,737 GWh.

### EMGESA

Emgesa is the greatest electricity generator in Colombia, located in the area of Bogotá city. It's made up of nine plants with a total capacity of 2,116 MW among which is El Guavio of 1,164 MW, being the largest hydroelectric plant in Colombia.

During 2005, Emgesa generated 9,763 GWh and sold 12,340 GWh.



Betania hidroelectric Plant, Colombia





Night view of Santa Fe de Bogotá, Colombia

## DISTRIBUTION

### CODENSA

Codensa distributes and commercializes energy in Bogotá and in 96 counties and departments in Cundinamarca, Boyacá and Tolima; an operational area of 14,087 square kilometers.

The energy sales of 2005 grew 4.5% in relation to 2004, and reaches 10,094 GWh, of which 36.3% were residential clients, 14.1% commercial, 5.7% industrial, and 44.0% other clients.

During 2005, the regulatory measures were mainly at maintaining the remuneration of businesses of the company; of which the distribution tariff, the standards of service quality, the levels of recognized losses and the base cost of commercialization remained unaltered.

Also approval was obtained for the remuneration of the high tension assets associated with the Chía substation, whose additional incomes were received since company January 1st, 2006.

Likewise the energy losses index reduced from 9.7% in 2004 to 9.4% in 2005. The loss reduction measures taken were focused on greater accuracy in the theft inspections. Additionally, work was done to normalize the electricity networks in neighborhoods through micropimt programs.

As of December 2005, the participation of Codensa in the national market is 14.7%, serving 2,072,864 clients, a figure that is 2.9% higher than in December 2004.

## PERU

The regulatory framework of the electrical industry is similar to Chile. In Peru, the Minister of Energy and Mines defines the policies for the electric sector, preparing projections for the installation of new generation capacity.

The tariff Regulation Management Administration (Ex Executive Secretary of the Energy tariff Commission) is the executive of Osinerg (Supervisory Organization of Investment in Energy), responsible for proposing to the Directory Board of this entity the electric energy tariff and the tariff for the transport of liquid hydrocarbons by pipeline rates, the transport of natural gas by pipelines and the distribution of natural gas by the pipelines network, according to the criteria established by the Electric Concessions Law and the applicable norms of the Hydrocarbons Sub sector.

The Committee for the Economic Operation of the System (COES) coordinates and operates the electric system in way very similar to the CDEC in Chile.

From the physical point of view, the Peruvian electrical sector has a National Interconnected System (SINAC) and a series of small systems which supply isolated rural sectors.

The installed capacity of SINAC as of December 2005 was 4,471 MW, of which 62% was hydroelectric capacity. The maximum demand in

2005 was 3,305 MW. In 2005 the gross generation reached 23,001 GWh, with a 5% growth compared to the year before.

### GENERATION

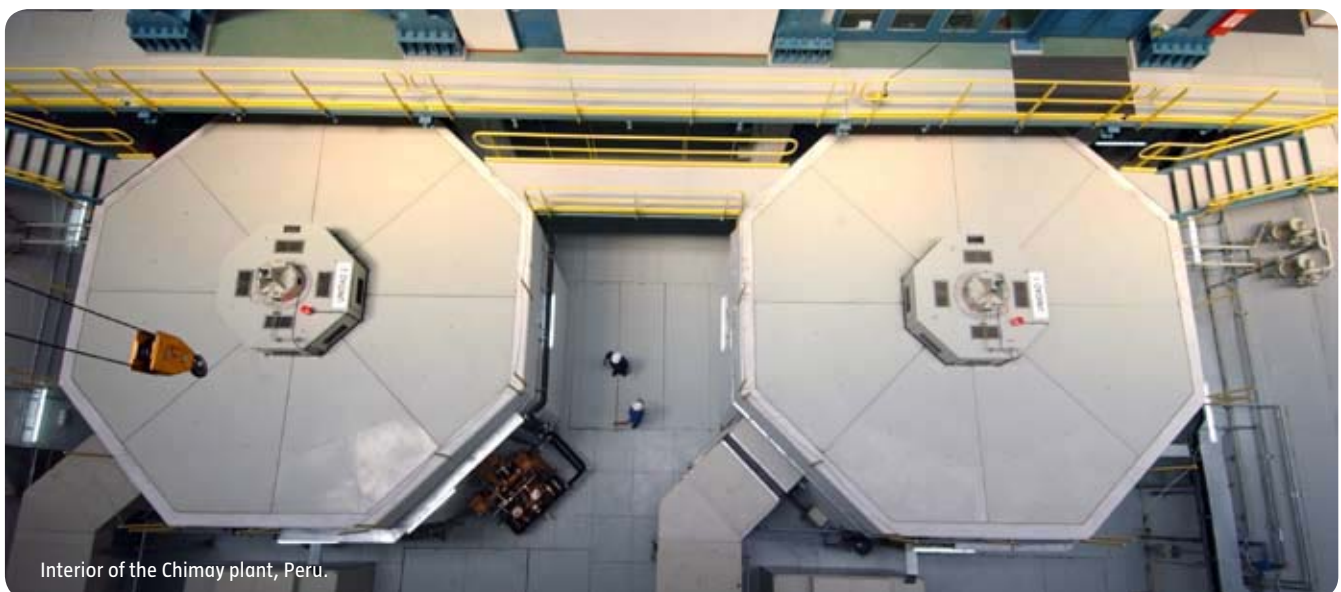
Endesa Chile, through its subsidiary Edegel had a market share of 22% in 2005 in terms of installed capacity, and a 24% share in terms of energy sales.

### EDEGEL

Edegel owns 8 hydroelectric plants and two thermoelectric units of gas and diesel. They are located in the city of Lima on the shores of the Rimac River. It installed capacity is 969 MW.

In June 2005, the thermal plant Santa Rosa of Edegel began commercial operations using the natural gas of Camisea to generate electricity, replacing the diesel fuel. The reconversion project was included in the tariff setting, causing a 5% reduction in the bar price of energy, and consequently generated savings of 60 million dollars to thousands of users of the public electric service over the next five years. Santa Rosa's investment reached 5.6 million dollars and the works were carried out between January and May of 2005.

During 2005 Edegel generated 4,516 GWh and sold 4,600 GWh.



Interior of the Chimay plant, Peru.



Government Palace, Lima, Peru.

## DISTRIBUTION

### EDELNOR

Edelnor is the concessionary public service electric company for the north zone of Metropolitan Lima and the Constitutional Province of Callao, as well as the provinces of Huará, Huaral, Barranca and Oyón. It serves 52 districts exclusively and shares 5 additional districts with the distribution company of the south zone.

In the metropolitan zone, the Edelnor concession mainly covers Lima's industrial zone and some populous districts of the city. The concession zone given to Edelnor makes up a total of 2,440 Km<sup>2</sup>, of which 1,838 Km<sup>2</sup> correspond to the northern Lima and Callao.

The physical energy sales for the 2005 period were 4,530 GWh, which represents an increase of 6.6% related to 2004. Of the total energy sold, 36.3% are residential sales, 26.9% industrial sales, 18.0% commercial sales, and 18.8% sales to other sectors.

During 2005 Edelnor bought energy mainly from Electroperu (53.3%), Edegel (21.4%), Egenor (12.1%), Cahua (5.8%) and Eepsa (4.2%).

In Peru the OSINERG resolution that took effect in November 1st, 2005 determined that the average tariff remain practically the same as in the previous tariff period, and that their increase should reflect the inflation rate until the next readjustment.

The energy loss index was 8.6% annually at the closing of the fiscal year 2005.

The electric energy sold was supplied to 924,729 clients, of which 93.5% were residential, 4.4% commercial, 0.1% industrial, and 2.0% other clients.

# 09

## OTHER BUSINESSES

## SYNOPSIS

Synopsis Solutions and Services IT Ltda. is a company of professional services in Information Technologies. (IT) With over 17 years of experience, it has reached the position as leader in Latin America in the field of IT solutions, mainly in the markets of services, energy, telecommunications and government.

Located in Santiago Chile, it has offices in the main cities of the region: Buenos Aires in Argentina, Rio de Janeiro and Fortaleza in Brazil; Bogotá in Colombia, and Lima in Peru, this way assuring coverage for a great part of Latin America.

The most important areas of Synopsis' operations are in the services of outsourcing and infrastructure, data center, contact center, massive printing, the lending of remote mode applications (ASP), and consulting and the implementing of solutions of Telemetry, Telecontrol, security, and the location of vehicles and Telecommunications; to the consulting of the search and implementation of technological solutions that support business processes; the integration of services and products and development services, implanting and maintenance of information systems; the building and development of informatic solutions for business processes of high availability and complexity.

In recent years the company has developed a growth policy towards the business sector not related with Enersis, reaching just last year, 35.2% of the total income of the company.

In 2005, 200 projects were developed in Chile. Among the most outstanding were: the integration of the Security System of the

Pangué plant to the Ralco System of Endesa Chile; the engineering, installation and putting into service of the Teleprotections System in the substations of Chena, Buin, Los Almendros and El Salto of Chilectra among others.

In Brazil the company continues its tendency to grow, which reflects the evolution of the results and the improvement of the quality of its services and the perception of the client.

Peru marks the entering into the Bolivian market with the project of the implementation of the Meta 4 in Transredes, the largest hydrocarbons transport company in Bolivia, and in the area of innovation, important initiatives have been taken focused on getting timely information to our related clients for their decision making.

The company has been outstanding in Colombia as the Information Technologies company with the greatest projection, as its growth marks an 18 point gap regarding the growth rate of the market, increasing at ratios of 8% annually.

In Argentina, in May, a leading official appraiser of the Software Engineering Institute of the Carnegie Mellon University evaluated the Factory of Corporate Software at level 2 of CMM. Achieving level 2 of CMMI confirms an improvement recognized by the industry in terms of organizational processes, productivity and product quality.



## MANSO DE VELASCO

Real Estate Manso de Velasco Ltda. centers its activities on developing important real estate project. In 2005 important advances in urbanization and commercialization projects were made, of the main project, destined to the industrial sector (ENEA) and in the project principally destined to the residential sector Puerto Pacifico.

The ENEA project relates to the real estate development of a 1,000 hectare property strategically located in Western Santiago, in Pudahuel County, next to the International Airport Arturo Merino Benítez, planned for company, industrial, commercial, residential, service, educational and other requirements.



ENEA project development

The notable relationship and connectivity the project has with major routes and highways has been complemented by the construction of the connection with Americo Vespucio Avenue, San Pablo Avenue, and lateral and access roads to the Costanera Norte Highway. These

works give ENEA excellent connection with the neurological centers of the city, which gives important added value to this Industrial and Business Park.

For the Fiscal Year 2005, ENEA continued taking important advances in the commercial plan. Important companies joined the Industrial Park: Budget Chile, Impresos Lahosa, Global Market, Importadora Bicimoto, Fabrica de papeles Carrascal, EGL Eagle Global Logística de Chile Ltda. y Compañía de Petróleos Chile S.A. In this period some of the companies which are already a part of the project and have finished their new constructions are: Tonelería Mundial, Fashion Transport, Las Quilas Investments S.A., Cosmoplas, Amtrade and Carlos Herrera. The total sales made during the fiscal year were 6,603 million pesos.

Also inserted in the project is the Aguas Santiago Poniente water company which supplies sanitary services to the real estate development of ENEA. As a result of the important sales achieved for this project, the company has to set up the sanitary infrastructure that to date, gives service to 2,323 residential and industrial clients, and treats 100% of the effluents of the project. From this perspective, Aguas Santiago Poniente (West Santiago Water) is in the phase of greatly increasing its economic value, since it has assured clients with the development the ENEA project which will require their services.

Another outstanding project is the Meseta Puerto Pacifico. This project is being developed on a lot of over 35,000 m<sup>2</sup> located in Viña del Mar, which possesses a privileged location (15 Norte with Nueva Libertad), close to important commercial centers and only 5 minutes from downtown Viña del Mar.

Throughout 2005, sub-lots of the project continued being commercialized, 18% still being available for sale. To date, 7 real estate projects are being developed by third parties on lands already sold, of which 4 are in the end phase.

Within the real estate business, Manso de Velasco also runs 34,160 m<sup>2</sup> of finished constructions, which consist of office buildings and stores, which are mostly rented out to related companies or to third parties.

## CAM

The American Multiservices Company Ltda. (Compañía Americana de Multiservicios Ltda.) is oriented towards giving complete, massive, and multiservice solutions, mainly in operations related with the field of measurement, large works, market discipline, works with distribution networks, commercialization, and the logistics of materials and teams.

The headquarters in Chile and the affiliates in Argentina, Brazil, Colombia and Peru have consolidated a regional presence, successfully expanding their portfolio of clients to the electric, sanitary, gas, industrial, mining and telecommunications sectors.

The commitment to excellence and quality service has led to CAM obtaining ISO norms certification in nearly all of its subsidiaries.

During the period of 2005, CAM won contracts for 90 million dollars, of which 40% come from business with third party clients, the remaining 60% are from contracts with related companies. It's noteworthy that of this last percentage, 3.7 million dollars were obtained through awards of competitive businesses.

In Chile, regarding market discipline services for public service companies, this year there were outstanding contracts in the electric area, the sanitary sector, engineering services, the construction and assembling of electrical substations, in telecommunications and finally in the area of the sale of electrical materials.

CAM Colombia was awarded important contracts in measuring services, such as the calibration and setting of electrical energy meters for ACTARIS, technical inspection, a meter laboratory and a pilot pre-pay program for Codensa.

Also outstanding was the creating of a Client Services Area, which is under the Commercial Management. The project came about as a result of the demands established in the ISO norm 9001:2000, and as a result of interaction with our clients whose fundamental objective is to offer better service and top consolidate the end link in the organizational chain of value (post sale service).

The Peruvian subsidiary won important construction projects and electrical assembly for third party clients. Additionally, CAM Peru won



the commercial services contract for special non-residential clients of Sedapal, a water and sewage company for the city of Lima.

Regarding quality, the certification company Veritas Bureau of International Quality (BVQI), recommended CAM for the Quality Control System ISO 9001:2000 for certification for the complete home electrical connection service and for the inspection of water connections.

There was outstanding participation in Argentina in the electrical sector, sanitary and urban transport businesses. In urban transport the participation with Metrovias was important thanks to the awarding of contracts like the enlargement of the roads Combinación 9 de Julio and Carlos Pellegrini, and the Additional Emergency Exit for the Tucuman Congress.

CAM Brazil, effectively started the contracts with Coelce for the Inspection of Rural Distribution Networks for the project Light for Everyone. The billing of CAM Brazil has grown considerably during 2005 at a rate of over 30%.

# 10

## RISK FACTORS



Enersis is an investment company without any relevant assets other than the shares in our subsidiaries. In order to be able to pay our debts, we depend on the cash from dividend payments, credits, payment of interest, capital reductions and other payments in cash that we receive from our subsidiaries, in addition to the cash produced by the issue of shares.

The ability of our subsidiaries to pay dividends, meet payments of interest and credits and carry out other payments is subject to certain legal limitations such as restrictions on dividends, trustee obligations, contractual restrictions and exchange controls that might be introduced in any of the five countries in which our subsidiaries have operations, and furthermore, depends on the operating income of our subsidiaries and related companies.

A significant part of the business of some of those subsidiaries depends on the hydrology in the area in which they operate and, therefore, drought conditions can have a negative impact on our profitability. Nearly 70% of our consolidated generating capacity in Latin America is hydroelectric. Therefore, adverse hydrological conditions may have a negative impact on our business and on our operating income.

During the dry periods, the electricity produced by the thermal electricity plants is dispatched more frequently and this includes the electricity from those generating plants that consume natural gas, fuel oil or coal as fuel. Our operating costs rise during these periods and, depending on the scope of our electricity commitments, it is possible that we have to purchase electricity from third parties in order to comply with these commitments. The cost of these purchases of electricity on the spot market may surpass the price we have agreed on the sale of the electricity to our clients, causing losses in that region.

Furthermore, changes in regulations by the governments of the different countries where the subsidiaries and affiliates of the Company operate might have an impact on profits.

Our operating subsidiaries are subject to environmental regulations which, among other factors, require that the Company undertakes studies on the environmental impact of future projects and that permits be obtained from both local and national regulatory authorities.

Our activities in the electricity sector may be subject to regulatory fines for failing to comply with any of the regulations currently in force, including failures in the supply of energy.

If any of the regulatory authorities were to impose a policy of rationing as a result of extremely adverse hydrological conditions in the countries in which

we operate, our business and financial condition resulting from these adverse conditions may be seriously affected.

In Argentina, the low price that the regulatory authorities have set for natural gas has had a direct effect on production and on investments in the natural gas deposits, a situation that in turn has affected the availability of this fuel at short and medium term in Chile. The scarcity of natural gas could oblige the electricity generating companies, including us, to resort to the use of more expensive fuel oil, which would increase substantially the production costs.

Strong demand for electricity in the central region of Chile, together with the low level of investment in the electricity sector, has caused this particular sector in Chile to be exposed to the adverse effects of the Argentine natural gas crisis.

Some Latin American economies in which Enersis has investments stand out as areas with occasional and drastic interventions of government authorities. For example, the Argentine authorities have introduced a series of monetary and exchange control measures that have had a negative effect on the operating income and may continue to have a negative impact on them.

The results of our subsidiaries and affiliates also depend on the macroeconomic conditions reigning in the countries in which they operate. The GDP, through its impact on demand for energy, inflation and the exchange rates are important in determining the financial results of the companies.

The manner in which we value our overseas investments in compliance with the Chilean GAAP forces us to convert the non-monetary assets and liabilities of our non-Chilean subsidiaries and related companies to US Dollars at historic exchange rates. Due to this accounting system, it is possible that the balance sheet being reported does not include the effect of a devaluation of our non-monetary assets in the countries in which our subsidiaries, affiliates and investments exist, as the devaluations of the local currencies against the US Dollar or the Chilean Peso are not reflected.

Finally, Enersis has debt subject to financial covenants and other fairly standard contractual restrictions with respect to maximum ratios on debt levels in relation to adjusted cash flows, total debt-EBITDA, debt-equity and to minimum ratios on adjusted cash flows in relation to financial costs. A significant part of our debt contains cross-default clauses that in general are triggered when there is a failure to pay other debts for individual amounts over USD 30 million. In the event that our creditors should put into force the clause on accelerated payments of the obligations, a significant part of our indebtedness could become due and payable.



# 11

## INVESTMENT AND FINANCE POLICY

The General Ordinary Shareholders meeting held on April 8th 2005 approved the Investment and Finance Policy which is detailed below:

## 1. INVESTMENT

### A) AREAS OF INVESTMENT

Energis S.A. will make investments accordingly to its bylaws, in the following areas:

- Contributions for investment or formation of subsidiaries or correlated companies whose activity coincides with, or is related or linked to energy in any of its forms or states or the supply of public services which use energy as a main resource.
- Investments consistent with the acquisition, exploitation, construction, rental, administration, commercialization and sale or transfer of all types of real estate, directly or through subsidiaries.
- Other investments in all types of financial assets, valuables and bearer securities.

### B) MAXIMUM INVESTMENT LIMITS

The maximum investment limits for each investment area are the following:

- Investments in electric sector subsidiaries, those needed for these subsidiaries to fulfill their respective social purposes.
- Investments in other subsidiaries, in such a way that the sum of the proportions of the fixed assets Investments in other subsidiaries, in such a way that the sum of the proportions of the corresponding fixed assets of the participation of each one of these subsidiaries does not surpass the proportion of the fixed assets corresponding to the participation of the subsidiaries in the electricity sector, and of Energis S.A.

### C) PARTICIPATION IN THE CONTROL OF THE AREAS OF INVESTMENT.

For the control of the areas of investment and according to that established in the social subsidiaries of Energis S.A., inasmuch as is possible, the procedure will be the following:

- In the General Shareholders Meetings of subsidiaries and related companies, the proposed designation of directors to participate in Energis S.A., preferably should be drawn from among the directors or executives of the Company and its subsidiaries.
- Investment, financial, and commercial policies will be proposed to the subsidiaries; likewise the systems and accounting criteria which must be followed.
- Subsidiaries and related companies will be supervised.
- A permanent control will be maintained regarding debt limits, so that investments or contributions made or planned do not vary from the norms and limits defined as maximum investments.

## 2. FINANCING

### A) MAXIMUM DEBT LEVEL

The maximum debt level for Energis S.A. will be given by a ratio of total debt/equity plus minority interest equal to 1.75 times the consolidated balance.

### B) THE ADMINISTRATION'S ATTRIBUTES TO AGREE WITH CREDITORS TO RESTRICT THE DISTRIBUTION OF DIVIDENDS

Restrictions regarding the distribution of dividends may be agreed to only if such restrictions have been previously approved of by the General Shareholders meeting (Ordinary and Extraordinary).

### C) THE ADMINISTRATION'S ATTRIBUTE TO AGREE WITH CREDITORS ON THE GRANTING OF PLEDGES

The administration of the Company may agree with creditors to grant real or personal pledges, in conformity with the law and social statutes.

### D) ASSETS ESSENTIAL FOR THE FUNCTIONING OF THE COMPANY

The assets essential for the functioning of Energis S.A. are the shares represented by the contributions the former makes to its subsidiary Chilectra S.A.



# 12

## ESSENCIAL FACTS

## CONSOLIDATED ESSENTIAL FACTS

Herein is the transcription of RELEVANT ACTIONS published for the fiscal year 2005:

### **ENERSIS S.A.**

#### ***Interiem Dividend***

In the Ordinary Session held on January 26, 2005, the Board of Enersis S.A. by the members in attendance unanimously agreed not to pay dividends for the month of February 2005 charged against the month of December 2004, according to the policy in effect on the subject, since the conditions were not met for this effect in the mentioned policy of the company.

#### ***Change in the dividend policy***

In the session held on February 28, 2005, the Board of Enersis S.A., all its attending members agreed unanimously to propose to the Ordinary General Shareholders of Enersis S.A. meeting dated on April 8th, 2005, with the purpose of having this matter resolved, the distribution of a definitive dividend whose amount would be the equivalent of 50% (fifty percent) of the liquid net income corresponding to the fiscal year of 2004. The aforementioned constitutes a modification in the current Dividend Policy that was expressed to the General ordinary Shareholders meeting held on March 26, 2004.

#### ***Fiscal year 2004 definite dividend***

On April 8, 2005 during the Ordinary General of shareholders meeting, agreed to distribute a definitive of \$0,41654 per each share, corresponding to the Dividend N° 72, with payment against the net income of the fiscal year 2004.

This Dividend corresponds to 50% of the liquid net income of the fiscal year ending on December 31, 2004 and breaks down in an obligatory minimum of \$0,24992 per share and an Additional \$0,16662 per share, which was paid off on April 20, 2005.

### ***Holding Endesa Brasil S.A.***

The Board of Directors of Enersis S.A. unanimously agreed to the following:

1.- Constitute a holding company domiciled in Brazil, under the name of Endesa Brasil S.A. ("Endesa Brasil"), in which Enersis, Endesa-Chile, Chilectra and Endesa Internacional (subsidiary of Endesa Spain) are expected to reorganize their assets in Brazil, with the purpose of:

- simplifying the organizational structure
- providing greater stability to local cash flows
- improving third-party financings
- improving the positioning of the Group in order to capture new investment opportunities, and
- achieving operating synergies.

Endesa Internacional (Enersis' parent company) agreed, in its Board Meeting held on May 23, 2005, to participate in Endesa Brasil by contributing all of its shares corresponding to its companies based in Brazil. In the case that Endesa Chile and Chilectra (both majority-owned subsidiaries of Enersis) decide to participate in this holding company, the long-term ownership structure of Endesa Brasil is expected to be as follows:

- a) Endesa Internacional: 23.7%
- b) Enersis: 23.5%
- c) Endesa Chile: 33.6%
- d) Chilectra: 19.2%

Taking into account Enersis' direct and indirect beneficial interest in Endesa Brasil, and in the event that all four companies participate in its creation as explained here, Enersis would consolidate Endesa Brasil.

2.- Endesa Brasil would receive successive capital contributions for an aggregate value of approximately R\$ 3,575 million (equivalent to approximately US\$ 1,350 million). These contributions correspond to the equity value, as of December 31, 2004, under Brazilian GAAP, of the direct and indirect ownership of the six Brazilian assets: Companhia de Eletricidade do Rio de Janeiro S.A. (AMPLA), Central Geradora Termoelétrica Fortaleza S.A. (CGTF), Investluz, Companhia de Interconexão

## 12 ESSENTIAL FACTS

Energética S.A. (CIEN), Centrais Elétricas Cachoeira Dourada S.A. (CDSA) and Companhia Energética do Ceará S.A. (COELCE). Deutsche Bank Securities Inc., in its role of investment advisor to Enersis, issued a “fairness opinion” in which it declared that the exchange equation analyzed by the Board of Directors’ Committee and approved by the Board of Directors of Enersis, is equitable and in accordance with conditions prevailing in the market.

- 3.- The successive capital contributions to Endesa Brasil by means of the shares owned by the participating shareholders, will be made once authorization has been received from the regulatory authorities and third parties in accordance with an “Investment Agreement” which will regulate the process of contributions and the rights and obligations of each of the participating companies during the process. The “Investment Agreement” regulates, among other matters, that for tax reasons, approximately half (45.04%) of the shares issued by Ampla are to be contributed by their direct and indirect shareholders (i.e. Enersis and Chilectra), on a deferred basis (by no later than 2008). Notwithstanding the above, the contributions in shares mentioned in point #1 above are expected to be definitive in the long term, assuming that each shareholder contributes all of its shares in Ampla. The fact that Ampla’s shares are to be contributed by Enersis and Chilectra on a deferred basis does not impede the consolidation of Endesa Brasil by Enersis under the condition that all of the successive contributions mentioned in point #2 above do take place.
- 4.- The corporate governance of Endesa Brasil will be regulated by a Shareholders’ Agreement, which is meant to be subscribed by all participating companies, and registered in accordance with Brazilian Law.
- 5.- This transaction has been carried out in accordance to Arts. 44 and 89 of Law N°18,046 and Art. 122 of DL 3,500.

### ***The Renegotiation of the concession contract of Edesur***

As of June 17, 2005, our subsidiary in Argentina, Edesur signed a Letter of Understanding with the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (UNIREN), an entity related to the Ministry of the Economy and Production and Federal Planning, Public Investment and Services, within the framework of the process of renegotiation of the Concession Contract of EDESUR established

in Law N° 25,561 (Public Emergency and Reform of the Exchange Regulations Law) and the complementary norms of the Republic of Argentina.

This memorandum of Understanding includes the terms and conditions that, once the other procedures established in that country have been complied with, will constitute the base of the Agreement on the Integral Renegotiation of the Concession Contract between the National Executive and EDESUR.

The document establishes a Transitional Tariff Regulation starting on November 1, 2005 with an increase in the average tariff for the service of no higher than 15%, submits for the approval of the authorities the payment of dividends during the period of this Transitional Regulation and includes other aspects related to investments and the quality of their service. Additionally, the Agreement establishes an Integral Tariff Review between the signing date of the memorandum of Understanding and September 30, 2006. This process will set the new tariff regulations that will come into force on November 1, 2006 for a period of 5 years, under the authority of the National Electricity Regulatory Entity, in accordance with Law N° 24,065.

In addition, the memorandum of Understanding imposes the obligation to initially suspend and subsequently desist from all legal action initiated against the Government of Argentina by EDESUR and by its shareholders. This requirement will imply that ENERSIS S.A. suspends the international arbitration process initiated on April 25, 2003 before the Centro Internacional de Arreglo de Diferencias Relativas a Inversiones entre Estados y Nacionales de Otros Estados, CIADI, to file a request against the Republic of Argentina for damages produce by the actions of the Republic of Argentina with the introduction of the Law on Public Emergency and Reform of the Exchange Regulations and its legal and regulatory norms, with respect to its investment in Edesur. Following the publication of the Resolution approving the tariffs as a result of the Integral Review of Tariffs, ENERSIS S.A. and its subsidiaries Enersis Internacional, Chilectra S.A., Chilectra Internacional, Empresa Nacional de Electricidad S.A. and Edesur S.A. would proceed to desist from the international arbitration process before the CIADI mentioned above.

According to preliminary estimates made by the Company, the signing of the memorandum of Understanding by EDESUR and

the period of the Transitional Tariff Regulation that extends from November 1, 2005 to November 1, 2006, will produce a positive effect on ENERSIS S.A.'s results, estimated in US\$ 17 million. Furthermore, it is expected that the new tariff regulation to be negotiated, and which will be in force for 5 years starting on November 1, 2006 will produce at least, a positive effect equivalent to that obtained during the period of the Transitional Tariff Regulation mentioned above, although it is not possible at this time to make more precise estimates.

### ***The Forming of the Audit Committee***

Board of Directors of Enersis S.A., unanimously agreed by all its members, in the session held on June 29, 2005, to the following:

- 1.- To constitute a new corporate body called Audit Committee, different to the Board of Directors and the Board Committee, as required by the Law 18,046. This committee is a requirement of the Sarbanes Oxley Act, the complementary rules issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), since Enersis S.A. (NYSE:ENI), is an full listing issuer of American Depositary Receipts (ADRs) and bonds registered in the United States of America.
- 2.- The Audit Committee will have, among others, the following responsibilities: i) Submit the proposal of external auditors and their respective remunerations to the consideration of the Shareholders Meeting; ii) Revise the performance of these external auditors; iii) Approve, in advance, services of external audit and any, other services to be provided by the external auditors; and iv) Establish procedures to receive and manage any kind of complains related to the accounting field, internal control processes, and audit area.
- 3.- The Audit Committee is formed by the following three Members of the Board of Enersis S.A.: Mr. Rafael Español, Juan Ignacio de la Mata, and Ernesto Silva. All of them give proper accomplishment to the requirements imposed by the Sarbanes Oxley Act and its complimentary rules. The Board of Enersis S.A. has designated as financial expert of the Audit Committee to Mr. Rafael Español. This Committee will appoint, in its first session, a Chairman and a Secretary, while also setting the ordinary meetings schedule.

### ***Procedure for the Ethical Channel and Processing of Complaint Reports***

In the session held on July 27, 2005, the Board of Enersis S.A. agreed to approve, and recommend to the Auditing Committee of the Company whose first session was held last July 26, 2005, the "Procedure of the Ethical Channel and the Processing of Complaint Reports" in compliance with the demands of the section 301 of the Sarbanes Oxley Law of the United States of America. The mentioned norm requires that the companies whose securities are traded in American markets adopt a procedure for the reception and the processing of complaints related to accounting, internal control of financial information, and aspects relative to external auditing. Taking this into account, the Company has complied, on time, and in form, with this requirement of the Sarbanes Oxley Law and its complementary norms, the term of which expires on July 31, 2005.

### ***Merger of Elesur-Chilectra***

The Board of Enersis S.A. agreed, in its session held on October 6, 2005, to the following:

- 1.- Enersis S.A. is the parent company of Elesur S.A. a privately owned company domiciled in Chile. Enersis owns 99.99892% of Elesur. Likewise, Enersis is the parent company of Chilectra S.A., a publicly owned company also domiciled in Chile. Enersis owns 98.23985% of Chilectra.
- 2.- In order to simplify its organizational structure, diminish corporate costs, improve performance and optimize taxes, Enersis has decided to merge Elesur and Chilectra. As a consequence of this merger, Elesur would absorb Chilectra and Elesur S.A. (Branch), would absorb Chilectra S.A. (Branch), with Elesur and Elesur S.A. (Branch) becoming the respective legal successors, as provided for in Article 99 of the Chilean Corporate Law.
- 3.- The execution of the aforementioned transaction, will imply that Enersis modifies its essential assets, substituting its shares in Chilectra by its shares in Elesur. This change must be ratified in an Extraordinary Shareholders Meeting to be convoked and informed to the Superintendencia de Valores y Seguros ("SVS") at the appropriate time.

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- 4.- In order to facilitate the merger, Enersis will seek the public registration of Elesur, and its shares in the SVS. In this way, Elesur will acquire the condition of a public company.
- 5.- In order to facilitate the merger, Enersis has promoted the authorization from the Ministerio de Economía, Fomento y Reconstrucción, of the República de Chile, in order to allow the transference of electric concessions from Chilectra to Elesur.
- 6.- Once the previously mentioned matters be carried out, and all the corresponding authorizations be received, Enersis will seek approval by the Extraordinary Shareholders Meetings of Elesur and Chilectra, which will have the responsibility for voting on the merger, as well the modification of the name of the surviving entity. In this way; Elesur S.A. will be renamed Chilectra S.A.
- 7.- The impact on future results for Enersis, derived from this merger, are expected to be approximately Ch\$ 100,000 million over the next years.

The effects on the results of Enersis S.A. would arise from its equity interest in the surviving entity as consequence of the merger between Elesur S.A. y Chilectra S.A., transaction described in the essential fact dated 06.10.2005 issued by Enersis S.A. The effects in the merged entity would amount to Ch\$ 100,000 million pesos, approximately. These effects correspond to three categories, being the first two quantifiable. Such categories are, optimization of the tax structure, operating cost savings and lower interest expenses and simplification of the organizational structure.

Considering the current accounting rules, the main portion of the above mentioned amount, that corresponds to the optimization of the tax structure, will be recognized as an accounting profit at the same time when the merge be materialized. Nevertheless, the economic result associated to the cash effects will be extended over some years, as described below.

Due to the low feasibility of estimating the future profits for the surviving entity, is very difficult to anticipate a specific annual figure. However, for the purpose of estimating the number of years in which the benefit could be recovered, it could be assumed that the surviving entity performs like Chilectra has

done in the past. Considering that hypothesis, the effect for that company could be quantified in approximately Ch\$ 10,000 million per year. In this case, the effect would be carried out over 10 years.

The effect previously mentioned will be also related to other factors like the increase in demand, number of clients, per capita consumption variation, tariffs, S&A expenses, operating and maintenance costs, interest expenses, interest rate, exchange rate, etc., as such, the profits the company obtains for each fiscal year.

In relation to operating costs and interest expenses reduction, we estimate that in the following years after the merge be done, the results of the surviving entity would improve in Ch\$ 820 million pesos, due to the reduction of fixed costs (Ch\$ 240 million) and lower interest expenses (Ch\$ 580 million).

Regarding the simplification of the organizational structure of the Enersis Group, we must remember that this has been a corporate goal for the last six years. In fact, the reduction of subsidiaries, has been addressed to reduce cost, improve efficiencies, and also to provide an easier understanding of the Enersis Group. This process has allowed Enersis to reduce forty four subsidiaries, financial vehicles, etc., fulfilling the objective within the framework of this official communication.

The effects already described, would take place only once after all, and each one of the corresponding authorizations and approvals described in the essential fact issued by the company dated October 6, 2005 are obtained.

### CHILECTRA S.A.

#### ***Dividend and Investment and Financing Policy 2005***

##### 1. Dividend Policy for the Fiscal Year 2005

The dividend policy that the Board of Chilectra S.A. expects to fulfill for the fiscal year 2005 is the following:

To distribute a dividend of the greatest value between the legal minimum and at least 90% of the distributable net income of the company, for which effects its determination will be



understood as the Operating Income plus the Fixed Asset Depreciation minus the amount of Investments, Net Financial Expenses and Taxes.

The distribution will be paid in two provisional dividends in the months of July and October 2005, being charged to the net income of the first and third quarters respectively, plus a final dividend which will be paid on a date set by the respectively Ordinary Shareholders meeting.

## 2. Investment and Financing Policy 2005

The Board agreed to establish the following Investment and Finance Policy for the year 2005.

### a) Investments

The Company will make investments as authorized by its bylaws, in areas related with works expanding the supply capacity associated with the demand for electric energy, in contributions to its subsidiaries or related companies and by contributions for investment or the formation of subsidiaries or related companies, whose core purpose be related or linked to energy in any of its forms, and the supply of public services which have energy as their main resource.

Investments related to the expansion of the company will be necessary in order to satisfy the demand for electricity from its concession area. Regarding the investments related to this public service, those necessary for the subsidiaries and the related companies to be able fulfill their corporate purpose, and function as concessionaries, will be made.

Regarding the investments in subsidiaries and related companies, investment will be made in project which maximizes Company value, taking into account the degree of risk associated with the said investments and in accordance with the Company's bylaws.

For the control of the investments and in accord with that established in the corporate purpose of the Company, the Shareholders Meetings of the subsidiaries and related companies will propose the designation of directors that represent the Company, these preferably coming from the boards or from among the executives for the Company from other related companies. Besides, investment, financing or commercial policies will be established, and these must be applied and their implementation supervised in the subsidiaries and related companies.

### b) Financing

The necessary resources for the national and international expansion of the company, in addition to the resources generated by the operation of the company, are obtained according to the special plans for their financing. Among these and considered as alternatives, according to the necessities, the issuing of shares, credits from suppliers, bank and syndicated credits, multinational credit agencies, simple or convertible bonds, and others. Likewise, resources may be obtained through national and foreign investment, and others.

## Shareholders Meeting

On January 26, 2005, the Board of Chilectra S.A. in its Ordinary session N° 1, 2005, agreed to call a Ordinary Shareholders Meeting on April 7, 2005, in which mainly the following agreements were reached.

1. The approval of the Annual Report, the Balance, the Financial Statements, and Report of the External Auditors for the Fiscal Year ending on December 31, 2004.

The Financial Statements of the Company up to December 31, 2004 we published in the newspaper "Estrategia" on March 21, 2005.

2. The approval and distribution of profits and information on dividend policy for the fiscal year 2005.
3. The setting of remunerations for the Board.
4. The setting of remuneration for the Directors Committee and the determination of the budget.
5. The designation of External Auditors.

## Dividends

1. In the meeting of Common shareholder of Chilectra S.A. held on April 7, 2005, it was agreed to pay the shareholders the final dividend N° 75 consisting of \$4,026,499,411, equivalent to \$11 per share, the amount to be paid after April 28, 2005.
2. In Session N° 12/2005 Ordinary session held on October 26 2005, the Board of Chilectra S.A. agreed to pay a dividend of \$21,962,724,060. Chilean pesos equivalent to \$60 pesos per

share, to be paid after November 10, 2005, which constitutes a modification of the dividend policy approved by the Board in ordinary Session Nº 2/2005 held on February 28, 2005 to the Ordinary Shareholders meeting held on February 28 2005, and informed in the Board of Common Shareholders held on April 7 2005, only regarding the day of payment of the said dividend, (October was changed to November).

### ***The Constitution of the Holding Endesa Brasil S.A.***

The Board of Chilectra S.A. unanimously agreed by all its members in the session held on May 24, 2005 to the following:

1. - To agree to the constitution of a "holding" company related with Chilectra S.A. domiciled in Brazil, under the name of Endesa Brasil S.A. (Holding Company) through which to reorganize part of the assets that Chilectra and other companies of the Endesa Spain Group maintains in Brazil.
2. - To agree to a contract called "Acordo de Investimento" (Investment Agreement) which will regulate the payment and obligations and rights of each one of the companies which contribute their assets to the Holding Company during the process (Contributing Companies).
- 3.- The Endesa Group companies participating in the Agreement are: Endesa Internacional S.A. (directly and through its subsidiary Endesa Internacional Energía Ltda.), Enersis S.A. (in itself and through its Agency in the Cayman Islands, and through its affiliate Enersis Internacional), Chilectra S.A. (in itself and through its Agency in the Cayman Islands, and through its affiliates Chilectra Inversud S.A. and Luz de Río Ltda), Empresa Nacional de Electricidad S.A. (through its subsidiary Compañía Eléctrica Cono Sur S.A. and Edegel S.A. ("Contributing Companies").
4. - In this sense, the Endesa Internacional S.A. company, in Administrative Counsel held on May 23, 2005, agreed that the assets of their own properties located in Brazil be contributed to Endesa Brasil. The companies Empresa Nacional de Electricidad S.A. and Enersis S.A. should discuss the contribution of assets of their property to Endesa Brasil in the board meetings scheduled for the 31 and 24 of May respectively.
5. - In compliance with this agreement, Chilectra S.A. will contribute to Endesa Brasil all the shares owned directly or indirectly by the following companies: Ampla Energia e Serviços S.A. (Ampla), Investluz and Compañía Energética do Estado de Ceará (Coelce) ("Operating Companies").

The contribution of these assets to Endesa Brasil will be carried out as follows:

- a) The assets will be contributed through diverse capital increases in Endesa Brasil, through the contribution of shares of the Operating Companies; all according to that provided by Brazilian legislation.

The Board of Chilectra S.A. has determined that the Company, acting directly as well as through its Agency in the Cayman Islands, and through its indicated subsidiaries, once concluded the Successive Capital Increases included in the Agreement, as well as the Capital Increase which corresponds to the exercising of the option contained in the Subscription Bonds which are going to be referred to, also covered in the Agreement, will have a participation of 19.2% in Endesa Brasil.

- b) Part of the shares of Ampla ("Restricted Shares" or "Limited Shares") will not be contributed later than the year 2008. In order to guarantee this contribution, the "Acordo de Investimento" (Investment Agreement) contemplates the corresponding mechanisms.

Substantially these consist in Enersis Internacional, Chilectra and Chilectra Inversud's subscription to the Subscription Bonds issued by Endesa Brasil, which confers the option to agree, in the year 2008, to the corresponding capital increase of Endesa Brasil through the transfer to Endesa Brasil the aforementioned Restricted Shares. These Subscription Bonds should be issued as soon as the Successive Capital Increases provided by the Agreement are consummated. The Agreement sets the subscription price, and a price of conversion.

When the time comes to convert these Bonds, the economic value of the totality of the restricted shares will be determined by an independent evaluation, carried out at the time of the conversion.

These restricted shares correspond to the shares of Enersis International, Chilectra S.A. through its Agency in the Cayman Islands and Chilectra Inversud S.A.

- c) The capital increases will be carried out once all the regulatory authorizations, and those of third parties, are obtained, which are necessary under Brazilian Law. It is estimated that the obtaining of these authorizations will take approximately 90 days starting from the subscription of the "Acordo de Investimento".
- d) In order to guarantee that the contributions be made in equitable conditions as those commonly prevailing in the market, as the request of the Contributing Companies, the Operating Companies have been audited and appraised by independent, external experts, whose valorizations may be updated previous to the contributions of capital to Endesa Brasil, in the case provided by the Agreement.
- e) The Company, together with the Contributing Companies, will subscribe the Shareholders Agreement for the governing of Endesa Brasil, whose text is found in the annex of the Agreement, and has been approved by the Board.

The terms of the Agreement include clauses and customary conditions in this type of operation and equitable conditions such as those normally prevailing in the market.

The Company esteems that this transaction will have positive results for the company, even though at the moment these are not reasonably quantifiable.

The terms of the Agreement have been carried out in compliance with that provided in the articles 44 and 89 in the Law 18,046, for being a contract between related parties, and will be made known in the next shareholders meeting.

### ***Letter of Understanding (Edesur S.A.)***

The Board of Chilectra S.A. unanimously agreed by all its members in attendance, in the session held on June 14, 2005, to consider as an Essential Fact the subscription of the Letter of Understanding that is expressed herein below, and inform of this situation as soon as the said subscription occurs.

In compliance with the mentioned Agreement, and with this date, our Argentine associate, the Empresa Distribuidora Sur Sociedad Anónima (Edesur) subscribed with the Unidad de Renegociación y Análisis de Contratos de Servicios Públicos (UNIREN), and organization under the Federal Ministry Economy, Planning and Production, Public Investment and Services, a Letter of Understanding in the framework of the process of the renegotiation of the Concession contract of Edesur, provided for in Law N° 25.561, (Law of Public Emergency and Reform of Exchange Rate) and the complementary norm of the Argentine Republic.

The Letter of Understanding contains terms and conditions that, given the fulfilling of the other procedures provided in the norms of the mentioned country will constitute a substantial base for the Complete Renegotiation Agreement of the Concession Contract between the National Executive Power and Edesur.

The document provides a transitional tariff structure starting the November 1, 2005 with an average rate increase not greater than 15%, subject to approval of the authority the paying of dividends during the validity of the transitional structure, and includes other aspects related to the investments and quality of service. Likewise, between the signing of the Letter of Understanding and September 30, 2006, the carrying out of a Complete tariff Revision is established, a process in which a new rate structure will be established, overseen by the National Electricity Regulating Entity, according to Law 24,065, valid starting on November 1, 2006, valid for the next 5 years.

Additionally, the Letter of Understanding imposes the obligation to initially suspend, and latter desist in all actions initiated against the State of Argentina, on the part of Edesur S.A. and its shareholders. The mentioned requirement implies that Chilectra S.A. must suspend international arbitration initiated on April 25, 2003 before the International Center for the Settlement of Differences Regarding Investments between States and Nationals from Other States (CIADI) to sue to Republic of Argentina, for damages derived by actions of the mentioned Republic, from the Law of Public Emergency and Reform of Exchange Rate and the complementary and regulatory norm, regarding its investment in Edesur. After the publication in the Official Bulletin of the Argentine Republic of the Resolution approving the Complete Tariff Revision, Chilectra S.A. will proceed to desist in the previously described international arbitration before the CIADI.

According to preliminary estimates made by the Company, the subscription to the Letter of Understanding by Edesur and the terms of contract for the Transitional Tariff Structure which extends from November 1, 2005 to November 1st, 2006, the effect produced in the results of Chilectra S.A. are estimated to be approximately a net positive value of 9 million dollars. Likewise the new tariff structure being negotiated which will take effect November 1st, 2006, for the next 5 years will produce at least, in annual terms, a positive effect equal to that obtained in the aforementioned Transitional Tariff Structure, even though from that date more precise quantifications cannot be made.

### ***Change of Director***

In Ordinary Session N°8/2005 held on July 26, 2005, the Board of Chilectra accepted the resignation presented by the Director Mr. Alvaro Quiralte Abelló and named as replacement Director, according to that provided in article 32 of law N° 18,046, Mr. Antonio Cámara Eguinoa.

### ***Merger of Companies***

- a) The Board of Chilectra S.A., in the session held on October 7, 2005, took knowledge that our parent company, Enersis S.A. informed the Superintendence of the following:
1. Enersis S.A. has resolved to back company petitions of Elesur S.A. and Chilectra S.A. to merge by the incorporation of these subsidiaries and their respective agencies, a result of which Elesur S.A. will be absorbed by Chilectra S.A., and Elesur S.A. Agency will absorb Chilectra S.A. Agency, converting the absorbing entity into the legal successor of the absorbed, according to that provided by article 99 of the Companies Law. Elesur is a closed company domiciled in Chile, of which Enersis S.A. owns 99.99892%.
  2. Likewise Enersis S.A. informed that once the necessary measure are carried out, and all the corresponding approvals and authorizations are granted, Enersis S.A. will back the celebration of the respective extraordinary shareholders meetings of Elesur S.A. and Chilectra S.A. whose objective will be to make a declaration about the merger by incorporation already mentioned and modify the legal name of the absorbing entity, that is, Elesur S.A. for that of Chilectra S.A.

In the case of Chilectra S.A. not being adopted, up to the present, any decision calling for an Extraordinary Shareholders Meeting to these ends, will be duly informed to you that this Company will keep the Superintendence timely informed regarding the development of the decision of our parent company Enersis S.A. in everything that may relevantly affect us.

The estimated effects of the resulting merged company that will exist will come to approximately \$100,000 Million (Chilean pesos) over the next few years.

- b. As informed on the last October 7, "The estimated corresponding assets of the merged company that exists will come to approximately \$100,000 Million (Chilean pesos) over the next few years". We want to stress that the said effects correspond to an optimization of tax structure and savings in operational and financing costs.

Foresee ably, and considering the current account norms, the main part of the previously indicated amount correspond to the optimization of the tax structure, will be recognized as a profit at the moment the merger is finalized. Nonetheless, the economic result associated with the effects assets will extend over several fiscal years, as we indicate below.

Given the impossibility to foresee exactly how the profits of the resulting merged company will behave, it could be considered that the annual quantification of the economic results of the cash items, that the merged company that results behaves in the future as Chilectra has done in the past. On the basis of this hypothetical premise, the effect for the resulting merged company could be quantified at around \$ 10,000 million (Chilean pesos) per year. In this event, the effect could extend for 10 years.

The aforementioned effect will depend on factors such as the growth of demand, the number of clients of the company, individual consumption, applicable rates, labor costs, operational and maintenance costs, financial expenses, etc, and as such, the profits obtained by the company in the fiscal year.

Regarding the reduction of operating costs and financial expenses, we esteem that in each of the fiscal years following the finalizing of the merger, the results of the post merger

company will improve in around \$ 820 million (Chilean pesos), through the reduction of fixed expenses \$240 million (Chilean pesos) and the reduction of financial expenses \$580 million (Chilean pesos).

- c. On October 26, 2005, Chilectra S.A. was notified by the Ministry of Economy, Development and Reconstruction, of the dictation of Decree N° 268 dated September 30, 2005, which authorizes Chilectra S.A., to transfer to Elesur the public service concessions of distribution indicated therein.

### Other points

In the Ordinary Session N°13/2005 held on November 30th, 2005, the Board of Chilectra approved the creation of the New Business and Planning Management, naming Mr. Klaus Winkler Springer as the Manager of the mentioned position.

### ENDESA CHILE

- On January 21, 2005 and in compliance with the pertinent norms of the Superintendence of Securities and Insurance, the Company informed the following relevant act:

In the month of December, 2004, the said Panel of Experts provided in the General Law of Electrical Services, resolved a series of divergences presented by the generation companies which make up the CDIC-SIC, regarding the calculation of the Firm Capacity with the mentioned organization.

In light of the resolutions issued by the mentioned Panel of Experts dated December 9 2004, the Management of Operations of the CDEC-SIC, informed the generation companies of the System during this week, the results of the resettlement of the balances of the Firm Capacity corresponding to the period April 2000 to March 2004, as well as the results of the mentioned resettlements for the period April 2004 to November 2004.

As a result of the mentioned resettlements practiced by the CDEC-SIC – and their consequent payment- the Financial Statements at a consolidated level of the Empresa Nacional de Electricidad S.A., will be negatively impacted by the sum of \$ 14,522,772,161 for the period of April 2000 to March 2004 and at a sum of \$ 3,665,377,677 for the period of April 2004 to November 2004.

Empresa Nacional de Electricidad S.A. believes convenient to inform the market that, notwithstanding that the Company may proceed to make payments that result in the said settlements, that does not mean their approval. In effect, Empresa Nacional de Electricidad S.A. reserves the right to make use of all judicial means of objection in light of the fundamental guarantees of security in the Political Constitution of the State that were affected by the indicated by the opinions of the Panel of Experts and in the Ministerial Resolution N° 35 of the Ministry of Economy. Furthermore, and just as the market was timely informed, on December 28, 2004, Empresa Nacional de Electricidad S.A. filed an Appeal for Annulment of Public Right against the Ministerial Resolution N° 35 of the Ministry of Economy, which extemporaneously and without right to do so, the re-settlement of Power among the generation companies of the System for the period of 2000 - 2003.

In the same sense, we have the duty to inform the market that on the last January 20, Empresa Nacional de Electricidad S.A., requested the CDEC-SIC to call an extraordinary Board meeting, with the purpose of making a statement about the representation that the Management of Operations of the CDEC-SIC carried out in the Laja and Rapel Dams in their calculation of the Firm Capacity which would probably give rise to a new divergence for the Panel of Experts to resolve.

The indicated amounts in the preceding relevant act have been provided for in the Financial Statements of the Company on December 31, 2004.

- On January 28, 2005, it is informed that the Board of the Company in its session on January 27 of the current year, agreed to call a Ordinary Shareholders Meeting of the Empresa Nacional de Electricidad S.A. to be held on April 8, 2005 at 10:00 in the Convention Center of Espacio Riesco Ltda. Avenida El Salto N° 5,000, county of Huechuraba, Santiago, and an Extraordinary Shareholders Meeting on the same day and place, immediately after the Ordinary Shareholders Meeting.

The Common Shareholders Meeting was to get to know and make declarations about the following subjects:

- Approval of the Annual Report, the Balance, the Financial Statements, the Report of the External Auditors and Account Inspectors corresponding to the fiscal year ending December 31, 2004;

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2. The Distribution of Profits and the paying of dividends;
3. Statement regarding The Company's Dividend Policy and information about procedures to be utilized for the distribution of the same;
4. Investment and Finance Policy proposed by the Board;
5. The setting of Remuneration of the Board;
6. The setting of the Remuneration of the Board of Directors and the determination of the budget;
7. The Report of the Board of Directors;
8. The Designation of External Auditors;
9. The election of two titular Account Inspectors and two alternates, and the setting of their remuneration.
10. Other subjects of social interest and matters of the Board, and information about operations referred to in article 44 of Law N° 18,046;

The objective of the Extraordinary Meeting is to know and make statements on the following subjects:

1. To modify article N° 1 of the Corporate Bylaws in the sense that strictly for publicity reasons, the fantasy names of the company "ENDESA" or "ENDESA CHILE" may be indistinctly used.
  2. To adopt all the necessary agreements in order to fulfill and duly carry out that which was approved in the previous point.
- The board of directors of the Company at its ordinary meeting held today agreed to modify the company's present dividend policy from that informed at the last ordinary shareholders' meeting of Empresa Nacional de Electricidad S.A. held on March 26, 2004.

The modification consists of the agreement of the board to propose to the next ordinary shareholders' meeting to be held on April 8th, 2005 that the final dividend be for an amount equivalent to 50% of the net income for the year ended on December 31, 2004.

This modification implies increasing the distribution of the earnings for that period from 30 % to 50 %, to be formalized by the board

resolution adopted today to propose to the ordinary shareholders' meeting to be held next April to distribute a final dividend amounting to Ch\$4.13 (four Chilean pesos and thirteen cents) per share which, if so approved, will be paid as from April 18, 2005.

The modification consists of the agreement of the board to propose in the next ordinary shareholders meeting to be held on April 8 2005, the distribution as a final dividend an amount equivalent to 50% of the liquid net income for the fiscal year ending December 31, 2004.

The modification referred to implies an increase of a 30 and a 50% in the distribution of profits for the said period, which means the agreement adopted by the board on this same date to propose to the Board of Common Shareholders of the next month of April, an agreement to distribute a dividend reaching the amount of \$4.13 per share, which upon being approved by the board referred to, will be paid from April 18 2005.

- On April 8, 2005, a Ordinary Shareholders meeting was held in which the following subjects were made known and approved.

1. The approval of the Annual Report, the Balance, the Financial Statements, the Report of the External Auditors and Account Inspectors corresponding to the fiscal year ending December 31, 2004;
2. Distribution of profits and the paying of dividends;
3. Statement regarding the Company's dividend Policy and information about procedures to be used to distribute the same;
4. The Investment and Finance Policy proposed by the Board;
5. The setting of the Remuneration of the Board;
6. The setting of the Remuneration of the Board of Directors and the determination of the budget;
7. Information of Report of the Board of Directors;
8. The Designation of External Auditors;

9. The election of two titular Account Inspectors and two alternates, and the setting of their remuneration.
10. Other subjects of social interest and matters of the Board, and information about operations referred to in article 44 of Law Nº 18.046;

On the same date an Extraordinary Shareholders Meeting was held, which had the objective of making known and approving of the following subjects:

1. To modify article Nº 1 of the Corporate Bylaws in the sense that strictly for publicity reasons, the fantasy names of the company "ENDESA" or "ENDESA CHILE" may be indistinctly used.
  2. To adopt all the necessary agreements in order to fulfill and duly carry out that which was approved in the previous point.
- On April 18, 2005, I inform you that a deed of constitution was signed today for a new subsidiary company of Empresa Nacional de Electricidad S.A. called Endesa Eco S.A., whose objectives will be to promote and develop renewable energy projects like mini-hydro, aeolic, geo-thermal, solar, biomass and other means and to act as the depositary and trader of emission reduction certificates obtained by these projects. The company may therefore act directly or through subsidiary or associate companies in Chile and abroad.
  - On April 27, 2005, in accordance with that provided in articles 9 and 10 in the Law of Market Values and Norms of the Superintendence of Securities and Insurance, the regulatory organization was informed that on the day of today our Argentine affiliate Central Costanera S.A. has informed the Commission of National Securities of the Republic of Argentina, the official letter which is transcribed and herein attached:

"Buenos Aires, April 27, 2005

Gentlemen  
Commission of National Securities  
PRESENT  
Ref.: Exportation Agreements.

To whom it may concern:

I hereby address the Buenos Aires Stock Exchange, in my capacity as Responsible of Market Relations for Central Costanera S.A. ("CCSA"), legally domiciled at Av. España 3301, Buenos Aires, Argentina.

As established in the regulation article 23, for the authorization, suspension, withdrawal, and cancellation of quotes in the mentioned stock exchange, we wish to inform, in relation to the trade agreements of power capacity and energy intended for export through the two transmission lines between Argentina and Brazil ("the exportation agreements"), opportunely subscribed with Comercializadora de Energía del Mercosur S.A. ("CEMSA") and with Companhia de Interconexao Energética S.A. ("CIEN"); that given the present situation the Mercado Eléctrico Mayorista ("MEM") is going through, the company has had to involuntary incur in the impossibility of completely complying with the energy provision agreement, appealing to reasons of "force majeure" foresighted and in conformity with the "Export Agreements".

Likewise, and due to the normative changes introduced in the MEM in the gas market and in the taxation framework, CCSA has requested CEMSA and CIEN the reconciliation of the power and energy price, also foresighted and in conformity with the "Export Agreements".

- On May 3, 2005, in accordance with that provide by the legal dispositions and current regulations, a relevant fact was communicated to the supervisory inspector that today our Argentine subsidiary Central Costanera S.A. has informed the Buenos Aires Stock Exchange through the following essential fact informed on the 27 of April, 2005:

"Buenos Aires, Mayo 3, 2005

Gentlemen  
Buenos Aires Stock Exchange  
Office of Inspection  
At.: Cdor. Roberto Chiaramoni  
PRESENT  
Ref.: Note CD 173336

To whom it may concern:

I hereby address the Buenos Aires Stock Exchange, as Responsible of Market Relations for Central Costanera S.A. ("CCSA"), legally

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domiciled at Av. España 3301, Buenos Aires, with the intention of replying to the reference note, in which we are requested to broaden on the information presented on the April 27th letter.

Consequently we inform that:

(a) As long as the effects of the invoked partial "force majeure" persist, the company would stop perceiving revenues from fixed charges corresponding to energy and power capacity that are currently affected by the announcement of partial "force majeure". During the month of April 2005, this amount of unperceived revenues accounted for a total sum of approximately US\$ 2,500,000.

(b) The invocation of partial "force majeure" has no effect against CEMSA and CIEN's respective credits.

(c) Due to gas restrictions that took place during April 2005, and given that the turbo vapor units that cover the export contracts have no steady gas supply, the energy and power was generated using fuel-oil, which reached historically high prices during the previous month as a result of the current international oil market conditions. This situation has caused a significant gap between the contract's prices of energy and the generation costs, which will affect our results adversely. We expect a negative effect of approximately US\$ 8,600,000 on our gross profits for the month of April 2005.

(d) Having partial "force majeure" grounds been invoked in conformity with contractual provisions, there would be no penalty for not complying with energy and power supply as long as the given "force majeure" is accepted by the counterpart, or, in case of a legal dispute, would be officially declared so by a competent court of law.

It is important to point out that the reconciliation of contractual prices will lead to negotiations between the counterparts with the intention of mitigating the economic effects previously mentioned.

- On May 31, 2005, in accordance with that provided in the 9º and 10º articles, subsection two, of the Law Nº 18.045 and provided for in the General Character Norm Nº 30 of the Superintendence of Securities and Insurance, informed as an Essential Fact, that the members of the Board of the Empresa Nacional de Electricidad S.A. (Endesa Chile) unanimously agreed in the session held with this date to the following:

- 1.- Constitute a holding company incorporated in Brazil, under the name of Endesa Brasil S.A. ("Endesa Brasil"), in which Endesa Chile, through its subsidiaries Compañía Eléctrica Cono Sur S.A. and Edegel S.A., Enersis S.A. (Endesa Chile's parent company), and Endesa Internacional (subsidiary of Endesa Spain) are expected to reorganize their assets in Brazil, with the purpose of:

- simplifying the organizational structure
- providing greater stability to local cash flows
- improving third-party financings
- improving the positioning of the Group in order to capture new investment opportunities; and
- achieving operating synergies.

Endesa Internacional (Enersis' parent company) agreed, in its Board Meeting held on May 23, 2005, to participate in Endesa Brasil by contributing all of its shares corresponding to its companies based in Brazil. Enersis S.A. and Chilectra S.A. (subsidiary of Enersis S.A.), in their Board Meetings held on May 24, 2005 agreed to do the same. The ownership structure of the capital of Endesa Brasil S.A., consolidating the vehicles employed by each of the mentioned companies, is expected to be as follows:

a) Endesa Internacional	: 23.7%
b) Enersis S.A.	: 23.5%
c) Endesa Chile	: 33.6%
d) Chilectra S.A.	: 19.2%

- 2.- Endesa Brasil would receive successive capital contributions for an aggregate value of approximately R\$ 3,575 million (equivalent to approximately US\$ 1,350 million), which corresponds to the equity value of shares, as of December 31, 2004, under Brazilian GAAP, of the direct and/or indirect ownership of the contributing companies issued by the following companies incorporated in Brazil: Companhia de Eletricidade do Rio de Janeiro S.A. (AMPLA), Central Geradora Termoelétrica Fortaleza S.A. (CGTF), Investluz, Companhia de Interconexão Energética S.A. (CIEN), Centrais Elétricas Cachoeira Dourada S.A. (CDSA) and Companhia Energética do Ceará S.A. (COELCE). Dresdner Kleinwort Wasserstein, in its role of investment bank advisor to Endesa Chile, has issued a "fairness opinion" in which it declared that the exchange equation analyzed by the Director's Committee of the Board and approved by the



Board of Directors of Endesa Chile, is equitable to date, from the financial point of view.

- 3.- The successive capital contributions to Endesa Brasil by means of the shares owned by the participating shareholders, will be made once authorization has been received from the regulatory authorities and third parties in accordance with an Investment Agreement which will regulate the process of contributions and the rights and obligations of each of the participating companies during the process. The Investment Agreement regulates, among other matters, that approximately one half (45.04%) of the shares issued by Ampla are to be contributed by their direct and indirect shareholders (i.e. Enersis S.A and Chilectra S.A.), on a deferred basis (by no later than 2008). Notwithstanding the above, the ownership shares mentioned in point #1 above are expected to be definitive in the long term, that is, assuming that each shareholder contributes the total amount of its shares in Ampla. Such long-term ownership shares have been calculated without taking into consideration that its shareholders could resolve listing the Company on the stock market in order to incorporate minority stockholders.
- 4.- The corporate governance of Endesa Brasil S.A will be regulated by a Shareholders' Agreement, which is meant to be subscribed by all participating companies, and registered in accordance with Brazilian Law.
- 5.- This transaction has been carried out in accordance to Articles 44 and 89 of Law N°18,046 and Article 122 of Law 3,500. This operation do not have effects on Endesa Chile results.
  - On June 1, 2005, in accordance with that established in articles 9 and 10, the second subsection of the Law N° 18.045 and provided in the General Character Norm N° 30 of the Superintendence of Securities and Insurance, it was informed as an essential fact, that the board of the Empresa Nacional de Electricidad S.A. (Endesa Chile) agreed in the ordinary session held on May 31, 2005 to the following:

To authorize the management of Empresa Nacional de Electricidad S.A. to sign a preliminary go-ahead note with Mitsubishi with respect to the San Isidro plant expansion project. This project, fully controlled by Endesa Chile, will have a combined-cycle 377 MW maximum capacity using liquefied natural gas (LNG) and is expected to start its commercial operation in open cycle by March 31,

2007. The combined-cycle operation would enter into commercial operation in February 2008.

A final go-ahead note has to be ratified by the board of Endesa Chile by December 31, 2005, once the availability of liquefied natural gas to Chile is known following the results of the international tender being arranged for this purpose.

The board also agreed to authorize the signing of a long-term (12-year) maintenance contract with Mitsubishi for the San Isidro plant expansion, which contract would only come into effect with the final go-ahead note and the start of the commercial operation in open cycle, i.e. March 31, 2007.

The board of Empresa Nacional de Electricidad S.A. also agreed to formally authorize the construction of the Palmucho hydroelectric plant, with a capacity of 32 MW, which will use the ecological flow of the Ralco plant, awarding the civil works contract (CPL-20 "Open-cast and underground excavations") to Salfa Ingeniería y Construcción S.A. This project has been entered by the company into the Clean Development Mechanism circuit, being one of the flexibility mechanisms of the Kyoto Protocol.

- On June 21, 2005, and according to that provided by articles 9 and 10 in Law N° 18,045, about the Securities Market, the following was informed as Essential Fact:

The Empresa Nacional de Electricidad S.A. ("Endesa Chile") on this current June 20 has subscribed to an agreement called the "Pool Agreement" with Colbun S.A., Empresa Nacional del Petróleo ("ENAP"), and Metrogas S.A., in order to develop an international tender process, through coordination with the said companies, to look for, select, and award one or more providers of the supply of liquid natural gas ("GNL"), its transport to a port in the Quintero Bay in the Fifth Region, its storage, regasification, and delivery to buyers in the central zone. The said process has the objective of achieving a trustworthy and commercially reasonable energy supply, which diminishes the dependency of the energy matrix of the central zone on gas from Argentina.

Through subscription to the Pool Agreement, Endesa Chile and the other signers of the agreement have taken into account the economies of scale which will be achieved through the adding of their volumes demanded, with the consequent improvement

## 12 ESSENTIAL FACTS

of commercial conditions obtained for the supply of GNL and the complimentary operations indicated above.

Simultaneous to the subscription to the Pool Agreement, its parties have initiated a process of international tender through which the sending of invitations to offer and a memorandum of information to the main actors in the GNL market.

- In the Board meeting held on June 30, 2005, the resignation of Mr. Andrés Regué as Company Director was accepted, and Mr. José María Fernández was designated as new Company Director.

- On June 30, 2005, in accordance with that provided in the 9<sup>o</sup> and 10<sup>o</sup> articles, subsection two, of the Law N° 18.045 and provided for in the General Character Norm N° 30 of the Superintendence of Securities and Insurance, informed as an Essential Fact, that the members of the Board of the Empresa Nacional de Electricidad S.A. unanimously agreed in the session held this date to the following:

1. To approve on time and form the forming of the Auditing Committee, in compliance with the demands established in the Sarbanes Oxley Law of the United States of America and its complementary norms issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), due to the fact that the Empresa Nacional de Electricidad S.A. is an issuer of American Depositary Receipts (ADRs), which are duly registered in the NYSE, and is also an issuer of registered bonds in the United States of America.
2. The Audit Committee will, among other things, have the following functions: i) to be one of the proponents of the designation and compensation of the external auditors to the board of shareholders. ii) to be responsible to scrutinize the work of the external auditors of the Company; iii) to previously approve of external auditing services and diverse services of the former that are given by the external auditors; iv) establish procedures for the reception and processing of complaints of the accounting area, and the internal control of the auditing.
3. The Audit Committee of the Empresa Nacional de Electricidad S.A. is made up of the directors Mr. José María Fernández, Enrique García, and Antonio Tuset, all of whom fulfill the requisites provided in the Sarbanes Oxley Act and

its complementary norms, to be designated as members of the said Committee. The Board of the Empresa Nacional de Electricidad S.A. has designated as financial expert of the said Auditing Committee Mr. José María Fernández.

- On July 25, 2005, it is informed as an essential fact, that in ordinary session of the board of the Empresa Nacional de Electricidad S.A. held today, the board of the Company agreed to accept the resignation presented by Mr. Héctor López from his position as General Manager (President) of the Company, as of September 1, 2005.

The board recognizes, agrees and vouches for the fruitful performance delivered by Mr. Héctor López as General Manager of the company over the five years in which he held this high position.

The board agreed to subsequently designate as General Manager of Empresa Nacional de Electricidad S.A., Mr. Rafael Mateo as of the 1 of September 2005.

- On July 26, 2005, in accordance with that provided in the legal norms and current regulations, it is informed as an essential fact that the board of the Company in the session held on July 25, 2005, agreed to approve, at the recommendation of the Auditing Committee of the Company, the Procedure on the Ethical Channel and the Processing of Complaints, all in compliance with the demands of Section 301 of the Sarbanes Oxley Law of the United States of America, which requires that companies which trade their securities on the North American markets, must adopt a procedure for the reception and processing of the complaints related with accounting, internal control of financial information, and aspects relative to auditing.

In virtue of the above mentioned, the Company has fulfilled this requirement of the Sarbanes Oxley Law, the term of which expires in July 31, 2005.

- On August 11, 2005, in accordance with the legal dispositions and current regulations, it is informed as a relevant fact that on August 11 of the current year, the Empresa Nacional de Electricidad S.A. and its subsidiary Enigesa Inversiones Generales S.A. acquired 99.999% and 0.001% respectively of the partnership rights in Globeleq Chile Inversiones Eléctricas

Limitada (Globeleq Chile Limitada), a company that has become a subsidiary of Endesa Chile under the new name of Inversiones Lo Venecia Limitada; this company is the indirect holder of 25.001% of the share capital of Compañía Eléctrica San Isidro S.A., also a subsidiary of Endesa Chile.

The sellers were the companies Latin America Holding I, Ltd. and Latin America Holding II, Ltd., subsidiaries of the English company CDC Group PLC, and the total sale price was US\$ 21,063,757.

Inversiones Lo Venecia Limitada, apart from its 25.001% shareholding in Compañía Eléctrica San Isidro S.A., has financial assets of around US\$6,000,000.

Following this transaction, Endesa Chile has become the direct and indirect holder of 100% of the share capital of Compañía Eléctrica San Isidro S.A.

- On October 3, 2005, the company reported to the Superintendence of Securities and Insurance that the Company Board in a meeting held on September 30, 2005, which accepted the resignation presented by the Director of the company, Mr. Ignacio Blanco, appointing as a new Company director, Mr. Héctor López.
- On December 15, 2005, The board of Empresa Nacional de Electricidad S.A. (Endesa Chile), at its ordinary meeting held today, agreed to approve the final note to proceed with Mitsubishi Corporation with respect to the San Isidro Plant Expansion Project, which consists of the construction of a liquefied natural gas (LNG) combined-cycle plant with a maximum capacity of 377 MW.

The Board of Director's approval of the note to proceed is the ratification the Company required before December 31, 2005 for the final go-ahead of the project. The San Isidro Plant Expansion Project already has received all the corresponding environmental authorizations.

#### PEHUENCHE S.A.

- On January 21, 2005, according to the pertinent rule of that Superintendence of Securities and Insurance, the company informed the following fact, considered as relevant:

Over the course of the current week the generation companies, members of CDEC-SIC, among these Empresa Eléctrica Puhuenche S.A., have been notified by the Operations Management of that organization, of the balances of transfers of Firm Capacity corresponding to the years 2000, 2001, 2002 and 2003 and their corresponding payments in light of the reports regarding to this issue by the Experts Panel on December 9, 2004. Likewise, the Operation Management of CDEC-SIC, informed the generation companies the results in the resettlements of Firm Capacity for the period 2004. The impact that the subsequent payment has in the Financial Statements of the Company, according to the resettlement of Firm Capacity of the period 2000- March 2004 is of \$ 23,132,223,658. Meanwhile the resettlement for the periods April 2004 to November 2004 will mean a negative impact in the Financial Statements of the Company of \$ 2,119,383,431.

Empresa Eléctrica Pehuenche S.A. finds appropriate to inform the market that, without any mischief the Company will proceed to make effective the payments that result from such settlements, this will not mean consenting with them. In fact, the Empresa Eléctrica Puhuenche S.A. holds the right to employ all the legal means of opposition in light of the fundamental guarantees provided in the State Political Constitution and which were affected in the reports mentioned of the Panel of Experts and in the Ministerial Resolution N° 35 of the Ministry of Economy. Moreover, and as appropriately informed, on December 28, 2004, Puhuenche S.A. filed an Appeal for Annulment of the Public Right against the mentioned Ministerial Resolution N° 35 of the Economy Ministry, which extemporaneously opened, and without authority to do so, the resettlements of power among generating firms of the System for the period 2000-2003.

- On January 28, 2005, the Company Board was informed, in its session held on January 27, 2005, agreed to call a Common Shareholders Meeting to be held on April 6, at 12:00 in the Salon Auditorium of the Endesa Building, on Santa Rosa Street N° 76, on the mezzanine, in downtown Santiago.

The Ordinary Meeting was to know and make statements about the following subjects:

1. The approval of the Annual Report, the Balance, the Financial States, and the External Auditors Report corresponding to the fiscal year ending on December 31, 2004;

## 12 ESSENTIAL FACTS

2. The distribution of Profits and the distribution of dividends;
  3. Statements regarding the Dividend Policies of the Company and information about the procedures to be used for their distribution;
  4. The setting of Remuneration of the Directors Committee and the determining of the budget;
  5. Directors Committee Report;
  6. The Designation of External Auditors,
  7. Other subjects of social interest and Board topics, and information about the operations referred to article 44 of Law N° 18,046.
- On January 28, 2005, in accord with that provided by Circular N° 660 of the Superintendence of Securities and Insurance, the company reported the following relevant fact:

The Board of the Company, in its Session held on January 27, in the current year, agreed according to the current Dividend Policy to propose to the Ordinary Shareholders Meeting of the Company which will take place on April 6, 2005, a final dividend of \$15.874684 pesos per share. With this proposal, 100% of the liquid net income would be distributed for the fiscal year 2004, with which the Dividend Policy would be fulfilled, announced by the Board to the Ordinary Shareholders Meeting held on March 25, 2004.

Likewise, it was agreed to propose at the Ordinary Shareholders Meeting that the aforementioned dividend to be paid after April 21st 2005 to the shareholders enrolled in the appropriate Register on the fifth business day before the date established for payment.

- On April 6, 2005, the Company's Ordinary Shareholders Meeting was held, in which the following subjects were made known and approved:
1. The approval of the Annual Report, the Balance, the Financial States, and the External Auditors Report corresponding to the fiscal year ending on December 31, 2004;
  2. The distribution of Profits and the distribution of dividends;
  3. Statements regarding the Dividend Policy of the Company and information about the procedures to be used for their distribution;

4. The setting of Remuneration of the Directors Committee and the determining of the budget;
5. Directors Committee Report;
6. The Designation of External Auditors,
7. Other subjects of social interest and Board topics, and information about the operations referred to article 44 of Law N° 18,046.

- On April 7, 2005, it is informed that according to that approved by the Board of shareholders of the company, a final dividend of \$ 15.874684 per share will be remitted. The mentioned dividend will be paid after the April 21 2005 to the shareholders enrolled in the Shareholders Registry by the April 15, 2005.
- On June 23, 2005, it is informed that the Board of the Company in its session held on this date, approved the distribution of the First Provisional Dividend for the fiscal year 2005, for an amount of \$ 15.870074 per share. The said dividend will be paid after July 27, 2005 to the shareholders enrolled in the Shareholders Registry by the 21 of July, 2005.

The corresponding advisory publication will be made on the next, of July 18 in the newspaper El Mercurio of Santiago.

- On September 30, 2005, it is informed that the Board of the Company in its session held on September 29, 2005, approved the distribution of the Second Provisional Dividend for the fiscal year 2005, for an amount of \$ 24.6 per share. The mentioned dividend will be paid after October 26, 2005 to the shareholders enrolled in the Shareholders Registry by the October 20, 2005.

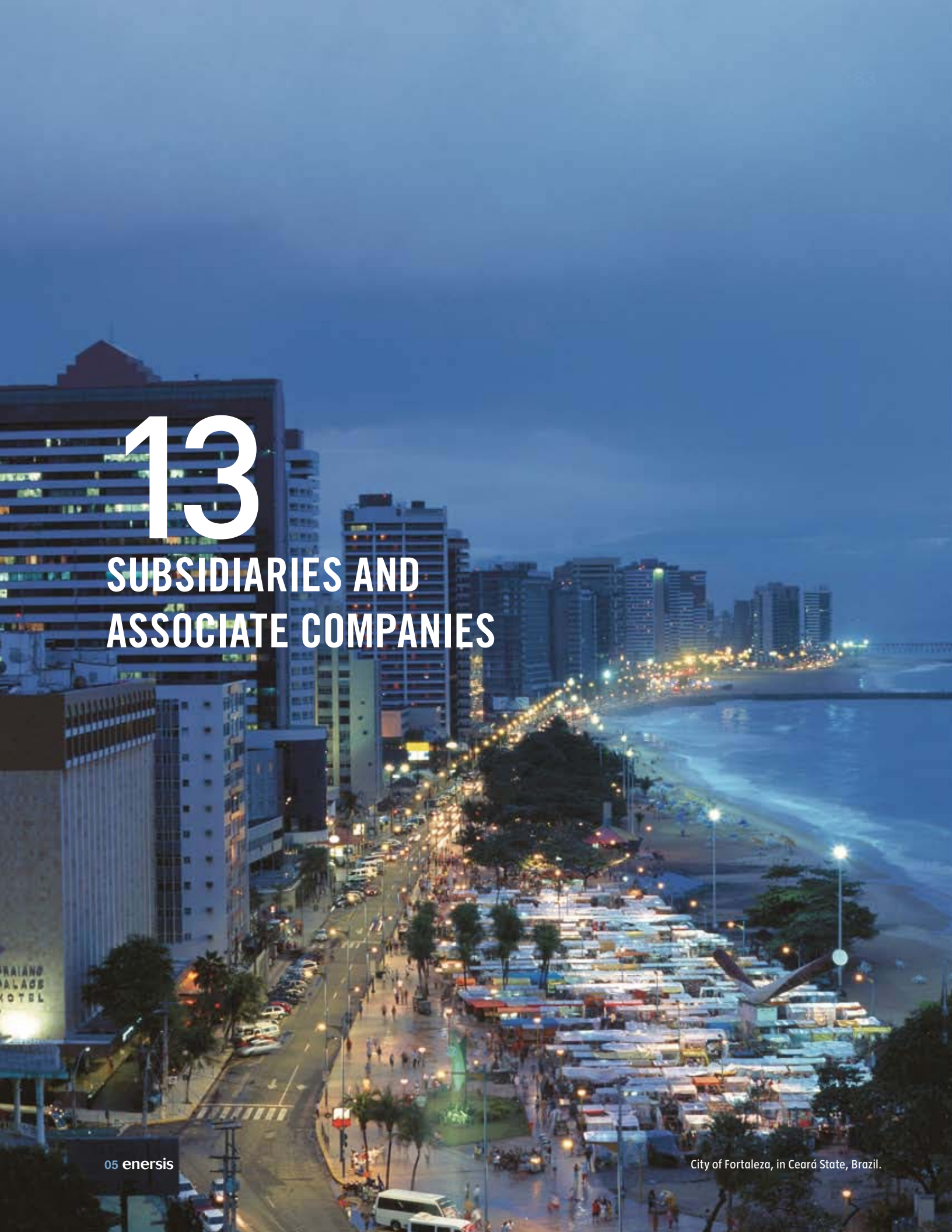
The corresponding advisory publication will be made on the next October 17, in the newspaper El Mercurio of Santiago.

- On December 23, 2005, it is informed that the Board of the Company in its session held on December 22 2005, approved the distribution of the Third Provisional Dividend for the fiscal year 2005, for an amount of \$ 23.48 per share. The mentioned dividend will be paid after January 25, 2006 to the shareholders enrolled in the Shareholders Registry by the 19, of January, 2006.

The corresponding advisory publication will be made on the next January 16, in the newspaper El Mercurio of Santiago.

# 13

## SUBSIDIARIES AND ASSOCIATE COMPANIES



## AGRÍCOLA DE CAMEROS

Name  
Sociedad Agrícola de Cameros Limitada

Kind of company  
Limited partnership

I.D.N°  
77.047.280-6

Address  
Camino Polpaico a Til-Til, S/N Til-Til.

Telephone  
(56 2) 378 4700

Fax  
(56 2) 378 4702

External auditors  
Deloitte & Touche

Subscribed and paid capital (M\$)  
5,738,046

Holding of Enersis (direct and indirect)  
57.5%

Corporate Purpose  
The society's objective is the exploitation of farmland.

Administration  
Complete with the presence of 3 representatives together.

Executive officer  
Hugo Ayala

## AGRÍCOLA E INMOBILIARIA PASTOS VERDES

Name  
Agrícola e Inmobiliaria Pastos Verdes Limitada

Kind of company  
Limited partnership

I.D.N°  
78.970.360-4

Address  
Santa Rosa 76, Floor 9, Santiago

Telephone  
(56 2) 601 0601

Fax  
(56 2) 601 0519

External auditors  
Deloitte & Touche

Subscribed and paid capital (M\$)  
37,029,390

Holding of Enersis (direct and indirect)  
55%

Corporate Purpose  
The society's objectives are the exploitation of farmland and the development of all types of real estate activities, including the urbanization, commercialization, and sale of lands in any legal way possible

Administration  
Complete with the presence of 3 representatives together

Chief Executive Officer  
Bernardo Kúpfer

## AGUAS SANTIAGO PONIENTE

Name  
Aguas Santiago Poniente S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.773.290-7

Address  
Américo Vespucio N° 0100, Pudahuel, Santiago

Telephone  
(56 2) 601 0601

Fax  
(56 2) 601 0519

External auditors  
Deloitte & Touche

Shares  
1,876,271

Subscribed and paid capital (M\$)  
3,075,927

Holding of Enersis (direct and indirect)  
55%

Corporate Purpose  
To exclusively establish, construct, and exploit public services that are aimed at producing and distributing drinking water; to collect, treat, and dispose of sewage water, and to carry out the other duties that the D.F.L. Nr. 382 of 1998 expressly authorizes and its modifications.

Directors  
President  
Víctor Manuel Jarpa  
Directors  
Cristóbal Sánchez  
Andrés Salas  
Luis Felipe Edwards  
José Manuel Guzmán

Senior Executives  
Chief Executive Officer  
Jorge Alé

## AMPLA

Name  
Ampla Energia e Serviços S.A.

Kind of company  
Open corporation

I.D.N° ( CNPJ)  
33.050.071/0001-58

Address  
Praça Leoni Ramos, N°01 – São Domingos, Niteroi, Rio de Janeiro, Brasil

Telephone  
(55 21) 2613 7000

Fax  
(55 21) 2613 7153

PO Box  
24.210-205

Web Site  
www.ampla.com

E-mail  
arochinha@ampla.com

External auditors  
Deloitte Touche Tohmatsu

Total N° of shares  
3,922,515,918,446

Subscribed and paid capital (Reales)  
1,505,424,306

Holding of Enersis (direct and indirect)  
69.64%

Investments as proportion  
of Enersis assets  
2.7%

Corporate Purpose (Extract)  
To study, plan, project, construct, and explore the production, transmission, conversion, distribution, and marketing systems of electrical energy, as well as to provide correlative services that have been or could be granted; to carry out research in the field of energy and to participate as a share holder in other energy sector companies.

Administration  
President  
Manuel Jorge Correia  
Vice president  
Mario Fernando de Melo

Directors  
Joao Alves de Azevedo  
Marcos da Silva  
Rafael López  
Marcelo Silva  
Martín Serrano (Chief Financial Officer  
Internationals de Enersis)  
Antonio Basilio Pires

Alternate Directors  
José Alves de Mello  
Fernando Urbina  
Joaquim Pedro de Macedo  
José Miguel Bandeira

Principal Directors  
Director President  
Marcelo Llévènes  
Regulation Director

José Alves de Mello  
Commercial Director  
Carlos Alberto Oliveira  
Human Resources Director  
Eunice Rios  
Losses Director  
Claudio Rivera Moya  
Financial and Administrative Director  
Abel Alves  
Legal Director  
Ana Gonçalves Rebello  
Technical Director  
Albino Motta  
Institutional Relations and  
Communication Director  
Carlos Ewandro Naegele  
Government Relations and  
Environment Director  
Mario Rocha

## AMPLA INVESTIMENTOS

Name  
Ampla Investimentos e Serviços S.A.

Kind of Company  
Open corporation

Address:  
Praça Leoni Ramos, N°01 – parte São  
Domingos, Niterói, Rio de Janeiro,  
Brasil

Telephone  
(55 21) 2613 7071

Fax  
(55 21) 2613 7153

External Auditors  
Deloitte Touche Tohmatsu

Subscribed and paid capital (Reales)  
120,000,000

Holding of Enersis (direct and indirect)  
69.64%

Corporate Purpose  
To study, plan, project, construct, and explore the production, transmission, conversion, distribution, and marketing systems of electrical energy, as well as to lend correlative services that have been or could be granted; to lend services of any kind and to participate as a share holder in other energy sector companies.

Directors  
President  
Manuel Jorge Correia  
Vice President  
Mário Fernando de Melo

Directors  
Rafael López  
Gonzalo Carbó  
Antonio Basilio  
Marcelo Silva  
Martín Serrano  
João Ricardo de Azevedo  
Marcelo Andrés Llévènes

Alternate Directors  
Joaquim Pedro de Macedo  
José Miguel Bandeira Pires

## ARA - INGENDESA

Name  
Consorcio Ara - Ingendesa Ltda.

Kind of company  
Limited Partnership

I.D.N°  
77.625.850-4

Address  
Santa Rosa 76 Floor 10, Santiago,  
Chile

Corporate Purpose  
The provision of engineering services that comprise the projection, planning, and implementation of engineering projects and studies, consultancy services, granting of assistance and technical information, and the administration, inspection, and development of plans and construction. Apart from that, whether it be at its own or at others' expense, to provide all types of construction, to set up and to start, for itself or third parties, all types of establishments, be they industrial or not, and the marketing for ourselves or third parties the goods and services that are produced. In general, to develop activities that are related directly or indirectly to the above mentioned operations, all phases of commercialization, including the buying and selling of furniture, exporting and importing, and any

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

business that partners have agreed upon that relate to the activities pointed out.

Paid capital (M\$)  
1,000

Holding of Enersis (direct and indirect)  
30.00%

Representatives  
Rodrigo Alcaíno  
Alejandro Santolaya

Alternate Representatives  
Fernando Orellana  
Julio Montero  
Elías Arce  
Cristián Araneda

### ATACAMA FINANCE

Name  
Atacama Finance Co.

Kind of company  
Exent Company

Address  
Caledonian House P.o. Box 265 G,  
George Town, Grand Cayman, Cayman  
Islands.

Corporate Purpose  
The company's main objective includes debt financing in the financial market through credit agreements and the issuing of coupons and other documents or through loans to other companies, particularly those that are involved with the Atacama Project.

Paid capital (M\$)  
3,228,750

Holding of Enersis (direct and indirect)  
29.99%

Directors  
Alejandro González  
Tom Miller  
Andrés Salvestrini  
Dan Dexter

### BETANIA

Name  
Central Hidroeléctrica de Betania S.A.  
E.S.P.

Kind of company  
Public utility Corporation

Address  
Carrera 5 N° 6-28, Edificio  
Metropolitano, Torre B, Floor 5°,  
Neiva, Colombia.

Corporate Purpose  
The company's main objective is the production and commercialization of electrical energy.

Paid capital (M\$)  
360,982,963

Holding of Enersis (direct and indirect)  
51.36%

Directors  
President  
Lucio Rubio  
Alejandro González  
Rafael Errázuriz

Alternate Directors  
Andrés Regué  
Fernando Gutiérrez  
Carlos Alberto Luna

Senior Executives  
Chief Executive Officer  
Carlos Alberto Luna

### CACHOEIRA DOURADA

Name  
Centrais Elétricas Cachoeira  
Dourada S.A.

Kind of company  
Open corporation

Address  
Av. República del Líbano 2.417, Oficina  
N°702, Ed. Paladium Center Goiania,  
Goiás - 74.115.030 – Brasil.

Corporate Purpose  
The company's corporate purpose is the carrying out of studies, planning, construction, installation, operation,

and exploitation of central generators of electrical energy and the business related to these activities.

Paid capital (M\$)  
132,825,650

Holding of Enersis (direct and indirect)  
53.40%

Directors  
President  
Francisco Javier Bugallo  
Directors  
Aurelio de Oliveira  
Guilherme Gomes

Senior Executives  
Chief Executive Officer  
Francisco Bugallo  
Commercial Director  
Manuel Herrera  
Technical Director  
José Ignacio Pires

### CAM

Name  
Compañía Americana de  
Multiservicios Ltda.

Kind of company  
Limited Partnership

I.D.N°  
96.543.670-7

Address  
Bulnes N° 1238, Santiago.

Telephone  
(56 2) 389 7300

Fax  
(56 2) 389 7342

Web Site  
[www.camchile.cl](http://www.camchile.cl)

E-mail  
[cam@cam.enersis.cl](mailto:cam@cam.enersis.cl)

External auditors  
Deloitte & Touche Soc. de Auditores  
y Consultores Ltda.



Subscribed and Part Capital (M\$)  
2,572,038

Holding of Enersis  
100%

Investments as proportion of Enersis  
assets  
1.05%

#### Corporate Purpose (extract)

The company's corporate purpose is to carry out on its own or through third parties and/or third-party associates, in the country as well as abroad, services in general, real estate services and immovable asset construction, the importation, exportation, and distribution of all types of products.

#### Representatives and Senior Executives

Pantaleón Calvo García  
Eduardo López Miller

#### Alternate Representatives

Andreas Gebhardt  
Cristóbal Sánchez  
Senior Executives  
Chief Executive Officer  
Pantaleón Calvo  
Chief Executive Officer CAM Brasil  
Fernando Foix  
Chief Executive Officer CAM Perú  
Mario Albornoz  
Chief Executive Officer CAM Colombia  
Carlos Restrepo  
Chief Executive Officer CAM Argentina  
Daniel Strizinec

## CAM ARGENTINA

Name  
Compañía Americana de  
Multiservicios (CAM) S.R.L.

Kind of company  
Limited Partnership

I.D.N° (CUIT)  
30-66188247-2

Address  
Av. Vélez Sarsfield 1160, Capital  
Federal, Argentina

Telephone  
(54 11) 4302 2951/58

Fax  
(54 11) 4302 2951/58

#### Inscription in securities Register

Inscribed with the justice authority on september 27, 1993 (N° 9274), It's transformation to a limited partnership was Inscribed with the same authority on january 7, 2003 (N°166) of book 117 of SRL.)

Number of partnership shares  
The capital is \$ 1,000,000 divided into 1,000,000 shares.

Subscribed and paid capital  
The social capital is completely subscribed and integrated.

Holding of Enersis (direct and indirect)  
99.90% Cam Ltda. Chile

#### Corporate Purpose (Extract)

The company's corporate purpose is to present professional and technical services to companies and national and international organizations, public and private, and to provide advice, technical assistance, staging, process control, systems set up and maintenance, machinery and equipment, transport and distribution network maintenance, and everything related to production, transport, and distribution of electric energy, among other objectives.

Senior Executives  
Manager  
Daniel Strizinec  
Alternate Manager  
Marcelo Naser

## CAM BRASIL

Name  
Cam Brasil Multiserviços Limitada

Kind of company  
Limited partnership

I.D.N°  
04.214.233/0001-48

Address  
Av José Mendonça de Campos, 680  
São Gonçalo - RJ, Brasil

Telephone  
(55 21) 2702-8001

Fax  
(55 21) 2702-8000

PO Box  
24.450-700

External auditors  
Deloitte Touche Tohmatsu.

Subscribed and paid capital (M\$)  
252,216

Holding of Enersis (direct and indirect)  
100%

#### Corporate Purpose

The offering of electrical engineering services, network and big job construction, and utility large-scale commercial services.

Senior Executives  
General Director  
Fernando Foix  
Commercial Director  
Pablo Edmundo Calderón  
Resources and Administration  
Manager  
Francisco Loza  
Chief Financial Officer, Planning and Control  
Antonio José Nóboa  
Commercial Operations Manager  
Jorge Vergara  
Measurement Services Manager  
Santiago Contreras  
Fortaleza Operations Manager  
Marco Laforet  
Logistic Manager  
Marcello Pinho

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

### CAM COLOMBIA

Name  
Compañía Americana de  
Multiservicios Limitada Colombia

Kind of company  
Limited partnership

NIT  
830.058.272-8

Address  
AV. Carrera 68 N° 5-21, Bogotá,  
Colombia

Telephone  
(57 1) 4173000

Fax  
(57 1) 5651012

External auditors  
Deloitte & Touche Ltda.

Total N° of shares  
1,615,500

Social and paid capital (M\$)  
1,615,500,000

Holding of Enersis (direct and  
indirect)  
100%

Corporate Purpose  
To carry out on its own, or through  
third parties and/or through third-  
party associates, in the country as well  
as abroad, the following activities:  
Services: the offering of professional  
and technical services to national  
and international businesses and  
organizations, public and private;  
construction and real estate services  
through the construction and  
refurbishment of all types of furniture,  
and project execution; The importation  
and exportation of all types of  
material; and marketing through the  
purchasing, sales exchange, dividing  
of, consignment, and distribution of all  
types of material.

Directors  
Cam Colombia  
Represented by Pantaleón Calvo.

### CAM PERÚ

Name  
Compañía Americana de Multiservicios  
del Perú S.R.L.

Kind of company  
Limited partnership

RUC  
20388101971

Address  
Jr. Teniente César López Rojas 201,  
Floor 3, Maranga, San Miguel, Lima,  
Perú  
Telephone  
(0511) 5611604

Fax  
(0511) 4523007

External auditors  
Gris y Hernández y Asociados S.AC.  
– Deloitte & Touche.

Total N° of shares  
1,320,610

Subscribed and paid capital (Nuevos  
Soles)  
1,320,610

Holding of Enersis (direct and indirect)  
100%

Corporate Purpose  
The company's corporate purpose  
is to carry out on its own or through  
third-party professional and  
technical services the management  
and purchasing of materials or  
equipment for electrical, water, gas,  
or communication services, among  
others.

Non Directors  
Limited partnership

Senior Executives  
Chief Executive Officer  
Ricardo Mario Camezzana

### CAPITAL ENERGÍA

Name  
Capital Energía S.A.

Kind of company  
Commercial Corporation

Address  
Santa fé de Bogotá, D.C. Colombia

Corporate Purpose  
The company's corporate purpose  
is to participate as an investment  
company and to become the awardee  
in the capitalization process of the  
Empresa de Energía Eléctrica de  
Bogotá S.A. E.S.P. and to also invest  
in companies that are dedicated to the  
production and/or distribution and/or  
commercialization and/or transmission  
of electric energy.

Paid capital (M\$)  
339,318,563

Holding of Enersis (direct and indirect)  
26.2%

Directors  
Andrés Regué  
Rafael Errázuriz  
Lucio Rubio  
Alejandro González

Alternate Directors  
Fernando Gutiérrez  
Carlos Alberto Luna  
Gustavo López  
Juan Manuel Pardo

Senior Executives  
Chief Executive Officer  
Lucio Rubio

### CELTA

Name  
Compañía Eléctrica Tarapacá S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.770.940-9

Address  
Santa Rosa 76, Santiago, Chile

**Corporate Purpose**

The company's main corporate purpose is the production, transport, distribution, and supply of electric energy, nationally as well as internationally, and as such, to obtain, acquire, and enjoy its respective favors and concessions. Additionally, another objective with the intention of seeing it through to completion, is the construction of a thermoelectric station, the construction and operation of a wharf or maritime installations, for the loading and unloading of supplies and other products in the area known as Punta de Patache, south of Iquique, in the 1st. region. Likewise, the objective includes the transmission line construction with its substations between the main station and the Doña Inés de Collahuasi copper mine; as well as the reinforcing of the interconnected system of Norte Grande.

Paid capital (M\$)  
86,33,457

Holding of Enersis (direct and indirect)  
59.98%

Directory  
President  
Alejandro Wendling  
Directors  
Alan Fischer  
Liones Roa

Chief Executive Officer  
Eduardo Soto

**CEMSA**

Name  
Comercializadora de Energía del Mercosur S.A.

Kind of company  
Corporation

Address  
Avenida España 3301, Sector B, Buenos Aires, Argentina.

**Corporate Purpose**

The company's main corporate purpose is the wholesale buying and

selling of electric energy produced by third parties and to be consumed by third parties, including the importation and exportation of electric energy and the commercialization of royalties, as well as the provision and/or carrying out of related services of the above mentioned goals, in accordance with existing regulations. The company could carry out, as such, all subsidiary and complementary activities that are linked with its corporate purpose, having full legal power to acquire rights and to enter into obligations and exercise any activity that is not prohibited by law or this statute.

Paid capital (M\$)  
7,181,150

Holding of Enersis (direct and indirect)  
26.99%

Directory  
Directors  
President  
José María Hidalgo  
Vicepresident  
José Agustín Venegas  
José Miguel Granged

Alternate Directors  
Juan Carlos Blanco  
Roberto José Fagan  
Daniel Garrido

Senior Executives  
Chief Executive Officer  
Roberto José Fagan

**CHILECTRA**

Name  
Chilectra S.A.

Kind of company  
Open corporation

I.D.N°  
96.524.320-8

Address  
Santa Rosa N°76, Floor 8,  
Santiago, Chile

Telephone  
(56 2) 675 2000

Fax  
(56 2) 675 2999

PO Box  
1557 Santiago

Web site  
www.chilectra.cl

E-mail  
comunicacion@chilectra.cl

Insc Insecurities Register  
N°0321

External Auditors  
KPMG Auditores Consultores Ltda.

Total n° of shares  
366,045,401

Subscribed and paid capital (M\$)  
302,578,794

Holding of Enersis (direct and indirect)  
98.25%

Investments as proportion  
of Enersis assets  
13.70%

**Corporate Purpose**

To exploit in the country and abroad, the distribution and sale of energy, be it electric, hydraulic, thermal, caloric, or of any other form, as well as the distribution, transport, and sale of all kinds of fuel, supplying said energy or fuels to the greater consuming public directly or through other companies.

Directors  
President  
Jorge Rosenblut  
Vicepresident  
José M. Fernández

Directors  
Alberto Martín  
Pedro Buttazzoni  
Hernán F. Errázuriz  
Marcelo Llévénés  
Antonio Cámara

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Senior Executives  
Chief Executive Officer  
Rafael López  
Chief communications Officer  
Marcelo Castillo  
Legal Counsel  
Gonzalo Vial  
Chief Regional Distribution Officer  
Marcelo Silva  
Chief Regional Services Officer  
Cristóbal Sánchez  
Chief Economical and Control Officer  
Juan Pablo Spoerer  
Chief Innovation and Human Resources  
Officer  
Cristián Herrera  
Chief Regulation and Energy  
management  
Guillermo Pérez  
Chief Operations and Energy  
management  
Juan Camilo Olavarría  
Chief Commercial Market Officer  
Alfredo Herrera  
Chief Network Officer  
Enrique Fernández  
Chief Process Management Officer  
Gonzalo Mardones  
Chief big Clients Officer  
Christian Mosqueira  
Chief Planning and New Businesses  
Officer  
Klaus Winkler

### CHILECTRA INTERNACIONAL

Name  
Chilectra Internacional

Kind of company  
Foreign Corporation

Address  
P.O. Box 309, Uglan House, South  
Church St., Grand Cayman, Cayman  
Islands, British West Indies.

Telephone  
(345) 949-8066

Fax  
(345) 949-8080

External Auditors  
KPMG Auditores Consultores Ltda.

Paid capital (dollars)  
112,022,703

Holding of Enersis (direct and indirect)  
98.25%

Corporate Purpose  
The company's main objective is the  
carrying out of operations associated  
with the head office's plans and  
investments.

Directors  
Director President  
Rafael López  
Chief Executive Officer de Chilectra  
Director  
Juan Pablo Spoerer  
Chief Economic and Control Officer of  
Chilectra

### CHILECTRA INVERSUD

Name  
Chilectra Inversud S.A.

I.D.N°  
99.573.910-0

Kind of Company  
Closely-held corporation

Address  
Santa Rosa 76, floor 8°, Santiago

Telephone  
(562) 675 2000

Fax  
(562) 675 2000

Externs Auditors  
KPMG Auditores Consultores Ltda.

Total N° of shares  
89,200

Paid capital (Dollars)  
569,020,000

Holding of Enersis (direct and indirect)  
98.25%

Corporate Purpose  
To exploit the business of sales and  
distribution of electric energy abroad,  
either on its own or through third  
parties. Likewise, the company could  
invest in foreign companies, as well as

invest in all types of commercial tools  
such as in payments, vouchers, bonds,  
credit, negotiable furnishing values,  
and other financial or commercial  
documents, all with the vision of  
receiving its earned and unearned  
income. As for the preceding, the  
company could form, modify, dissolve,  
and liquidate foreign companies, while  
being able to also develop all the other  
activities that would be complementary  
and/or related to previous transfers.

Directors  
President  
Cristóbal Sánchez  
Vice president  
Juan Pablo Spoerer  
Director  
José Luis Acuña

Senior Executives  
Chief Executive Officer  
José Luis Acuña

### CHOCÓN

Name  
Hidroeléctrica El Chocón S.A.

Kind of Company:  
Corporation

Address:  
Av. España 3301, Buenos Aires;  
Argentina.

Corporate Purpose  
The company's objective is the  
production and commercialization of  
electric energy.

Paid capital (M\$)  
173,336,725

Holding of Enersis (Directa e  
indirecta)  
28.45%

Directors  
Rafael Mateo  
(Chief Executive Officer Endesa Chile)  
Vice president  
Francisco Mezzadri  
José Miguel Granged

Miguel Ortiz  
(Chief Generation Officer Argentina)  
Julio Valbuena  
(Chief Planning and Control Office  
Endesa Chile)  
Eduardo Adrián Carbajo  
José Luís Mazzone  
Enrique Díaz

Alternate Directors  
Fernando Antognazza  
Francisco Domingo  
José María Hidalgo  
Carlos Martín Vergara  
(Legal Counsel Endesa Chile)  
José Luís Sierra  
Luis A. Acuña  
Carlos Arturo Principi  
José Luis Zúñiga

Senior Executives  
Chief Executive Officer  
Fernando Claudio Antognazza

## CIEN

Name  
Compañía de Interconexión  
Energética S.A.

Kind of company  
Corporation

Address  
Praia de Botafogo 228, Ala B, 4ª Andar,  
Río de Janeiro, R.j. 22 359-900 - Brasil.

Corporate Purpose  
The company's corporate purpose  
is electrical energy's production,  
industrialization, distribution, and  
commercialization performance,  
including the area of imports and  
exports.

Paid capital (M\$)  
99,749,413

Holding of Enersis (direct and indirect)  
53.61%

Directory  
Directors  
President  
Marcelo Llévénas  
José Venegas  
Francisco Javier Bugallo

Senior Executives  
Chief Executive Officer  
Francisco Bugallo

## CODENSA

Name  
Codensa S.A. E.S.P.

Kind of company  
Foreign Corporation

I.D.N° (CNPJ)  
830.037.248-0

Address  
Carrera 13 A N° 93-66, Bogotá,  
Colombia

Telephone  
(57 1) 601 6060

Fax  
(57 1) 601 5917

Web Site  
[www.codensa.com.co](http://www.codensa.com.co)

E-mail  
[tservice@codensa.com.co](mailto:tservice@codensa.com.co)

External auditors  
Deloitte & Touche Ltda.

Total N° of shares  
132,093,274

Subscribed and paid capital (Miles de  
Pesos Colombianos)  
396,279,822,000

Holding of Enersis (direct and indirect)  
21.65%

Investments as proportion  
of Enersis assets  
2.06%

Corporate Purpose (extract)  
The distribution and commercialization  
of electric energy, as well as the  
implementation of all activities that  
are common, similar, complementary,  
and related to energy distribution  
and commercialization, job execution,  
electrical engineering design and  
consultancy, and product marketing  
benefiting its clients.

Directors  
President  
Andrés Regué  
Directors  
Cristóbal Sánchez  
José Inostroza  
Juan Spoerer  
Alfredo Ergas  
(Chief regional Financial Officer)  
José Vargas  
Pedro Rodríguez  
Edgar Ruiz  
Carlos Bello

Alternate Directors  
David Acosta  
Germán Castro  
Luis Larumbe  
Roberto Ospina  
Omar Serrano  
Henry Navarro  
Héctor Zambrano  
Francisco Miranda  
Luis Rueda

Senior Executives  
Chief Executive Officer  
José Inostroza  
Chief Commercial Officer  
David Acosta  
Chief Communications Officer  
María Alexandra Velez  
Chief Distribution Officer  
Germán Castro  
Chief Financial and Administration  
Officer  
Luis Larumbe  
Legal Manager  
Alvaro Camacho  
Chief Planning and Control Office  
Roberto Ospina  
Chief Human Resources Officer  
Carlos Alberto Niño  
Chief Regulation Officer  
Omar Serrano  
Chief Auditing Officer  
Alba Urrea

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

### COELCE

Name

Companhia Energética do Ceará

Kind of company

Open Foreign Corporation

I.D.N° (CNPJ)

07.047.251/0001-70

Address

Av. Barão de Studart, 2917/83, Bairro Dionísio Torres, Fortaleza, Ceará, Brasil

Telephone

(55 85) 3216 1100

Fax

(55 85) 3216 1410

Web site

www.coelce.com.br

E-mail

investor@coelce.com.br

External Auditors

Deloitte Touche Tohmatsu

Total N° of shares

155,710,600,088

Subscribed and paid capital (M\$)

191,825,482

Holding of Enersis (direct and indirect)

34.86%

Corporate Purpose (extract)

To explore the distribution of electric energy and similar services in the state of Ceará.

Directors

President

Marcelo Llévenes

Vice president

Luciano Galasso

Directors

Eunice Rios Guimarães

Cristóbal Sánchez

Antônio Cleber Uchoa

José Alves de Mello

Jorge Parente Frota

Carlos Silva

Luis Gastão Bittencourt

Fernando de Moura Avelino

Gonzalo Vial

Alternate Directors

José Nunes

Antonio Viana

Antônio Basílio

Priscila Sartori

Antônio José Sellare

Juarez Ferreira

Antônio Gouvêa

Senior Executives

Director President

Cristián Fierro

Director Vicepresident Institutional

Project and Communication

José Nunes

Commercial Director Vicepresident

Luciano Galasso

Technical Director Vicepresident

José Távora

Estrategic Planning and Control

Director Vicepresident

Abel Pérez

Organization and Human Resources

Director Vicepresident

José Ferreira

Financial and Investor Relations

Director Vicepresident

Antonio Osvaldo Alves

P.O. Box

32, Lima, Perú

External auditors

Gris y Hernández

y Asociados S.AC. – Deloitte & Touche.

Total N° of shares

98,538,403 shares

Subscribed and paid capital (Nuevos Soles)

98,538,403

Holding of Enersis (direct and indirect)

50.11%

Corporate Purpose

The company's objective is to make investments in general, especially those involving the distribution and production of electric energy.

Directors

Non Directors closed corporation

Senior Executives

Chief Executive Officer

Ignacio Blanco

### COMPAÑÍA PERUANA DE ELECTRICIDAD

Name

Compañía Peruana de Electricidad S.A.C.

Kind of company

Closely-held corporation

RUC

20220203663

Address

Jr. Teniente César López Rojas 201, Maranga, San Miguel, Lima, Perú

Telephone

(51 1) 561 1604

Fax

(51 1) 452 3007

### CONO SUR

Name

Compañía Eléctrica Cono Sur S.A.

Kind of company

Corporation

Address

Edificio Omega. Av. Samuel Lewis y Calle 53, Apartado Postal 4493, Panamá 5, República de Panamá.

Corporate Purpose

La sociedad tiene por objeto desarrollar cualquier actividad de carácter comercial, industrial y financiero; generar, transmitir, suministrar y distribuir o comercializar energía eléctrica; adquirir y vender acciones, valores y bienes en general, así como cualquier otra actividad lícita que acuerde el directorio o la asamblea de accionistas.

Paid capital (M\$)

924,624,645

Holding of Enersis (direct and indirect)  
59.98%

Directory  
Directors  
President  
Alejandro González  
Andrés Salvestrini  
Alfredo Ergas  
(Chief regional Financial Officer)  
Carlos Martin

## CONSTRUCCIONES Y PROYECTOS LOS MAITENES

Name  
Construcciones y Proyectos Los  
Maitenes S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.764.840-K

Address  
Américo Vespucio 0100, Pudahuel,  
Santiago

Telephone  
(56 2) 601 0601

Fax  
(56 2) 601 0519

External Auditors  
Deloitte & Touche

Total N° of shares  
295,100

Subscribed and paid capital (M\$)  
3,809,503

Holding of Enersis (direct and indirect)  
55%

Corporate Purpose  
a) The construction of all types of  
civil works, installations, buildings,  
housing, offices, etc., on its own or  
by third parties, on company or third-  
party land that is developed or not. b)  
The sale or disposal of such works and  
structures by any means necessary. c)  
The study and development of

plans for such structures, including  
the engineering, architecture,  
financing, commercialization, etc. In  
the development of the company's  
actions, the company could always act  
on its own or through third parties,  
be it directly or in participation with  
partnerships, communities, companies,  
and legal representatives of any kind,  
of which the company could even take  
on the administration.

Directors  
President  
Cristóbal Sánchez  
Directors  
Victor Manuel Jarpa

Andrés Salas  
Luis Felipe Edwards  
José Manuel Guzmán

Senior Executives  
Chief Executive Officer  
Bernardo Küpfer

## COSTANERA

Name  
Endesa Costanera S.A.

Kind of Company  
Corporation

Address  
Av. España 3301, Buenos Aires,  
Argentina.

Corporate Purpose  
The company's objective is the  
production and commercialization of  
electric energy en masse.

Paid capital (M\$)  
83,025,513

Holding of Enersis (Directa e  
indirecta)  
38.54%

Directors  
President  
Rafael Mateo  
(Chief Executive Officer Endesa Chile)  
Vicepresident  
Máximo Bomchil  
Julio Valbuena

(Chief Planning and Control Officer  
Endesa Chile)  
Carlos Martin Vergara (Legal counsel  
Endesa Chile)  
José María Hidalgo  
Roberto Fagan  
César Amuchástegui  
Juan Rivera  
Eduardo J. Romero

Alternate Directors  
Francisco Monteleone  
Fernando C. Antognazza  
Jorge Burlando  
Sergio Schmois  
José Miguel Granged  
Gabriel Cerdá  
Bernardo Iriberrí  
José Cox  
Alfredo Mauricio Vítolo

Senior Executives  
Chief Executive Officer  
Miguel Ortiz Fuentes  
(Chief Generation Officer Argentina)  
Chief Administration and Financial  
Officer  
Gabriel Cerdá  
Chief Human Resources Officer  
Rigoberto Allendes  
Chief Planning and Control Officer  
Jorge Burlando  
Chief Commercial Officer  
Sergio Schmois  
Chief Production Officer  
Francisco Monteleone

## CTM

Name  
Compañía de Transmisión del  
Mercosur S.A.

Kind of company  
Corporation

Address  
Bartolomé Mitre 797, Floor 13, Buenos  
Aires, Argentina.

Corporate Purpose  
To provide high-tension electrical  
energy transport services, whether they  
be involving national or international  
electrical systems, in accordance with  
existing legislation, to which end the  
company could participate in national  
or international bids, turning it into a

### 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

public service licensee in transporting national or international high-tension electrical energy and carrying out any and all duly related activities.

Paid capital (M\$)  
8,100,174

Holding of Enersis (direct and indirect)  
53.60%

Directors  
President  
José María Hidalgo  
Francisco Bugallo  
Arturo Pappalardo

Alternate Directors  
José Agustín Venegas  
Juan Carlos Blanco  
Roberto José Fagan

Senior Executives  
Chief Executive Officer  
Francisco Bugallo

#### DISTRILEC INVERSORA S.A.

Name  
DISTRILEC INVERSORA

Kind of company  
Closely-held Foreign Corporation

Address  
San José N° 140 (C1076AAD)  
Buenos Aires, Argentina

Telephone  
(54 11) 4370 3700

Fax  
(54 11) 4381 0708

External auditors  
Deloitte & Co. Sr. L.

Subscribed and paid capital (Pesos Argentinos)  
497,612,021

Holding of Enersis (direct and indirect)  
50.73%

Investment as proportion of Enersis Assets  
1.58%

Corporate Purpose (extract)  
The company's sole objective is investing capital in established companies or ones that will be established, whose main purpose is electrical energy distribution or who participate directly or indirectly in companies that do so through carrying out all types of financial and investment activity, except for those provided by laws dealing with finance companies, the buying and selling of public and private documents, bonds, shares, negotiable obligations, granting of loans, and the deposit of its funds in any type of bank account.

Directors  
President  
Rafael López  
Vicepresident  
Rafael Fernández

Directors  
Alan Arntsen  
Mariano Florencio Grondona  
Marcelo Silva  
Gonzalo Vial  
Daniel Casal  
Jorge Gustavo Casagrande  
Adelson Antonio da Silva  
Luis Miguel Sas  
Alternate Directors  
Luis Diego Barry  
Santiago Daireaoux  
Manuel María Benites  
Roberto José Fagan  
Pedro Eugenio Aramburu  
Rigoberto Mejía  
Nicolás Carusoni  
Martin Aldasoro  
Daniel Jorge Maggi  
Esterban Diez Peña

Senior Executives  
Chief Executive Officer  
José María Hidalgo

#### EDEGEL

Name  
Edegel S.A.A.

Kind of company  
Corporation

Address  
Av. Víctor Andrés Belaúnde N° 147 Vía Principal N° 102 Centro Empresarial Camino Real, San Isidro, Lima, Perú.

Corporate Purpose  
The company's main objective is to dedicate itself, in general, to its own activities of creating electrical energy. The company could likewise carry out civil, industrial, and commercial activities and operations, and of any other kind that are related and conducive to its main corporate purpose.

Paid capital (M\$)  
401,577,519

Holding of Enersis (direct and indirect)  
22.73%

Directors  
President  
Rafael Mateo  
Vicepresidente  
Javier García  
Juan Benabarre  
Fritz Du Bois  
José María Hidalgo  
Ricardo Harten  
Alfonso Bustamante

Alternate Directors  
José Graña Miró-Quesada  
Edwin Vásquez  
Francisco García  
Roberto Cornejo  
Milagros Noriega  
Jaime Zavala  
Joseph Lessard

Senior Executives  
Chief Executive Officer  
José Griso Ginés  
Gerente de Asesoría Legal  
Christian Schroder  
Chief Financial Officer  
Milagros Noriega  
Chief exploitation Officer  
Julián Cabello



Chief Commercial Officer  
Robert Cornejo

## EDELNOR

Name  
Empresa de Distribución Eléctrica de  
Lima Norte S.A.A.

Kind of company  
Open Foreign corporation

RUC  
20.269.985.900

Address  
Jr. Teniente Cesar López Rojas 201  
Urb. Maranga, San Miguel, Lima, Perú

Telephone  
(51 1) 561 2001

Fax  
(51 1) 452 3007

Web site  
www.edelnor.com.pe

E-mail  
enlinea@edelnor.com.pe

External auditors  
Gris, Hernández y Asociados, S.C.-  
Deloitte & Touche

Total N° of Shares  
838,563,900

Subscribed and paid capital (Nuevos  
Soles)  
838,563,900

Holding of Enersis (direct and indirect)  
33.41%

Corporate Purpose (extract)  
To dedicate itself to its own activities of  
providing electrical energy distribution,  
transmission, and creation services.

Directors  
President  
Reynaldo Llosa  
Vicepresident  
Ignacio Blanco

Directors  
Fernando Bergasa  
Róger Espinosa  
Cristián Herrera  
Alfredo Llorente  
Guillermo Jesús Morales  
Ricardo Vega

Senior Executives  
Chief Executive Officer  
Ignacio Blanco  
Chief Commercial Officer  
Carlos Solís  
Chief Organization and Human  
Resources Officer  
Rocío Pachas  
Chief Technical Officer  
Walter Sciutto  
Chief Administration and Control  
Officer  
Juan Pablo Harrison  
General Counsel and Regulation  
Officer  
Luis Salem Hone  
Chief Communications Officer  
José Otárola

## EDESUR

Name  
Empresa Distribuidora Sur S.A.

Kind of company  
Foreign Corporation

CUIT  
30-65511651-2

Address  
San José 140 (1076), Capital Federal,  
Argentina

Telephone  
(54 11) 4370 3700

Fax  
(54 11) 4381 0708

Web Site  
www.edesur.com.ar

E-mail  
emailservicio@edesur.com.ar

External auditors  
Deloitte & Co. S.R.L.

Total N° of shares  
898,585,028

Subscribed and paid capital (Pesos  
Argentinos)  
898,585,028

Holding of Enersis (direct and indirect)  
65.10%

Investment as proportion of Enersis  
Assets  
2.2%

Corporate Purpose (extract)  
The distribution and commercialization  
of electric energy and related  
operations.

Directors  
President  
Rafael Fernández  
Vicepresident  
Marcelo Silva  
Directors  
Rafael Arias  
Daniel Maggi  
Miguel Beruto  
Rafael López  
Julio Valenzuela  
Gonzalo Vial  
Jorge Volpe

Alternate Directors  
Pedro Aramburu  
Alan Arntsen  
Manuel Benites  
Jorge Gustavo Casagrande  
Santiago Daireaux  
Roberto Fagan  
Daniel Casal  
Mariano Grondona  
Pablo Lepiane

Senior Executives  
Chief Executive Officer  
José María Hidalgo  
Chief Environment quality and  
Sustainable development Officer.  
José María Gottig  
Chief Communications Officer  
Daniel Martini  
Chief Internal Auditing Officer  
Jorge Lukaszczuk  
Legal Director  
Álvaro Estivariz  
Human resources Director  
Héctor Ruiz  
Commercial Director  
Sandro Rollan  
Distribution Director  
Daniel Colombo

### 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Services Director  
Daniel Alasia  
Planning and Economic Control  
Director  
Juan Garade  
Chief Administration and Financial  
Officer  
Juan Verbitsky

#### ELECTROGAS

Name  
Electrogas S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.806.130-5

Address  
Apoquindo 3076 Oficina 402, Santiago,  
Chile.

Corporate Purpose  
The company's objective is to provide  
natural gas and other fuel transport  
services on its own and through third  
parties, whereby it could construct,  
operate, and maintain gas pipelines,  
oil pipelines, poly-pipelines, and  
complementary installations.

Paid capital (M\$)  
11,089,019

Holding of Enersis (direct and indirect)  
25.49%

Directors  
President  
Claudio Iglesias  
Jaime Fuenzalida  
Pedro Gatica  
Víctor Briano

Alternate Directors  
Hugo Fuentes  
Felipe Aldunate  
Pedro Cruz  
Gustavo Rioseco  
Francisco Courbis

Senior Executives  
Chief Executive Officer  
Carlos Andreani

#### ELESUR

Name  
Elesur S.A.

Kind of company  
Closely-held corporation

Address  
Santa Rosa 76 Floor 2, Santiago, Chile

Telephone  
(56 2) 353 4680

Fax  
(56 2) 378 4794

External Auditors  
Deloitte & Touche

Subscribed and paid capital (M\$)  
1,064,227,637

Holding of Enersis  
100%

Investments as proportion of Enersis  
Assets  
0.51%

Corporate Purpose (Extract)  
To invest in every way in goods  
and furniture and property values  
physical or non-physical, including  
business items, stocks, social rights,  
and company participation, as well as  
furnished properties.

Directors  
President  
Mario Valcarce  
(Chief Executive Officer de Enersis)  
Vicepresidente  
Domingo Valdés  
(Legal Counsel Enersis)

Directors  
Alfredo Ergas  
(Chief regional Financial Officer  
Enersis)  
Mónica Fernández  
Nicolas Billikopf  
Fernando Gardeweg  
Jorge Delpiano

Senior Executives  
Chief Executive Officer  
Fernando Isac  
(Chief Regional Accounting Officer  
Enersis)

#### EMGESA

Name  
Emgesa S.A. E.S.P.

Kind of company  
Public utility Corporation.

Address  
Carrera 11 N° 82-76, Floor 3 Santa Fe  
de Bogotá, D.C. Colombia.

Corporate Purpose  
The company's objective is the  
creation and commercialization of  
electric energy, as well as the carrying  
out of all activities that are related,  
similar, connected, complementary,  
and involved with the production of  
energy.

Paid capital (M\$)  
555,785,238

Holding of Enersis (direct and indirect)  
12.70%

Directors  
President  
Andrés Regué  
Rafael Errázuriz  
Alejandro González  
Lucío Rubio  
José Antonio Vargas  
Enrique Borda  
Camilo Sandoval  
Juan Rincón

Alternate Directors  
Gustavo López  
Rafael Carbonell  
Andrés Caldas  
Carlos Alberto Luna  
Martha Veleño  
Fernando Gutiérrez  
Henry Navarro  
Héctor Zambrano  
Manuel Jiménez

Senior Executives  
Chief Executive Officer  
Lucío Rubio Díaz  
Legal Counsellor  
Andrés Caldas Rico  
Chief Financial and Administration  
Officer  
Gustavo López  
Chief Control Officer  
Juan Rincón

Chief Production Officer  
Carlos Alberto Luna  
Chief Commercial Officer  
Fernando Gutiérrez  
Chief Communications Officer  
Maria Celina Restrepo

## EMPRESA DE ENERGÍA DE BOGOTÁ S.A. ESP

Name  
Empresa de Energía de Bogotá S.A.  
ESP

Kind of company:  
Public utility Corporation

NIT: 899999082-3

Address  
Carrera 9 N°. 73-44 piso 6, Bogotá

Telephone  
(57 1) 3268000

Fax  
(57 1) 3268011  
Web Site  
www.eeb.com

E-mail  
mtrujillo@eeb.com.co

External Auditors  
Deloitte & Touche Ltda.  
Total N° of shares  
85,871,565

Subscribed and paid capital (Pesos  
Colombianos)  
858,715,650,000

Holding of Enersis (direct and indirect)  
7.14%

Corporate Purpose (extract)  
The Empresa de Energía de Bogotá S.A. – a public service company -, has as its main objective the production, transmission, distribution, and commercialization of energy including gas, and all forms of liquid fuel. Likewise, the company could directly participate as a member or stock holder in other public service companies or associate itself with

other people, or form a consortium with them.

Directors  
President  
Luis Eduardo Garzón

Directors  
Pedro Arturo Rodríguez  
Luis Alberdí Sanchez  
Gabriel Misas  
Alberto Calderón  
Carlos Alberto Sandoval  
Andrés Regué  
Alejandro Zaccour

Alternate Directors  
Helena Margarita Cardona  
Martha Hernández  
Rafael Orduz  
Lisandro Vega  
Mario García  
Patricia González  
Rubén Darío Velásquez  
José Alejandro Inostroza  
Lucio Rubio

Senior Executives  
Chief Executive Officer  
Astrid Martínez  
General Secretary  
Mario Trujillo.  
Chief Corporate Business Officer  
Henry Navarro.  
Chief Financial and Administration  
Officer.  
Jorge Pinzón  
Chief Transmission Officer  
Ernesto Moreno

## EMPRESA ELÉCTRICA DE COLINA

Name  
Empresa Eléctrica de Colina Limitada

Kind of Company  
Limited Partnership

Address  
Chacabuco N°31, Colina, Santiago,  
Chile

Telephone  
(562) 844-4280

Fax:  
(562) 844-4490

External Auditors  
KPMG Auditores Consultores Ltda.

Paid capital (M\$)  
82,222

Holding of Enersis (direct and indirect)  
98.25%

Corporate Purpose  
The exploitation, production, transport, distribution, and buying and selling of energy and electric equipment, as well as the implementation of electrical installations.

Senior Executives  
Chief Executive Officer  
Leonel Martínez

## ENDESA ARGENTINA

Name  
Endesa Argentina S.A.

Kind of company  
Corporation

Address  
Suipacha 268, floor 12, Buenos Aires,  
Argentina.

Corporate Purpose  
The company's corporate purpose is to invest in businesses focused on the production, transport, distribution, and commercialization of electric energy, as well as to carry out financial transactions, with the exception of those reserved by law exclusively for banks.

Paid capital (M\$)  
23,649,282

Holding of Enersis (Directa e  
indirecta)  
59.97%

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Directors  
President  
José Miguel Granged  
Vicepresident  
Néstor José  
Director  
Francisco Martín

Alternate Directors  
José María Hidalgo  
Patricio Alberto Martín  
Marcelo A. Den Toom

### ENDESA BRASIL

Name  
Endesa Brasil S.A.

Kind of company  
Corporation

I.D.N° (CNPJ)  
07.523.555/0001-67

Address  
Praia do Flamengo, 200 - 11 andar –Río de Janeiro, Brasil

Telephone  
(55 21) 2555 9808

Fax  
(55 21) 2555 9933

Corporate Purpose  
The company's corporate purpose is:  
(i) Participation in the share capital of other companies and corporations that act or will be set up to act directly or indirectly in any electrical segment sector, including service-providing companies to acting companies in such a sector, in Brazil or abroad, as a member, or stock holder, like as in legally permitted limits and, when the case is warranted, subject to the securing of mandatory regulation approval. (ii) The participation, individually or through a joint venture, company, consortium, or other similar forms of association, in bids, plans, and initiatives to carry out the services mentioned in the preceding article.

External Auditors  
Deloitte Touche Tohmatsu  
Auditores Independientes

Total N° of shares  
166,259,080 ordinary shares  
Subscribed and paid capital (Reales)  
805,853,914

Holding of Enersis (direct and indirect)  
53.61%

Investment as proportion of Enersis  
Assets  
5.56%

Directors  
President  
Mario Fernando de Melo  
Vicepresident  
Alberto Martín s  
Directors  
Mario Valcarce (Chief Executive Officer de Enersis)  
Antonio Basilio Pires  
Rafael Mateo  
Rafael López  
Héctor López

Senior Executives  
Chief Executive Officer  
Marcelo Llévénos  
Vice- Ceo  
Francisco Bugallo  
Chief Financial and Investor Relations Officer  
Abel Alves  
Chief Planning and Control officer  
Aurelio De Oliveira  
Institutional relations  
Eugenio Cabanes  
Legal Counsellor  
Antonio Basilio Pires

### ENDESA BRASIL PARTICIPACOES LIMITADA

Name  
Endesa Brasil Participacoes Limitada

Kind of company  
Limited Partnership

I.D.N° (CNPJ)

Address  
Praia do Botafogo, 228 , oficina nº1105, Río de Janeiro, R.J. 22 359-900 Brasil

External Auditors  
Ernst & Young

Subscribed and paid capital (M\$)  
619,296

Holding of Enersis (direct and indirect)  
59.97%

Corporate Purpose  
The corporate purpose is comprised in other companies, as in being a member, share holder or cuotista; the offering of services, including the management of owned and third-party goods related to the electric sector; and the detection and study of new markets and investment alternatives, particularly in the electric sector.

Representative  
Juan Antonio Madrigal  
Nicolás Pérez  
Emilio López  
Manuel Rigoberto Herrera

### ENDESA CHILE

Name  
Empresa Nacional de Electricidad S.A.

Kind of company  
Open corporation

I.D.N°  
91.081.000-6

Address  
Santa Rosa N°76, Santiago, Chile

Telephone  
(56 2) 630 9000

Fax  
(56 2) 635 4720

PO Box  
1392, Santiago

Web Site  
www.endesa.cl

E-mail  
comunicacion@endesa.cl  
Insc. registro de valores  
N°114

External Auditors  
Ernst & Young Serv. Prof. de Auditoría  
Ltda.

Total N° of shares  
8,201,754,580

Subscribed and paid capital (M\$)  
1,115,200,845

Holding of Enersis (direct and indirect)  
59.98%

investment as proportion of Enersis  
Assets  
29.15%

Corporate Purpose (extract)  
The production and supply of electric  
energy, the sale of consultancy and  
engineering services in the country  
and abroad and the construction  
and exploitation of infrastructure  
construction.

Directors  
President  
Luis Rivera  
Vicepresident  
Antonio Pareja  
Directors  
Héctor López  
Jaime Bauzá  
Enrique García  
Carlos Torres  
José María Fernández  
Antonio Tuset  
Leonidas Vial

Senior Executives  
Chief Executive Officer  
Rafael Mateo  
Chief Communications Officer  
Renato Fernández  
general Counsel  
Carlos Martín  
Chief Administration and Financial  
Officer  
Alejandro González Dale  
Chief Human Resources Officer  
Juan Carlos Mundaca  
Chief Planning and Control Office  
Julio Valbuena  
Chief Trading and Comercialization  
Officer  
José Venegas  
Chief Energetic planning Officer  
Rafael Errázuriz

Chief Production and Transport  
Juan Benabarre  
Chief Generation Officer Chile  
Claudio Iglesias

## ENDESA CHILE INTERNACIONAL

Name  
Endesa Chile Internacional

Kind of company  
Exempt Company

Address  
Caledonian Bank & Trust Limited,  
Caledonian House, Mary Street  
P.O. Box 1043, George Town, Grand  
Cayman, Cayman Islands.

Corporate Purpose  
The company's objective is to carry out  
all business or activity in accordance  
with Cayman Islands legislation.  
Basically, business dealings and  
activities are referring to financial  
matters, with the exception of those  
that the law reserves for banks and  
those that prohibit doing business with  
firms or people residing in Cayman  
Islands.

Change of Name  
The change of name from Endesa  
Chile Overseas Co, to Endesa  
Chile International was adopted by  
shareholder agreement, with date  
August 16, 2001. This resolution is  
under the protocol n°138, August 20,  
2001 in the notary's office Fernando  
Opazo Larraín . Santiago.

Paid capital (M\$)  
361,674,589

Holding of Enersis (direct and indirect)  
59.98%

Directors  
Alejandro González  
Carlos Martín  
Andres Salvestrini  
Alfredo Ergas I  
(Chief Regional Financial Officer)

## ENDESA ECO

Name  
Endesa Eco S.A.

Kind of company  
Closely-held corporation  
I.D.N°  
76.313.310-9

Address  
Santa Rosa 76 floor 12, Santiago, Chile

External auditors  
Ernst & Young

Corporate Purpose  
The objective of this company is to  
promote and develop plans that have  
to do with renewable energy, such as  
with minihydro, eolian, geothermic,  
solar, biomass, and others; to identify  
and develop Mecanismo de Desarrollo  
Limpio (MDL) (Clean Growth  
Mechanism) projects and act as  
receiver and promoter of the emission  
reduction certificates that are obtained  
in said projects.

Paid capital (M\$)  
180,000

Holding of Enersis (direct and indirect)  
59.98%

Directors  
Rafael Mateo  
Alejandro González  
Renato Fernández

## ENDESA FORTALEZA

Name  
CGTF -Central Geradora Termelétrica  
Fortaleza S.A.

Kind of company  
Closely-Held Foreign Corporation

I.D.N° ( CNPJ)  
04.659.917/0001-53

Address  
Rodovia 422, km 1 s/n°, Complexo  
Industrial e Portuário de Pecém  
Caucaia – Ceará  
CEP  
61600-000

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Telephone  
(55 85) 3464-4100

Fax  
(55 85) 3464-4197

E-mail  
ilobo@endesabr.com.br

External Auditors  
Ernst & Young Auditores Independentes S/S

Corporate Purpose  
(i) To study, project, construct, and explore production, transmission, distribution, and commercialization systems of electrical energy that are awarded, permitted, or authorized by any título de derecho, such as the exercising of other activities associated with the offering of any services related to the above mentioned activities.  
(ii) The acquisition, obtaining, and exploration of any rights, concessions, and privileges related to the activities mentioned above, as well as the practice of all other business and activities necessary to attain its objective; and (iii) The participation in the share capital of other companies and corporations, as a share holder, member, or participant, whatever its objectives are.

Total N° of shares  
151,935,778

Subscribed and paid capital (M\$)  
33,121,850

Holding of Enersis (direct and indirect)  
53.61%

Investment as proportion of Enersis Assets  
0.8%

Directors  
President  
Francisco Bugallo  
Director  
Marcelo Llévènes  
Director  
Guilherme Gomes

Senior Executives  
Chief Executive Officer  
Manuel Herrera  
Chief  
Raimundo Câmara  
Chief Financial Officer  
Guilherme Gomes  
Chief Technical Officer  
José Pires

### ENDESA MARKET PLACE

Name  
Endesa Market Place en Liquidación S.A.

Kind of company  
Foreign Corporation

Address  
Rivera de Loira, 60 CEP 28042

Telephone  
(34 91) 213 1000

Fax  
(34 91) 213 4199

External Auditors  
Deloitte & Touche

Subscribed and paid capital (M\$)  
5,024,427

Holding of Enersis (direct and indirect)  
15.00%

Corporate Purpose  
B2B and new technologies.

Liquidator  
Jean Paul Zalaquett F.

Senior Executives  
Chief Executive Officer  
Jean Paul Zalaquett F.

### ENERGEX

Name  
Energex Co.

Kind of company  
Exempt Company

Address  
Caledonian House P.O. Box 265 G, George Town, Grand Cayman, Cayman Islands.

Corporate purpose  
The company's objective is to carry out all business or activity in accordance with Cayman Islands legislation. In the case of business and activities referring to finances, the exceptions would be those that the law reserves for banks. It is also prohibited to do business with firms or people residing on Cayman Islands.

Paid capital (M\$)  
5,125

Holding of Enersis (direct and indirect)  
30.10%

Directors  
Alejandro González  
Tom Miller  
Andrés Salvestrini  
Dan Dexter

### ENERSIS INTERNACIONAL

Name  
Enersis Internacional

Kind of company  
Foreign Corporation

Address  
P.O. Box 309, Ugland House, South Church St, Grand Cayman, Cayman Islands

Telephone  
(345) 949 8066

Fax  
(345) 949 8080

External Auditors  
Deloitte & Touche

Subscribed and paid capital (M\$)  
211,895,795

Holding of Enersis (direct and indirect)  
100%

Investment as proportion of Enersis Assets  
8.0%

Corporate Purpose (extract)  
To carry out any legal activity that is related to fuel or energy.

Directors  
President  
Mario Valcarce  
(Chief Executive Officer de Enersis)

Director titular  
Alfredo Ergas Segal  
(Chief regional Financial officer)

## ENIGESA

Name  
Endesa Inversiones Generales S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.526.450-7

Address  
Santa Rosa 76, Santiago, Chile

Corporate Purpose  
The company's objective is the acquisition, sale, management, and exploitation, on its own account or through third parties, all types of furniture goods, properties, furniture values, and other business items; to carry out studies and consultancy; to offer all types of services; to participate in all types of investment and especially those related to the energy business; to participate in all types of companies and to carry out all operations, actions, and contracts that relate to the above mentioned objectives.

Paid capital (M\$)  
2,559,012

Holding of Enersis (direct and indirect)  
59.96%

Directors  
Alejandro González  
Juan Carlos Mundaca  
Jaime Montero

Senior Executives  
Chief Executive Officer  
Juan Carlos Mundaca

## GASATACAMA

Name  
Gasatacama S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.830.980-3

Address  
Isidora Goyenechea 3365, Floor 8,  
Santiago, Chile

Corporate Purpose  
A) The administration and management of the Gasoducto Atacama Chile Limitada corporations, Gasoducto Atacama Argentina Limitada, Gasatacama Generación Limitada, and the other companies that the members agree on; B) The investment of its resources, on its own account or through third parties, in all types of furniture goods or properties, physical or non-physical, securities, stocks and business items.

Paid capital (M\$)  
149,385,595

Holding of Enersis (direct and indirect)  
30.0%

Directors  
President  
Rafael Mateo  
Alejandro González  
Tom Miller  
Fernando Gallino  
Alternate Directors  
Juan Benabarre  
Claudio Iglesias  
Dan Dexter  
David Baughman

Senior Executives  
Chief Executive Officer  
Rudolf Araneda Kauert

## GASATACAMA GENERACIÓN

Name  
Gasatacama Generación S.A.

Kind of company  
Closely-held corporation

I.D.N°  
78.932.860-9

Address  
Isidora Goyenechea 3365, Floor 8,  
Santiago, Chile.

Corporate Purpose  
A) To exploit the production, transmission, purchasing, distribution, and sales of electric energy or of any other type. B) The purchasing, extraction, exploitation, processing, distribution, commercialization, and sale of solid, liquid, and gas fuels. C) The sale and offering of engineering services; D) The securing, transfer, purchasing, renting, obligation, and exploitation, by any means, of the concessions that the general law of electrical services, maritime concessions, and water (of any source) exploitation rights refers to. E) To invest in all types of goods, physical or non-physical, furniture or properties; F) The organization and setting-up of any type of company, whose objectives are related or involved with energy in any of its forms or that mainly supply electric energy or that have to do with any of the activities defined above.

Paid capital (M\$)  
61,960,040

Holding of Enersis (direct and indirect)  
29.99%

Directors  
President  
Rafael Mateo  
Alejandro González  
Tom Miller  
Francisco Mezzadri  
Alternate Directors  
Juan Benabarre  
Rafael de Cea  
Dan Dexter  
David Baughman  
Senior Executives

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Chief Executive Officer  
Rudolf Araneda

### GASODUCTO ATACAMA ARGENTINA

Name  
Gasoducto Atacama Argentina S.A.

Kind of company  
Closely-held corporation

I.D.N°  
78.952.429-3

Address  
Isidora Goyenechea 3365, Floor 8,  
Santiago, Chile.

Corporate Purpose  
The company's objective is the transport of natural gas on its own account, through outside sources or in conjunction with third parties within Chilean territory or in other countries, including the construction, emplacement, and exploitation of gas pipelines and other activities related directly or indirectly to said objective. This company established an agency in Argentina under the name; "Gasoducto Cuenca Noroeste Limitada Sucursal Argentina", whose purpose is the implementation of the gas pipeline between the locality of Cornejo in the Salta Province and the Argentine-Chilean border near the Jama Pass in the 2nd. Region.

Paid capital (M\$)  
54,083,449

Holding of Enersis (direct and indirect)  
29.99%

Directors  
President  
Rafael Mateo  
Alejandro González  
Tom Miller  
Francisco Mezzadri  
Alternate Directors  
Juan Benabarre  
Rafael de Cea  
Dan Dexter  
David Baughman  
Senior Executives

Chief Executive Officer  
Rudolf Araneda

### GASODUCTO ATACAMA CHILE

Name  
Gasoducto Atacama Chile S.A.

Kind of company  
Closely-held corporation

I.D.N°  
78.882.820-9

Address  
Isidora Goyenechea 3365, Floor 8,  
Santiago, Chile.

Corporate Purpose  
The company's objective is the transport of natural gas on its own, or in conjunction with third parties within Chilean territory or in other countries, including the construction and emplacement of gas pipelines and other activities related directly or indirectly with said objective.

Paid capital (M\$)  
32,865,368

Holding of Enersis (direct and indirect)  
29.99%

Directors  
President  
Rafael Mateo  
Alejandro González  
Tom Miller  
Francisco Mezzadri

Alternate Directors  
Juan Benabarre  
Rafael de Cea  
Dan Dexter  
David Baughman

Senior Executives  
Chief Executive Officer  
Rudolf Araneda

### GASODUCTO TALTAL

Name  
Gasoducto Taltal S.A.

Kind of company  
Closely-Held Corporation

I.D.N°  
77.032.280-4

Address  
Santa Rosa 76, Santiago, Chile

Corporate Purpose  
The company's objective is to transport, commercialize, and distribute natural gas on its own, through outside sources, or in conjunction with third parties, within Chilean territory, especially between the localities of Mejillones and Paposo in the 2nd. Region, including the construction, emplacement, and exploitation of gas pipelines and other activities related directly or indirectly with said objective.

Paid capital (M\$)  
1,801,813

Holding of Enersis (direct and indirect)  
29.99%

Directors  
Rudolf Araneda  
Pedro de La Sota  
Rafael Zamorano  
Eric Bongardt

Alternate Directors  
Luis Cerda  
Alejandro Sáez  
Gustavo Venegas  
Luis Vergara

Senior Executives  
Chief Executive Officer  
Rudolf Araneda

### GENERANDES PERÚ

Name  
Generandes Perú S.A.

Kind of company  
Corporation



## Address

Av. Víctor Andrés Belaúnde N°147,  
Torre Real, San Isidro, Lima, Perú.

## Corporate Purpose

The company's objective is to carry out activities related to the production of electric energy, directly and/or through companies set up for this purpose.

## Paid capital (M\$)

192,606,485

## Holding of Enersis (direct and indirect)

35.77%

## Directors

President

Rafael Mateo

Vicepresident

Javier García

José Griso

Juan Benabarre

José María Hidalgo

Mario Valcarce (Chief Executive Officer  
Enersis S.A.)

Joseph Lessard

Fritz Du Bois

## Alternate Directors

Edwin Vásquez

Juan Antonio Rozas

César Montero

Julio Lemaitre

Stephen Mitchell

Milagros Noriega

Roberto Cornejo

Guillermo Lozada

## Senior Executives

Chief Executive Officer

José Griso

Chief Financial Officer

Milagros Noriega

## GESTORA DEL PROYECTO GNL

## Name

Gestora Del Proyecto Gnl S.A.

## Kind of company

Closely-held corporation

## Address

Isidora Goyenechea 3477, floor 19, Las  
Condes, Santiago

## Corporate Purpose

The company will have as its sole objective the provision of management, administration, logistical, and coordination services as a contractor or agent of the group of companies that promotes a plan to secure the supply of liquid natural gas, its re-gasification, and delivery in Chile's central area.

## Paid capital (M\$)

10,000,000

## Holding of Enersis (direct and indirect)

14.13%

## Directors

Enrique Dávila (President)

Rafael Mateo

Eduardo Morandé

Bernardo Larraín

Felipe Cerón

## Alternate Directors

Paula Hidalgo

Claudio Iglesias

Gonzalo Palacios

Felipe Aldunate

Héctor Rojas

## Senior Executives ejecutivos

Chief Executive Officer

Antonio Bacigalupo

## HIDROINVEST

## Name

Hidroinvest S.A.

## Tipo de Entidad

Corporation

## Address

Av. España 3301, Buenos Aires;  
Argentina.

## Corporate Purpose

The company's objective is to acquire and maintain a principal share in Hidroeléctrica El Chocón S.A.

## Paid capital (M\$)

10,514,597

## Holding of Enersis (direct and indirect)

41.93%

## Directors

President

Rafael Mateo

Vicepresident

Francisco Mezzadri

Directors

Miguel Ortiz

José Miguel Granged

Fernando Claudio

Julio Valbuena

(Chief Planning and Control Office

Endesa Chile)

Francisco Domingo Monteleone

Carlos Principi

## Alternate Directors

Carlos Martín (General Counsel Endesa  
Chile)

Daniel Garrido

José María Hidalgo

Roberto Fagan

Gabriel Cerdá

Rigoberto Allendes

Sergio Falzone

Viviana Soria

## INGENDESA

## Name

Empresa de Ingeniería Ingendesa S.A.

## Kind of company

Closely-held corporation

## I.D.N°

96.588.800-4

## Address

Santa Rosa 76, Santiago, Chile

## Corporate Purpose

The company's objective is the provision of engineering services, job inspection, receiving and inspection of equipment and materials, a laboratory, industrial studies, business management in different fields, environment consultancy, including the carrying out of environmental impact studies, and consulting services in general in every field, in the country as well as abroad, be it directly, associated with or through third parties, by which the company could form, or incorporate itself with other companies, corporations, foundations, or consortiums of any kind.

### 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Paid capital (M\$)  
1,995,972

Holding of Enersis (direct and indirect)  
59.98%

Directors  
President  
Rafael Mateo  
Rafael de Cea  
Santiago Sabugal

Senior Executives ejecutivos  
Chief Executive Officer  
Rodrigo Alcaíno

#### INGENDESA - ARA

Name  
Sociedad Consorcio Ingendesa - Ara Ltda.

Kind of company  
Limited Partnership

I.D.N°  
76.197.570-6

Address  
Santa Rosa 76 Floor 10, Santiago, Chile

Corporate Purpose  
The provision of engineering services which comprise the projection, planning and carrying out of engineering plans and studies, consultancy offices, granting of technical information and assistance, and work and design development. Additionally, the company offers on its own account, or through outside sources, all types of works, the setting up and initiating of all types of establishments for itself or third parties, industrial or non-industrial, commercializing for itself or third parties the goods and services produced. In general, to develop activities related directly or indirectly with the operations mentioned, all types of commercial activity, including the buying and selling of furniture, exports and imports, and all business that the members agree on and that are related to the activities indicated. Besides what has been mentioned, a special objective of the company is the awarding and carrying out of the

Fiscal Inspection Consultancy Contract and the Concession Contract Justice Center of Santiago.

Paid capital (M\$)  
1,000

Holding of Enersis (direct and indirect)  
29.99%

Representatives  
Rodrigo Alcaíno  
Alejandro Santolaya

Alternate Representatives  
Cristian Araneda  
Elías Arce  
Julio Montero  
Fernando Orellana

#### INGENDESA BRASIL

Name  
Ingendesa do Brasil Ltda.

Kind of company  
Limited Partnership.

Address  
Rua Uruguaiana N° 94, Pavimento 05, Centro - Río de Janeiro, Rj - Cep 20.050 - 090, Brasil

Corporate Purpose  
The corporate purpose comprises the provision of engineering services, studies, plans, technical consultancy, administration, work control and supervision, inspection and receiving of materials and equipment, skills and laboratory services, as well as other services that legal authorities permit in practice regarding engineering, architecture, agronomy, geology, and meteorology, in all of its specializations, in the country and abroad, directly or indirectly, whereby the company could participate in companies or consortiums of any kind.

Paid capital (M\$)  
109,475

Holding of Enersis (direct and indirect)  
59.98%

Representative  
Director General  
Sergio Campos Ribeiro

#### INGENDESA MINMETAL

Name  
Consorcio IngEndesa–Minmetal Ltda.

Kind of company  
Limited Partnership

I.D.N°  
77.573.910-k

Address  
Santa Rosa N° 76, Santiago, Chile

Corporate Purpose  
The corporate purpose comprises the provision of engineering services which include the projection, planning and carrying out of engineering plans and studies, consultancy services, the granting of technical information and assistance, and the administration, inspection, and development of works and projects. The company could also carry out on its own account, or through outside sources, all types of works, set up and initiate all types of establishments on its own account or through third parties, industrial or non-industrial, commercializing for itself or third parties the goods and/or services produced. In general, the company could develop all the activities related directly or indirectly with the operations mentioned, all types of commercial activity, including the buying and selling of furniture, imports and exports, and all other business that members agree on that relate to the activities already mentioned. Apart from what has already been stated, a special objective of the company is the awarding and carrying out of the construction and engineering jobs that constitute the contract named LD-14.1 Technical and Administrative Consultancy regarding the Fiscal Inspection of the Construction Contract LD-4.1 of the Laja Project – Diguillín.

Paid capital (M\$)  
2,000

Holding of Enersis (direct and indirect)  
29.99%

Representatives  
Rodrigo Muñoz  
Juan Benabarre

Alternate Representatives  
Rodrigo Alcaíno  
Osvaldo Dinner  
Carlos Freire  
Fernando Orellana

## INMOBILIARIA MANSO DE VELASCO

Name  
Inmobiliaria Manso de Velasco Limitada.

Kind of company  
Limited Partnership.

I.D.N°  
79.913.810-7

Address  
Santa Rosa N° 76, Floor 9, Santiago-Chile.

Telephone  
(56 2) 378 4700

Fax  
(56 2) 378 4702

E-mail  
rch@mvelasco.enersis.cl

External auditors  
Deloitte & Touche

Corporate Purpose (extract)  
The acquisition, transfer, commercialization, and exploitation of real estate and an investment company.

Subscribed and paid capital (M\$)  
25,916,800

Holding of Enersis  
100%

Investment as proportion of Enersis Assets  
1.06%

Representative  
Apoderados Mancomunados  
Cristóbal Sánchez  
Andrés Salas

Senior Executives  
Chief Executive Officer  
Andrés Salas  
Legal Counsellor  
Alfonso Salgado  
Real state Development Manager  
Gustavo Cardemil  
ENEAs Project Manager  
Bernardo Küpfer

## INVERSIONES DISTRILIMA

Name  
Inversiones Distrilima S.A.

Kind of company  
Foreign Corporation

RUC  
20217264783

Address  
Jr. Teniente César López Rojas No201, Maranga, San Miguel, Lima, Perú

Telephone  
(51 1) 561 1604

Fax  
(51 1) 452 3007

P.O. Box  
32, Lima, Perú

External auditors  
Gris y Hernández y Asociados S.A.C. – Deloitte & Touche

Total N° of shares  
394.150.505 shares

Subscribed and paid capital (Nuevos Soles)  
394,150,505

Holding of Enersis (direct and indirect)  
55.69 %

Investment as proportion of Enersis Assets  
0.41%

Corporate Purpose (Extract)  
The company's objective is to make investments in general, especially those that are involving the distribution and production of electric energy.

Directors  
President  
Ignacio Blanco  
Vicepresident  
Reynaldo Llosa

Directors  
Alfredo Llorente  
Cristian Herrera  
Fernando Bergasa

Altern Directors  
Walter Néstor  
Mario Enrique  
Zoila Patricia  
Klaus Winkler  
Fernando Fort

Senior Executives  
Chief Executive Officer  
Ignacio Blanco

## INVERSIONES ELECTROGAS

Name  
Inversiones Electrogas S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.889.570-2

Address  
Apoquindo 3076, Oficina 402, Santiago, Chile

Corporate Purpose  
The company's objective is to buy, sell, invest in and keep stocks in the Electrogas S.A. closed public corporation.

### 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Paid capital (M\$)  
11,050,925

Holding of Enersis (direct and indirect)  
25.5%

Directors  
President  
Claudio Iglesias  
Jaime Fuenzalida  
Alejandro Marcuz  
Pedro Gatica  
Sergio Arévalo

Alternate Directors  
Andrés Vargas de La Piedra  
Felipe Aldunate  
Pedro Cruz  
Gustavo Rioseco  
Francisco Courbis

Senior Executives  
Chief Executive Officer  
Carlos Andreani

#### INVERSIONES ENDESA NORTE

Name  
Inversiones Endesa Norte S.A.

Kind of company  
Closely-held corporation

I.D.N°  
96.887.060-2

Address  
Santa Rosa 76, Santiago, Chile

Corporate Purpose  
The company's objective is to make investments in energy projects in the north of Chile that are connected with Gasoducto Atacama Compañía Ltda., Gasoducto Cuenca Noroeste Ltda., and Noroeste Pacífico Generación de Energía Ltda.; as well as in Administradora Proyecto Atacama S.A.; or its legal successors.

Paid capital (M\$)  
77,521,124

Holding of Enersis (direct and indirect)  
59.98%

Directors  
President  
Alejandro González  
Rafael Mateo  
Andrés Salvestrini

Alternate Directors  
Claudio Iglesias  
Juan Benabarre  
Raúl Arteaga

Senior Executives  
Chief Executive Officer  
Juan Benabarre Benaiges

#### INVERSIONES GASATACAMA HOLDING

Name  
Inversiones Gasatacama Holding Limitada

Kind of company  
Limited Partnership

I.D.N°  
76.014.570-k

Address  
Santiago, Chile

Corporate Purpose  
A) The direct or indirect participation through any type of association in companies whose objectives include one or more of the following activities: i) The transport of natural gas in all of its forms; ii) The production, transmission, purchasing, distribution, and sale of energy; iii) The financing of the activities indicated in i) and ii) a precedent developed by related third parties; B) The receipt and investment of the goods that are invested. The corporate purpose comprises all lucrative activities related to the ones already mentioned and other business that the members agree upon.

Paid capital (M\$)  
177,562,499

Holding of Enersis (direct and indirect)  
29.98%

Directors  
Rafael Mateo  
Tom Miller  
Alfredo Ergas  
(Chief Regional Financial Officer Enersis)  
Francisco Mezzadri

Alternate Directors  
Rafel de Cea  
David Baughman  
Juan Benabarre  
David Kehoe

#### INVESTLUZ

Name  
Investluz S.A.

Kind of company  
Foreign Corporation

I.D.N°  
03.032.652/0001-04

Address  
Av. Barão de Studart N° 2917, Bairro Dionísio Torres Fortaleza, Ceará, Brasil.

Telephone  
(55 85) 3216 1273

Fax  
(55 85) 3216 1422

External auditors  
Deloitte & Touche Tohmatsu

Total N° of shares  
100,461,895,427

Subscribed and paid capital (Reales)  
954,618,954

Holding of Enersis (direct and indirect)  
59.45%

Investment as proportion of Enersis Assets  
1.16%

Corporate Purpose (extract)  
To participate in the share capital of the Companhia Energetica do Ceará and other companies in Brazil and abroad as a member or stock holder.

Directors  
 Non Directors society.  
 Administrated by an Executives  
 Committee  
 President  
 Cristián Fierro  
 Other Members  
 Antonio Osvaldo Alves  
 Silvia Pereira  
 José Renato Ferreira  
 Luciano Alberto Galasso  
 Abel Pérez

## LUZ ANDES

Name  
 Luz Andes Limitada

Kind of Company  
 Limited Partnership

Address  
 Santa Rosa 76 Floor 5, Santiago, Chile

Telephone  
 (562) 634-6310

Fax  
 (562) 634-6370

External Auditors  
 KPMG Auditores Consultores Ltda.

Paid capital (pesos)  
 1,224,000

Holding of Enersis (direct and indirect)  
 98.25%

Corporate Purpose  
 The distribution and sale of electric energy. The exploitation, production, transport, distribution, and buying and selling of energy and electrical equipment, and the implementation of electrical installations

Senior Executives  
 Chief Executive Officer  
 Christian Mosqueira

## LUZ DE RÍO

Name  
 Luz de Río Limitada

Kind of company  
 Limited partnership

CNPJ (N° de Identificación Fiscal)  
 01.171.325/0001-08

Address  
 Praça Leoni Ramos, nº 01, bloco 1,  
 Planta 7 (parte) Niterói, Rio de Janeiro

Telephone  
 (55 21) 2613-7071

Fax  
 (55 21) 2613-7153

Postal Code  
 24.210-205

E-mail  
 lbettencourt@ampla.com

Inscription in securities Register  
 No listed

External auditors  
 Deloitte Touche Tohmatsu

Total N° of shares  
 755,000

Subscribed and paid capital (Reales)  
 755,000

Holding of Enersis (direct and indirect)  
 99.01%

Corporate Purpose (extract)  
 To develop activities related to the electric sector, above all the importation, transmission, production, distribution, commercialization, and exploration of electric energy, and, (if permitted), to participate in other electric-sector companies as a member or stock holder.

Directors  
 President  
 Marcelo Andrés Llévenes  
 Financial Director  
 Abel Alves  
 Institutional Relations Director  
 Eugenio Cabanes

Legal Director  
 Ana Claudia Gonçalves

## PANGUE

Name  
 Empresa Eléctrica Pangué S.A.

Kind of company  
 Closely-held corporation

I.D.N°  
 96.589.170-6.

Address  
 Santa Rosa 76, Santiago, Chile.

Corporate Purpose  
 The company's corporate purpose is to exploit the production, transport, distribution, and supply of electric energy of the Pangué head office of the Biobío river basin.

Paid capital (M\$)  
 76,139,754

Holding of Enersis (direct and indirect)  
 56.97%

Directors  
 President  
 Claudio Iglesias  
 Vicepresident  
 Alan Fischer  
 Director  
 Alejandro Wendling

Senior Executives  
 Chief Executive Officer  
 Lionel Roa

## PEHUENCHE

Name  
 Empresa Eléctrica Pehuenche S.A.

Kind of company  
 Open corporation

I.D.N°  
 96.504.980-0

Address  
 Santa Rosa 76, Santiago, Chile

## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

### Corporate Purpose

The company's objective is the production, transport, distribution, and supply of electric energy, by which the company could acquire and enjoy the respective favors and concessions.

Paid capital (M\$)

167,750,678

Holding of Enersis (direct and indirect)  
55.57%

Directors

President

Claudio Iglesias

Vicepresident

Alan Fischer

Directors

Leonardo Contreras

Enrique Lozán

Alejandro Wendling

Osvaldo Muñoz

Pedro Gatica

Chief Executive Officer

Lucio Castro

### PROGAS

Name

Progas S.A.

Kind of company

Limited Partnership

I.D.N°

77.625.850-4

Address

Isidora Goyenechea 3356, 8° Floor,  
Santiago, Chile

Corporate Purpose

To develop the following lines of business in the first, second and third regions of the country: a) The acquisition, production, storage, transport, distribution, transformation, and commercialization of natural gas; b) The acquisition, production, storage, transport, distribution, transformation, and commercialization of other oil derivatives and other fuels in general; c) The provision of services, fabrication, commercialization of

equipment and materials and the implementation of jobs related to the aforementioned objectives or that are necessary for their implementation and development. d) All other necessary activities or activities that are conducive to the performance of the aforementioned objectives.

Paid capital (M\$)

1,203

Holding of Enersis (direct and indirect)  
29.99%

Directors

Rudolf Araneda

Luis Cerda

Pedro de La Sotta

Senior Executives

Chief Executive Officer

Alejandro Sáez

### SACME

Name

Sacme S.A.

Kind of company

Closely-held corporation

I.D.N°

30-65942051-8

Address

Avda. España 3251 – Ciudad Autónoma  
de Buenos Aires,  
Argentina

Telephone

(54 11) 4361 5107

Fax

(54 11) 4307 0701

External auditors

Estudio Alonso Hidalgo & Asociados

Total N° of shares

12,000

Subscribed and paid capital

(Pesos Argentinos)

12,000

Holding of Enersis (direct and indirect)  
32.55%

Corporate Purpose (extract)

To carry out the management, supervision, and control of the production, transmission, and subtransmission system of electric energy for the Federal Capital and Greater Buenos Aires and the interconnections with the Sistema Argentino de Interconexión (SADI). To Represent the Distribuidora Edenor S.A. and Edesur S.A. companies in the operational management before the Compañía Administradora del Mercado Mayorista Eléctrico (CAMMESA). In general, to carry out all types of activities that allow its management to adequately develop, in virtue of the fulfillment distribution and commercialization services of electric energy for the concessionary companies in the Capital Federal and Greater Buenos Aires, all in accordance with what is stipulated in the Public International Tender for the sale of class A stocks from Edenor S.A. and Edesur S.A. and its applied regulations.

Directors

President

Mario Nicolás

Vicepresident

Daniel Héctor

Directors

Eduardo Maggi

Leandro Ostuni

Chief Executive Officer

Osvaldo Ernesto Rolando

### SAN ISIDRO

Name

Compañía Eléctrica San Isidro S.A.

Kind of company

Closely-held corporation

I.D.N°

96.783.220-0.

Address  
Santa Rosa 76, Santiago, Chile.

Corporate Purpose  
The company's corporate purpose is the production, transport, distribution, and supply of electric energy.

Paid capital (M\$)  
32,664,231

Holding of Enersis (direct and indirect)  
59.98%

Directors  
President  
Alejandro Wendling  
Vicepresident  
Alan Fischer  
Claudio Iglesias  
Gustavo Rioseco  
Pedro Gatica

Alternate Directors  
Alejandro García  
Carlo Carvallo  
Osvaldo Muñoz  
Claudio Betti

Senior Executives  
Chief Executive Officer  
Claudio Iglesias

## SISTEMAS SEC

Name  
Sistema SEC S.A.

Kind of company  
Closely-held corporation

I.D.N°  
99.584.600-4.

Address  
Miraflores 383, Of. 1004, floor 10,  
Santiago, Chile.

Corporate Purpose  
To develop the engineering, supply, setting up, testing, installation and maintenance of signalling, electrification, and communication systems, for the areas of Alameda – Chillán, Hualqui – Talcahuano, and

Concepción – Lomas Coloradas, which implies the development of all activities and provision of all services that are the objectives of the Provision of Signalling, Electrification, and Communication Systems Contract, in the process of a public bidding which was awarded by the Empresa de Ferrocarriles del Estado (State Railroad Company), as well as the activities and services permitted by said contract.

Paid capital (M\$)  
1,505,127

Holding of Enersis (direct and indirect)  
49.00%

Directors  
President  
Cristóbal Sanchez

Directors  
Pantaleon Calvo  
Jaime Godoy  
Ignacio Maluquer  
Francisco Fernández

Senior Executives  
Chief Executive Officer  
Jaime Pino  
Chief Technical Officer  
Sergio Zuñiga  
Chief Production Officer  
Gerardo Zecca

## SYNAPSIS

Name  
Synopsis Soluciones  
y Servicios IT Limitada

Kind of company  
Limited Partnership

I.D.N°  
96.529.420-1

Address  
Miraflores 383 Floor 27, Santiago

Telephone  
(56 2) 397 6600

Fax  
(56 2) 397 6601

Web site  
www.synapsis-it.com

E-mail  
Synapsis@synapsis-it.com

External auditors  
Deloitte & Touche Soc. de Auditores  
y Consultores Ltda.

Subscribed and paid capital (M\$)  
3,943,580

Holding of Enersis  
100% Enersis

Investment as proportion of Enersis  
Assets  
0.25%

Corporate Purpose (extract)  
The supply and commercialization of services and equipment related to the computing, data processing, telecommunications systems, and control systems for public service and other national and international companies.

Representatives and Senior  
Executives  
Cristóbal Sánchez  
Claudio Guzmán

Alternatives  
Eduardo López  
Rodrigo Morelli

Senior Executives  
Chief Executive Officer  
Claudio Guzmán  
Chief Administration and Financial  
Officer  
Rodrigo Morelli  
Chief Consultant Officer  
Gustavo Pardo  
Chief Outsourcing Officer  
Juan Seco  
Chief Factory Officer  
José María Gil  
Chief Commercial Officer  
Sergio Sifon  
Chief Communications and Marketing  
Officer  
Rodolfo Nieto  
Chief Factory officer Chile  
Pedro Causa  
Chief Supply Officer  
Robin Barquin

### 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

Chief Resources Officer  
María de la Luz Soffia

## SYNAPSIS ARGENTINA

Name  
Synapsis Argentina

Kind of company  
Limited Partnership

I.D.N° (CUIT)  
30-65753556-3

Address  
Alicia Moreau de Justo 1750 3 "C",  
Capital Federal

Telephone  
(00 54)11 4021 8300

Fax  
(00 54) 11 4021 8300

Inscription in Securities Register  
Registered at the General Justice  
Inspection, date november  
10,1992 under the N° 10842 of the  
Book 112, part of corporations.  
The Transformation into a limited  
Partnership was registered at the  
general justice Inspection, date  
September 3, 2002, under the N°4839,  
of book 116 of SRL .

External auditors  
Deloitte & Co SRL

Total N° of shares (quotes)  
466,129

Subscribed and paid capital (Pesos  
Argentinos)  
466,129

Holding of Enersis (direct and  
indirect)  
99.99%

Corporate Purpose (extract)  
The company's principal objective  
is to provide services related to  
computing, data processing, and  
other telecommunications and control  
computing services, as well as to  
provide training in related activities  
with services provided, among others.

Senior Executives  
Main Officers  
Claudio Rafael Guzmán  
Javier Sampayo  
Alternate Officer  
Mariano Florencio  
Chief Executive Officer  
José María Gil  
Chief Administration Financial and  
Human Resources  
Javier Sampayo

## SYNAPSIS BRASIL

Name  
Synapsis Brasil Limitada

Kind of company  
Limited Partnership

I.D.N°(CNPJ)  
01.855.536/0001-51

Address  
Av. das Américas 3434, Bloco 2, Sala  
403, Barra da Tijuca, Rio Janeiro, Brasil  
- Cep: 22640-102

Telephone  
(55 21) 3431-3850

Fax  
(55 21) 3431-3851

External auditors  
Deloitte Touche Tohmatsu

Subscribed and paid capital (Reales)  
390,334

Holding of Enersis (direct and  
indirect)  
99.99%

Corporate Purpose  
The providing of consultancy services  
and technical assistance related to the  
computing and data processing sector  
for Brazilian or foreign companies;  
computing programs and systems  
development; the commercialization  
of computing equipment and data  
processing; the fabrication, purchasing,  
sales, importation, exportation,  
representation, consignment, and  
distribution of all types of goods,  
mobile or non-mobile, connected with  
the object described in the topics  
mentioned; and the participation in  
other companies, civil or commercial,  
national or foreign, that operate in the  
computing, electric energy, or, that  
still operate in the administration and/  
or public service operations of electric  
energy, telecommunications, water  
for domestic or industrial and sanitary  
sewage use, as a share holder, cuotista,  
or member; consortiums y companies  
in participation accounts.

Directors  
President  
Leonardo Miguel Covalschí  
Directors  
Antonio Jaime Bravo  
Carlos Alberto Acero

Senior Executives  
Chief Executive Officer  
Leonardo Miguel Covalschí

General Counsel  
Deputy Administration and Financial  
Officer  
Jacqueline Gomes da Silva  
Deputy Human Resources Officer  
Marcia Caporazzo





## 13 SUBSIDIARIES AND ASSOCIATE COMPANIES

resolution SE Nr. 1427/2004", approved by resolution SE Nr. 1193/2005 (the "Agreement"). For these purposes the company could carry out all complementary and subsidiary activities that involve its corporate purpose, having full legal capacity to acquire rights and to enter into obligations and exercise any activity that is not prohibited by law or these statutes.

Subscribed and paid capital (M\$)  
84,198

Holding of Enersis (direct and indirect)  
7.19%

### Directors

#### President

Horacio Jorge T. Turri  
Vicepresident  
Pierre Marie Ranger

### Directors

José Miguel Granged  
Vicente Javier Giorgio  
Roberto José Fagan  
Jorge Aníbal Rauber  
Guillermo Luis Fiad  
Jean-Louis Betouret

### Alternate Directors

Gustavo Alberto Matta  
Gabriela Roselló  
José María Vázquez  
Francisco D. Monteleone  
Sergio Daniel Camps  
Patricio Ricardo A. Testorelli  
Milton Gustavo Tomás Pérez  
Sergio Raúl Sánchez

### Senior Executives

Chief Executive Officer  
Florencio Alberto Olmos  
Chief Technical Officer  
Armando Federico Duvo

Chief Financial and Administration Officer

Daniel Gustavo Isse  
Chief Commercial Officer  
Marcelo Walter Holmgren

## TERMOELÉCTRICA MANUEL BELGRANO S.A.

### Name

Termoeléctrica Manuel Belgrano S.A.

Kind of company  
Corporation

### Address

Suipacha 268 – Floor 12° - Buenos Aires

### Corporate Purpose

The company's objective is the production of electric energy and its mass commercialization y, particularly, the managing of the equipment purchasing, construction, operation, and maintenance of a thermal plant en compliance with the "Definite agreement for the management and project operation for the readjustment of the MEM in the framework of resolution SE Nr. 1427/2004", approved by resolution SE Nr. 1193/2005 (the "Agreement"). For these purposes the company could carry out all complementary and subsidiary activities that involve its corporate purpose, having full legal capacity to acquire rights and to enter into obligations and exercise any activity that is not prohibited by law or these statutes.

Subscribed and paid capital (M\$)  
84,198

Holding of Enersis (direct and indirect)  
7.19%

### Directors

#### President

José Miguel Granged

### Vicepresident

Roberto José Fagan

### Directors

Horacio Jorge T. Turri  
Pierre Marie Ranger  
Vicente Javier Giorgio  
Jorge Aníbal Rauber  
Guillermo Luis Fiad  
Jean-Louis Betouret

### Alternate Directors

Gustavo Alberto Matta  
Gabriela Roselló  
José María Vázquez  
Francisco D. Monteleone  
Sergio Daniel Camps  
Patricio Ricardo A. Testorelli  
Milton Gustavo Tomás Pérez  
Sergio Raúl Sánchez

### Senior Executives

Chief Executive Officer  
Miguel Ortiz Fuentes  
Chief Technical Officer  
Gustavo Manifesto  
Chief financial and Administration Officer  
Oscar Zapiola  
Chief Commercial Officer  
Daniel Garrido

## TESA

### Name

Transportadora de Energía S.A.

Kind of company

Corporation

### Address

Bartolomé Mitre N° 797, Floor 13, Oficina 79, Buenos Aires, República Argentina.

### Corporate Purpose

The corporate purpose includes providing high-tension electric energy transport services, involving national as well as international electrical systems, in accordance with existing legislation, to which end the company could participate

in national and international bids, and become a public service licensee for the transport of high-tension national or international electric energy, and carry out activities necessary for the performance of its goals, expressly including but not limiting to forming part of construction, operation, and maintenance contracts for the commencement and/or extension of electric energy transport lines, to participate in financing projects directly or indirectly related with said undertakings as a borrower and/or moneylender and/or guarantor and/or endorser, to which purpose the company could grant guarantees favoring third parties. Expressly excluded are those activities included in the financial entity law and any others that require public savings tendering.

Paid capital (M\$)  
6,111,258

Holding of Enersis (direct and indirect)  
53.60%

Directors  
President  
José María Hidalgo  
Directors  
Francisco Javier Bugallo  
Arturo Papalardo

Alternate Directors  
José Agustín Venegas  
Juan Carlos Blanco  
Roberto José Fagan

Senior Executives  
Chief Executive Officer  
Francisco Javier Bugallo

## TRANSQUILLOTA

Name  
Transmisora Eléctrica de Quillota Ltda.

Kind of company  
Limited Partnership

I.D.N°  
77.017.930-0

Address  
Santa Rosa 76, Santiago, Chile.

Corporate Purpose  
The company's corporate purpose is the transport, distribution, and supply of electric energy on its own account or through third parties.

Paid capital (M\$)  
3,507,137

Holding of Enersis (direct and indirect)  
29.99%

Representatives  
Felipe Aldunate  
Gabriel Carvajal  
Eduardo Morel  
Gustavo Rioseco

Alternate Representatives  
Alfonso Bahamondes  
Alejandro Larenas  
Enrique Sánchez  
Ricardo Sáez

## TÚNEL EL MELÓN

Name  
Sociedad Concesionaria  
Túnel El Melón S.A.

Kind of company  
Limites Partnership

I.D.N°  
96.671.360-7

Address  
Santa Rosa 76, Santiago, Chile

Corporate Purpose  
The implementation, construction, and exploitation of the public work named the Melón Tunnel and the providing of complementary services that the ministry of public works authorizes.

Paid capital (M\$)  
9,253,808

Holding of Enersis (direct and indirect)  
59.95%

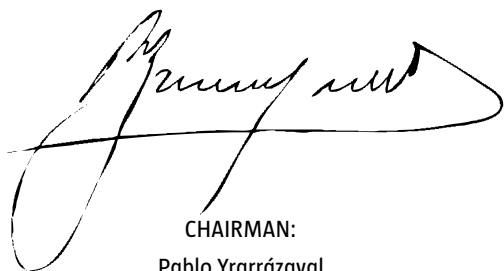
Directors  
President  
Alejandro González  
Jorge Ale  
Renato Fernández

Senior Executives  
Chief Executive Officer  
Maximiliano Ruiz

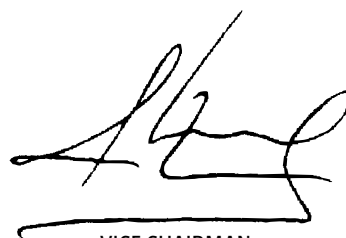
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**DECLARATION OF RESPONSIBILITY**

The directors of Enersis and the Chief Executive Officer signatories to this declaration, swear to the truth of all information contained in this annual report, in accordance with general rule N°30 of the Superintendency of Securities and Insurance.



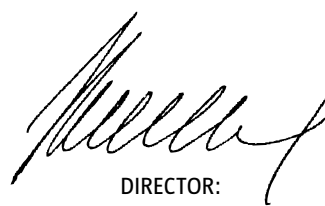
CHAIRMAN:  
Pablo Yrarrázaval  
Rut: 5.710.967-K



VICE CHAIRMAN:  
Rafael Miranda  
Rut: 48.070.966-7



DIRECTOR:  
Juan Ignacio de la Mata  
Rut: 48.101.910-9



DIRECTOR:  
Hernán Somerville  
Rut: 4.132.185-7



DIRECTOR:  
Rafael Español  
Rut: 48.101.912-5



DIRECTOR:  
Eugenio Tironi  
Rut: 5.715.860-3



DIRECTOR:  
Ernesto Silva  
Rut: 5.126.588-2



CHIEF EXECUTIVE OFFICER:  
Mario Valcarce  
Rut: 5.850.972-8



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## CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte & Touche  
Sociedad de Auditores y Consultores Ltda.  
RUT: 80.276.200-3  
Av. Providencia 1760  
Pisos 6, 7, 8 y 9  
Providencia, Santiago  
Chile  
Fono: (56-2) 270 3000  
Fax: (56-2) 374 9177  
e-mail: deloittechile@deloitte.com  
www.deloitte.cl

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Enersis S.A.

We have audited the accompanying consolidated balance sheets of Enersis S.A. and Subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income and cash flows for the years then ended. 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 at December 31, 2005 and 2004 of certain subsidiaries and investees whose consolidated financial statements for 2005 and 2004 reflect total assets and income of 44,86% and 42,58% and 35,74% and 41,19%, respectively. Those statements were audited by other auditors whose reports have been provided to us and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Chile. 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 Enersis S.A. and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Chile.

Santiago, Chile  
January 20, 2006

Una firma miembro de  
**Deloitte Touche Tohmatsu**

## CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005)

ASSETS	AS OF DECEMBER 31,	
	2005 ThCh\$	2004 ThCh\$
<b>CURRENT ASSETS:</b>		
Cash	71,374,868	58,528,213
Time deposits	259,894,382	466,970,638
Marketable securities	5,310,478	12,765,112
Accounts receivable, net	640,417,925	547,774,774
Notes receivable, net	3,569,012	2,929,823
Other accounts receivable, net	62,868,293	59,517,911
Due from related companies	5,715,640	118,503,650
Inventories	70,615,427	52,816,642
Income taxes recoverable	50,720,537	83,975,730
Prepaid expenses	36,538,342	46,117,773
Deferred income taxes	53,990,304	62,165,923
Other current assets	40,469,156	39,693,950
<b>Total current assets</b>	<b>1,301,484,364</b>	<b>1,551,760,139</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	123,099,988	127,020,847
Buildings and infrastructure	10,084,480,540	10,220,125,150
Machinery and equipment	1,624,872,069	1,783,080,592
Other plant and equipment	429,548,988	413,062,854
Technical appraisal	540,497,366	605,213,627
Accumulated depreciation	(5,156,374,028)	(5,187,027,539)
<b>Total property, plant and equipment, net</b>	<b>7,646,124,923</b>	<b>7,961,475,531</b>
<b>OTHER ASSETS:</b>		
Investments in related companies	98,891,387	198,357,804
Investments in other companies	40,657,593	51,792,493
Goodwill, net	701,402,509	759,942,367
Negative goodwill, net	(36,690,096)	(58,778,303)
Long-term receivables	141,648,811	143,242,632
Due from related companies	89,826,992	472,671
Intangibles	81,815,595	83,614,327
Accumulated amortization	(48,423,446)	(45,598,343)
Other assets	236,853,668	222,337,620
<b>Total other assets</b>	<b>1,305,983,013</b>	<b>1,355,383,268</b>
<b>TOTAL ASSETS</b>	<b>10,253,592,300</b>	<b>10,868,618,938</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	AS OF DECEMBER 31,	
	2005 ThCh\$	2004 ThCh\$
<b>CURRENT LIABILITIES:</b>		
Short-term debt due to banks and financial institutions	110,497,020	198,832,362
Current portion of long-term debt due to banks and financial institutions	117,574,868	110,790,819
Current portion of bonds payable	515,523,256	110,939,073
Current portion of long-term notes payable	30,101,145	27,712,649
Dividends payable	17,500,990	3,521,883
Accounts payable	283,533,469	251,705,009
Short-term notes payable	14,363,125	13,891,895
Miscellaneous payables	84,731,394	39,996,337
Due to related companies	47,468,493	84,442,987
Accrued expenses	73,982,488	53,695,231
Withholdings	62,106,891	51,540,501
Income taxes payable	66,700,894	39,200,750
Deferred income	4,071,808	6,738,865
Other current liabilities	48,875,364	42,663,179
<b>Total current liabilities</b>	<b>1,477,031,205</b>	<b>1,035,671,540</b>
<b>LONG-TERM LIABILITIES:</b>		
Due to banks and financial institutions	553,825,316	648,652,313
Bonds payable	2,002,198,838	2,583,266,113
Long-term notes payable	105,599,054	158,816,798
Miscellaneous payables	41,341,705	52,404,723
Due to related companies	13,241,975	-
Accrued expenses	406,796,264	314,456,061
Deferred income taxes	85,634,866	65,823,180
Other long-term liabilities	172,011,080	120,324,938
<b>Total long-term liabilities</b>	<b>3,380,649,098</b>	<b>3,943,744,126</b>
<b>MINORITY INTEREST</b>	<b>2,800,040,569</b>	<b>3,237,506,218</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital, no par value	2,365,606,672	2,365,606,672
Additional paid-in capital	168,583,951	168,583,951
Other reserves	(236,727,352)	(127,002,198)
Retained earnings:		
Accumulated earnings	230,391,292	201,375,876
Net income for the year	68,016,865	45,902,669
Deficit of subsidiaries in development stage	-	(2,769,916)
<b>Total shareholders' equity</b>	<b>2,595,871,428</b>	<b>2,651,697,054</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,253,592,300</b>	<b>10,868,618,938</b>

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

## CONSOLIDATED INCOME STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005)

	AS OF DECEMBER 31,	
	2005 ThCh\$	2004 ThCh\$
<b>OPERATING INCOME:</b>		
SALES	3,215,797,512	2,823,601,252
COST OF SALES	(2,185,190,159)	(1,967,623,679)
<b>GROSS PROFIT</b>	<b>1,030,607,353</b>	<b>855,977,573</b>
Administrative and selling expenses	(225,274,197)	(182,994,609)
<b>OPERATING INCOME</b>	<b>805,333,156</b>	<b>672,982,964</b>
<b>NON-OPERATING INCOME AND EXPENSE:</b>		
Interest income	92,809,908	76,286,515
Equity in income of related companies	14,463,707	32,267,842
Other non-operating income	73,910,529	121,289,071
Equity in loss of related companies	(7,717,871)	(708)
Amortization of goodwill	(55,185,664)	(55,116,568)
Interest expense	(353,343,976)	(373,105,272)
Other non-operating expenses	(158,743,508)	(213,615,771)
Price-level restatement, net	(4,944,984)	(804,846)
Exchange difference, net	(6,241,948)	14,925,424
<b>NON-OPERATING EXPENSE, NET</b>	<b>(404,993,807)</b>	<b>(397,874,313)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>400,339,349</b>	<b>275,108,651</b>
Income taxes	(178,306,243)	(142,181,891)
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>222,033,106</b>	<b>132,926,760</b>
Minority interest	(169,512,805)	(104,746,841)
<b>NET INCOME</b>	<b>52,520,301</b>	<b>28,179,919</b>
Amortization of negative goodwill	15,496,564	17,722,750
<b>NET INCOME FOR THE YEAR</b>	<b>68,016,865</b>	<b>45,902,669</b>

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

## STATEMENTS OF CONSOLIDATED CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005)

	AS OF DECEMBER 31,	
	2005 ThCh\$	2004 ThCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>NET INCOME FOR THE YEAR</b>	<b>68,016,865</b>	<b>45,902,669</b>
<b>GAIN (LOSSES) FROM SALES OF ASSETS:</b>	<b>823,366</b>	<b>(7,087,774)</b>
Losses (gain) on sale of property, plant and equipment	1,087,649	(6,851,708)
Losses (gain) on sale of other assets	(264,283)	
<b>Charges (credits) to income which do not represent cash flows:</b>		
Depreciation	367,623,977	393,152,848
Amortization of intangibles	8,312,025	7,046,217
Write-offs and accrued expenses	55,768,555	39,762,239
Equity in income of related companies	(14,463,707)	(32,267,842)
Equity in losses of related companies	7,717,871	708
Amortization of goodwill	55,185,664	55,116,568
Amortization of negative goodwill	(15,496,564)	(17,722,750)
Price-level restatement, net	4,944,984	804,846
Exchange difference, net	6,241,948	(14,925,425)
Other credits to income which do not represent cash flows	(26,536,337)	(16,020,788)
Other charges to income which do not represent cash flows	85,737,056	115,143,112
<b>Changes in assets which affect operating cash flows:</b>		
(Increase) in trade receivables	(77,632,642)	(25,043,695)
(Increase) in inventory	(19,877,926)	(7,235,191)
Decrease (increase) in other assets	100,746,317	(7,815,904)
<b>Changes in liabilities which affect operating cash flows:</b>		
Increase (decrease) in accounts payable associated with operating results	17,762,144	(9,792,834)
Increase in interest payable	36,158,412	48,093,239
Increase in income tax payable	44,776,568	39,423,594
Increase (decrease) in other accounts payable associated with operating results	41,596,160	(67,705,672)
Net increase (decrease) in value added tax and other similar taxes payable	(23,318,287)	(3,321,302)
Income attributable to minority interest	169,512,805	104,746,841
<b>Net cash flows provided by operating activities</b>	<b>893,599,254</b>	<b>640,253,704</b>

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

## STATEMENTS OF CONSOLIDATED CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005)

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loans obtained	400,791,170	857,503,874
Proceeds from bond issuances	167,074,607	340,553,988
Other sources of financing	677,135	23,601,989
Dividends paid	(121,410,575)	(100,505,639)
Distribution of capital in subsidiary	(275,912,872)	(21,934,311)
Payment of debt	(788,396,242)	(1,234,191,710)
Payment of bonds	(110,551,900)	(22,906,471)
Payment of other loans obtained from related companies	(2,579,250)	-
Payment of bond issuance costs	(897,662)	(2,448,552)
Other disbursements for financing	(17,336,297)	(35,605,888)
<b>Net cash used in financing activities</b>	<b>(748,541,886)</b>	<b>(195,932,720)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of property, plant and equipment	6,093,681	16,096,879
Sales of investment in related companies and other investments	1,668,492	2,649,821
Payments received from notes receivable from related companies	7,872,994	15,845,332
Other receipts from investments	7,093,753	42,035,037
Additions to property, plant and equipment	(317,449,172)	(275,507,990)
Long term investments	(33,141,553)	(356,342)
Other investment disbursements	(2,860,110)	(1,648,913)
<b>Net cash used in investing activities</b>	<b>(330,721,915)</b>	<b>(200,886,176)</b>
<b>(NEGATIVE) POSITIVE NET CASH FLOW FOR THE PERIOD</b>	<b>(185,664,547)</b>	<b>243,434,808</b>
<b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS</b>	<b>(20,965,889)</b>	<b>(27,986,705)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(206,630,436)</b>	<b>215,448,103</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>566,937,882</b>	<b>351,489,779</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>360,307,446</b>	<b>566,937,882</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005)

As of and for the years ended December 31, 2005 and 2004

### NOTE 1. REGISTERED UNDER SECURITIES REGISTER

a. Enersis S.A. (the "Company") is registered in the Securities Register under N°.0175 and is regulated by the Chilean Superintendency of Securities and Insurance (the "SVS"). The Company issued publicly registered American Depositary Receipts in 1993 and 1996. Enersis S.A. is a reporting company under the United States Securities and Exchange Act of 1934.

b. The Company's subsidiaries, Chilectra S.A. ("Chilectra") and Empresa Nacional de Electricidad S.A. ("Endesa") are registered in the Securities Register under N°.0321 and 0114, respectively.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Reporting period

These financial statements reflect the Company's financial position as of December 31, 2005 and 2004, and the results of its operations, the changes in its shareholders' equity and its cash flows for the twelve month periods ended December 31, 2005 and 2004.

#### b. Basis of preparation

The consolidated 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").

#### c. Comparative financial statements

For comparative purposes, the 2004 consolidated financial statements and the amounts disclosed in the related Notes have been restated by 3.6%, which represents the change in the Chilean consumer price index in the twelve months ended December 31, 2005.

**Reclassifications** - For purposes of comparison, the following reclassifications were made in the 2004 financial statements:

#### BALANCE SHEET RECLASSIFICATIONS

FROM	DEBIT THCH\$	TO	CREDIT THCH\$
Long-term accrued expenses	(7,766,122)	Short-term accrued expenses	7,766,122
Income taxes recoverable	(17,177,106)	Income tax payable	17,177,106
Prepaid expenses	(513,818)	Other current assets	513,818
Other receivables	(6,593,602)	Other current assets	1,762,734
Other long-term assets	(7,968,912)	Long-term receivables	12,799,780
Accounts payable	(10,405,584)	Notes payable	10,405,584

#### STATEMENT OF OPERATIONS RECLASSIFICATIONS

FROM	CREDIT THCH\$	TO	DEBIT THCH\$
Other non-operating income	(17,154,596)	Operating Income	17,154,596
Other non-operating expenses	1,204,520	Operating Expenses	(1,204,520)

**d. Basis of consolidation**

All significant transactions and balances between the consolidated societies have been eliminated and the proportional part corresponding to minority interests of the subsidiaries, is included in the minority interest item of the general balance sheet and the income statement.

The consolidated financial statements have been prepared in agreement with the norm established in the Technical Bulletin N° 72 (that replaced the Technical Bulletin N° 42) of the Chilean Association

of Accountants and in the 'circular' N°1,697 (that replaced the 'circular' N° 368) of the Superintendency of Securities and Insurance.

The financial statements of the foreign societies as of December 31, 2005 and 2004 have been prepared according to the norm established in the Technical Bulletins N° 72, N° 64 and N° 42 of the Chilean Association of Accountants.

These consolidated financial statements include the assets, liabilities, results and cash flow of the parent company and the following subsidiaries:

COMPANY	PERCENTAGE PARTICIPATION IN VOTING RIGHTS AS OF DECEMBER 31,			
	2005			2004
	DIRECT	INDIRECT	TOTAL	TOTAL
Chilectra S.A.	98,24	-	<b>98,24</b>	98,24
Synapsis Soluciones y Servicios IT Ltda.	99,99	0,01	<b>100,00</b>	100,00
Inmobiliaria Manso de Velasco Ltda.	99,99	0,01	<b>100,00</b>	100,00
Cía. Americana de Multiservicios Ltda.	99,93	0,07	<b>100,00</b>	100,00
Endesa Chile S.A.	59,98	-	<b>59,98</b>	59,98
Elesur S.A. (*)	100,00	-	<b>100,00</b>	100,00
Enersis Internacional Ltda.	100,00	-	<b>100,00</b>	100,00
Inversiones Distrilima S.A.	15,93	39,75	<b>55,68</b>	55,68
Empresa Distribuidora Sur S.A. (Edesur)	16,02	49,07	<b>65,09</b>	65,09
Codensa S.A. (**)	12,47	9,19	<b>21,66</b>	21,66
Investluz	-	59,45	<b>59,45</b>	55,13
Ampla Energia e Serviços S.A.	18,10	51,54	<b>69,64</b>	80,41
Ampla Investimentos e Serviços S.A.	18,10	51,54	<b>69,64</b>	-
Compañía de Interconexión Energética S.A. (Cien) (***)	-	53,61	<b>53,61</b>	-
Central Geradora Termeléctrica Fortaleza S.A. (***)	-	53,61	<b>53,61</b>	-
Endesa Brasil S.A. (***)	22,06	31,55	<b>53,61</b>	-

(\*) On May 27, 2004, 99.9989% of Elesur S.A. was purchased, therefore, as from that date it is consolidated into Enersis S.A. financial statements.

(\*\*) Codensa S.A. is consolidated because of the majority presence on the board of directors, obtained through the shareholders' agreement of January 27, 2004, between Endesa Internacional and subsidiaries of Enersis S.A.

(\*\*\*) As a result of the creation of the Brazilian holding company, Endesa Brasil S.A. ("Endesa Brasil") (see Note 11.g), these companies were included in the consolidated financial statements of Enersis S.A. The following pro forma balance sheet gives effect to the additional shareholding in Compañía de Interconexión Energética S.A. and Central Geradora Termina Fortaleza S.A., as if this additional shareholding occurred as of December 31, 2004. The following pro forma income statement information for the year ended December 31, 2004 gives effect to the acquisition of additional shareholding in these subsidiaries as if it took place on October 1, 2004. The pro forma information is not necessarily indicative of what would had occurred if the acquisitions had been in effect for the periods presented, nor is it intended to be a projection of future results.



The proforma balance sheet is as follows:

	AS OF DECEMBRE 31,	
	2005 (HISTORICAL)	2004 (PROFORMA)
Total current assets	1,301,484,364	1,639,414,300
Total fixed assets - net	7,646,124,923	8,421,104,920
Total other assets	1,305,983,013	1,361,188,850
<b>TOTAL ASSETS</b>	<b>10,253,592,300</b>	<b>11,421,708,070</b>
Total current liabilities	1,477,031,205	1,217,958,840
Total long-term liabilities	3,380,649,098	4,218,336,624
Minority interest	2,800,040,569	3,333,715,552
Total shareholders' equity	2,595,871,428	2,651,697,054
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,253,592,300</b>	<b>11,421,708,070</b>

The proforma statements of operations (1)

	AS OF DECEMBER 31,	
	2005 (HISTORICAL)	2004 (PROFORMA)
<b>OPERATING RESULTS</b>		
Revenue	3,215,797,512	2,849,019,812
Operating costs	(2,185,190,159)	(1,978,202,937)
<b>Gross margin</b>	<b>1,030,607,353</b>	<b>870,816,875</b>
Administrative and selling expenses	(225,274,197)	(185,946,695)
Operating income	805,333,156	684,870,180
<b>NON-OPERATING LOSS</b>	<b>(404,993,807)</b>	<b>(411,235,193)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>400,339,349</b>	<b>273,634,987</b>
Income taxes	(178,306,243)	(144,556,545)
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>222,033,106</b>	<b>129,078,442</b>
Minority interest	(169,512,805)	(100,898,523)
<b>NET INCOME</b>	<b>52,520,301</b>	<b>28,179,919</b>
Amortization of negative goodwill	15,496,564	17,722,750
<b>NET INCOME FOR THE YEAR</b>	<b>68,016,865</b>	<b>45,902,669</b>

(1) To allow comparison with the current year, which incorporates results for only three months due to the consolidation of the companies listed above as from October 2005, the proforma 2004 information similarly includes operating results for these companies during the same three month period in 2004.

**e. Price level restatement ( Monetary correction )**

The consolidated financial statements 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 24).

**f. Assets and liabilities in foreign currencies**

Assets and liabilities denominated in foreign currencies are detailed in Note 31. These amounts have been stated at the observed exchange rates reported by the Central Bank of Chile as of each December 31, as follows:

	SYMBOL USED	2005 CH\$	2004 CH\$
United States dollar	US\$	512.40	557.40
British pound sterling	£	880.43	1,073.37
Colombian peso	\$Col	0.22	0.23
New Peruvian sol	Soles	149.42	169.84
Brazilian real	Rs	219.02	209.99
Japanese yen	¥	4.34	5.41
Euro	€	606.08	760.13
Unidad de Fomento (UF)	UF	17,974.81	17,317.05
Argentine peso	\$Arg	169,14	187.65

**g. Time deposits and marketable securities**

Time deposits are presented at original placement plus accrued interest and UF indexation adjustments, as applicable. Marketable securities include investments in quoted shares that are valued at the lower of cost or market value. The investments are in both short-term highly liquid fixed rate investment shares and mutual fund units valued at cost plus interest and indexation or redemption value as appropriate (Note 4).

**h. Inventories**

Inventory of materials in transit, and operation and maintenance materials on hand, are valued at the lower of price-level restated cost or net realizable value.

The cost of real estate projects under development included in inventory include the cost of land, demolition, urbanizing, payments to contractors and other direct costs.

The costs and revenues of construction in progress are accounted for under the completed contract method in accordance with Technical Bulletin No.39 of the Chilean Association of Accountants and are included in current assets as their realization is expected in the short-term.

**i. Allowance for doubtful accounts**

The estimates for the allowance for doubtful accounts have been made considering the aging and nature of the accounts receivables. Accounts receivable are classified as current or long-term, depending on their collection terms. Current and long-term trade accounts receivable, notes receivable and other receivables are presented net of allowances for doubtful accounts (see Note 5). The allowance for doubtful accounts amounted ThCh\$ 130,679,435 (ThCh\$108,102,126 in 2004). In addition, the total sum owed by companies that have gone into bankruptcy amounting to ThCh\$1,562,301 (ThCh\$941,279 in 2004) is included in the bad debt allowance estimation.

**j. Property, plant and equipment**

Property, plant and equipment are valued at net replacement cost as determined by the former Superintendency of Electric and Gas Services (SEG) adjusted for price-level restatement in accordance with D.F.L. No.4 of 1959. The latest valuation under the D.F.L. 4 was in 1980.

Property, plant and equipment acquired after the latest valuation of net replacement cost are shown at cost, plus price-level restatement. Interest on debt directly obtained to finance construction projects is capitalized during the year of construction (only in power generators).

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 N°.s 550 and 566 dated October 15 and December 16, 1985, respectively, and Communication No.4790, dated December 11, 1985.

In accordance with Chilean GAAP, the Company has evaluated the recoverability of its property, plant and equipment as required by Technical Bulletin No.33 of the Chilean Association of Accountants. As result of these evaluating the Company has not identified impairments in the net book values of its property, plant and equipment.

**k. Depreciation**

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets.

#### **l. Leased assets**

The leased assets, whose contracts have financial lease characteristics, are accounted for as an acquisition of property, plant and equipment, recognizing the total obligation and the unrecorded interest. Said assets do not legally belong to the Company, for which reason, as long as the purchase option is not exercised, it will not be able to freely dispose of them.

#### **m. Power installations financed by third parties**

As established by D.F.L. 1 of the Ministry of Mines dated September 13, 1982, power installations financed by third parties are treated as reimbursable contributions. As such, the installations constructed using this mechanism form part of the Company's plant and equipment.

Such installations completed prior to D.F.L. 1 are deducted from Plant and equipment and their depreciation is charged to Power installations financed by third parties.

#### **n. Intangibles, other than goodwill**

Intangibles, other than goodwill, correspond mainly to easements, rights of way, water rights, and parent company contributions, which are recorded and amortized in accordance with Technical Bulletin No.55 of the Chilean Association of Accountants.

#### **o. Investments in related companies**

Investments in related companies are presented under the equity method of accounting, on the basis of the corresponding financial statements of the invested. Investments in foreign affiliates are recorded in accordance with Technical Bulletins N°. 64 and 72 (which partially revoked Technical Bulletin N°. 42) of the Chilean Association of Accountants. The Company has evaluated at December 31, 2004 and 2005, the recoverability of the book value of its investments abroad in accordance with Technical Bulletin N°72 of the Chilean Association of Accountants. As a result of this evaluation no adjustments have been determined that affect the book values of its investments.

#### **p. Investments in other companies**

Investments in other companies are presented at acquisition cost adjusted for price-level restatement, as they do not trade in an organized market and because the Company does not exercise significant influence.

#### **q. Goodwill and negative goodwill**

Goodwill and negative goodwill are determined according to Circular N°.1697 of the SVS (which revoked Circular 368 at December 30, 2003). Amortization is determined using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, not to exceed 20 years.

#### **r. Reverse repurchase agreements**

Reverse repurchase agreements are included in "Other current assets" and are stated at cost plus interest and indexation accrued at year-end, in conformity with the related contracts.

#### **s. Bonds**

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds.

#### **t. Income tax and deferred income taxes**

For the years ended December 31, 2005 and 2004, the Company recorded current tax expense determined in accordance with the laws and regulations in each country in which it operates of ThCh\$ 132,014,894 and ThCh\$ 67,683,080, respectively and, additionally, it recorded deferred tax expense of ThCh\$ 46,291,349 in 2005 and ThCh\$ 74,498,811 in 2004.

The Company records deferred income taxes in accordance with Technical Bulletin N°.60 of the Chilean Association of Accountants, and with circular N°.1,466 and N°.1,560 issued by the SVS, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities using the tax rates estimated to be in effect at the time of reversal of the temporary differences that gave rise to them.

#### **u. Severance indemnities**

The severance indemnity that the Company is obliged to pay to its employees under collective bargaining agreements is stated at the present value of the benefit under the vested cost method, discounted at 6.5% in 2005 and 2004 and assuming an average employment span which varies based upon years of service with the Company.

### v. Accrued vacation expense

In accordance with Technical Bulletin N°.47 issued by the Chilean Association of Accountants, employee vacation expense is recorded on an accrual basis.

### w. Pension and post-retirement benefits

Pension and post-retirement benefits are recorded in accordance with the respective collective bargaining contracts of the employees based on the actuarially determined projected benefit obligation, and using an annual discount rate of 6.5%.

### x. 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 and the corresponding cost is included in cost of sales.

The Company also recognizes revenues for amounts received from highway tolls for motorized vehicles, income related to computer advisory services, engineering services, sale of materials and sale of real estate.

### y. Financial derivative contracts

As of December 31, 2005 and 2004 the Company and its subsidiaries have forward contracts, currency swaps, and interest rate swaps and collars with several financial institutions, to hedge against mainly foreign currency and interest risk exposures, which are recorded according to Technical Bulletin N°.57 of the Chilean Association of Accountants.

### z. Research and development costs

Costs incurred by the Company in research and development relate mainly to water-level studies, hydroelectric research, and seismic-activity surveys which are expensed as incurred. Costs incurred in performing studies related to specific construction projects are capitalized. During the years ended December 31, 2005 and 2004 no such costs were incurred.

### aa. Statements of cash flows

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin N°.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.

### ab. Cost of share issue

Costs incurred to date associated with issuing and placing shares are recorded according to the provisions of Circular N°.1370 of 1998 of the Superintendency of Securities and Insurance. A breakdown of the costs is shown in Note 26.

## NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES

Effective January 1, 2005, the Company modified its accounting estimate for recording exchange derivatives associated with certain liabilities expressed in foreign currency, from hedges of existing items to hedges of expected transactions.

The change seeks to better show the transaction's economic and financial senses, fully implementing the policy of hedging exchange risk set forth by the company as well as Technical Bulletin N°.57 of the Chilean Association of Accountants as regards hedges over expected transactions. As of December 31, 2005, the application of this policy led to the deferral of income amounting to ThCh\$8,661,217.

## NOTE 4. TIME DEPOSITS

Time deposits as of each year end are as follows:

FINANCIAL INSTITUTION	ANNUAL RATE %	SCHEDULED MATURITY	AS OF DECEMBER 31,	
			2005 THCH\$	2004 THCH\$
ABN Amro Bank	7.50%	09/01/06	731,650	-
AVillas	7.00%	02/01/06	3,409,926	11,551,796
Bancafe			-	10,833,134
Banco Bilbao Vizcaya	6.77%	02/01/06	3,736,524	90,504,065
Banco Colpatría			-	19,512,009
Banco Comafi	8.00%	02/01/06	1,202,761	-
Banco Continental	4.66%	02/01/06	5,315,743	4,117,614
Banco Crédito	4.01%	02/01/06	2,099,020	6,891,359
Banco de Chile			-	3,734,808
Banco de Chile N.Y.			-	2,766,063
Banco de Bogotá			-	17,248,511
Banco de Galicia	7.93%	02/01/06	1,852,556	-
Banco de Occidente	5.21%	02/01/06		4,534,492
Banco do Brasil	1.51%	02/01/06	1,333,173	1,004,022
Banco do Estado do Ceará	1.51%	02/01/06	1,456,453	2,106,934
Banco Frances	6.58%	02/01/06	5,535,539	564,425
Banco Itau	1.48%	02/01/06	35,374,523	92
Banco Lloyds	6.00%	02/01/06	2,877,732	4,349,593
Banco Mellon Brascan	6.90%	02/01/06	8,852,413	-
Banco Nationale de Paris	1.50%	02/01/06	7,458,425	4,114,522
Banco Nordeste	1.39%	02/01/06	112,597	-
Banco Pactual	1.54%	31/01/06	48,672	-
Banco Real	1.53%	02/01/06	3,854,402	85,517
Banco Rio de la Plata	6.29%	02/01/06	14,548,563	2,664,890
Banco Santander Central Hispano	9.58%	02/01/06	19,737,352	14,832,710
Banco Santander Santiago			-	94,353
Banco Sudameris	7.20%	02/01/06	13,239,992	-
Banco Wiese Sudameris	5.00%	02/01/06	1,120,300	3,769,631
Banco Tequendama			-	4,568,488
Banco Union	5.15%	02/01/06	2,228	2,210,137
Banco Votorantim	1.46%	02/01/06	27,908,859	3,896,375
Bancolumbia			-	39,517,253
Bank Boston	7.98%	02/01/06	3,908,001	473,116
Bank of America	3.67%	02/01/06	7,510,103	8,484,714
Bradesco	3.10%	02/01/06	15,174,620	3,533,842
Cdt	6.90%	02/01/06	1,571	836,005
Citibank N.Y.	2.94%	02/01/06	22,658,281	78,612,070
Citiliquit			-	451,283
Corficolombiana			-	8,625,445
Corfinsura			-	26,487,280
Corfivalle			-	13,728,706
Correval	3.69%	02/01/06	1,386,667	-
Credit Bank	3.35%	02/01/06	1,876,849	-
Encargo Fiduciario Banco Santander	3.49%	02/01/06	3,929,031	1,622,834
FAM Fondo Ganadero			-	1,494,229
Fiduciaria Banco Union	4.82%	02/01/06	47,205	-
Fiduciaria Banco de Bogotá	4.44%	02/01/06	3,747	159

## NOTE 4. TIME DEPOSITS (CONTINUED)

FINANCIAL INSTITUTION	ANNUAL RATE %	SCHEDULED MATURITY	AS OF DECEMBER 31,	
			2005 THCH\$	2004 THCH\$
Fiduciaria Bancocolombia			-	51
Fiduciaria Helm Trust	5.26%	02/01/06	-	73
Fiducolumbia	5.33%	02/01/06	1,413	4,264,296
Fiduoccidente	5.60%	02/01/06	734,716	84
Fiduvalle	5.85%	02/01/06	5,682,266	8,583,499
Ford Motor			-	5,791,298
HSBC - Bamerindus	1.90%	02/01/06	17,581,517	3,906,210
Interbolsa			-	6,668,642
Merril lynch			-	4,383,654
Panamericano	1.54%	01/01/06	133,765	111,344
Porvenir	1.09%	02/01/06	505,158	455,139
Serfinco	6.10%	02/01/06	152,299	83,648
Standard Bank London	4.27%	31/01/06	2,272,751	-
Suvalor			-	30,326,917
Time deposits	6.20%	02/01/06	4,734,475	-
Unibanco	0.91%	02/01/06	9,790,544	2,573,307
			<b>259,894,382</b>	<b>466,970,638</b>

## NOTE 5. ACCOUNTS, NOTES AND OTHER RECEIVABLES

a. Current accounts, notes and other receivables and their related allowances for doubtful accounts as of each December 31, are as follows:

ACCOUNT	UNDER 90 DAYS		91 DAYS TO 1 YEAR		SUB TOTAL	CURRENT		LONG TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$		2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Account receivable	680,728,088	559,795,355	83,702,101	83,037,073	764,430,189	640,417,925	642,832,428	-	-
Allowance for doubtful accounts	(47,852,659)	(33,523,502)	(76,159,605)	(61,534,152)	(124,012,264)		(95,057,654)		
Notes receivables	3,780,746	2,969,004	565,800	721,430	4,346,546	3,569,012	3,690,434	-	-
Allowance for doubtful accounts	(640,953)	(136,526)	(136,581)	(624,085)	(777,534)		(760,611)		
Other receivables (1)	47,132,559	56,252,611	19,284,093	12,590,079	66,416,652	62,868,293	68,842,690	143,990,089	146,201,714
Allowance for doubtful accounts	(1,123,232)	(1,435,952)	(2,425,127)	(7,888,827)	(3,548,359)		(9,324,779)	(2,341,278)	(2,959,082)
<b>TOTAL</b>						<b>706,855,230</b>	<b>610,222,508</b>	<b>141,648,811</b>	<b>143,242,632</b>

b. Current and long-term accounts receivable per country as of each December 31, are as follows:

COUNTRY	AS OF DECEMBER 31,			
	2005 THCH\$	%	2004 THCH\$	%
Chile	177,912,953	20.97%	161,442,426	21.43%
Peru	46,314,650	5.46%	53,100,962	7.05%
Argentina	84,351,810	9.94%	60,150,431	7.98%
Colombia	148,567,105	17.51%	132,617,876	17.60%
Brazil	386,569,095	45.56%	341,358,658	45.31%
Panama	4,788,428	0.56%	4,794,787	0.64%
<b>TOTAL</b>	<b>848,504,041</b>	<b>100.00%</b>	<b>753,465,140</b>	<b>100.00%</b>

(1) This includes ThCh\$19,303,746 (ThCh\$8,353,240 in 2004) relating to other generating companies' debt payable to Endesa S.A. and generating subsidiaries, as a result of the collection of tolls due to the application, since March 13, 2004, of Law N°.19,940.

## NOTE 6. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The balances of accounts receivable and payable with related companies are as follows at December 31, 2005 and 2004:

## a. Notes and accounts receivable due from related companies:

COMPANY	AS OF DECEMBER 31,			
	SHORT-TERM		LONG-TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Atacama Finance Co.	21,209	109,906,311	89,826,992	-
CGT Fortaleza	-	35,658	-	-
Cía. Interconexión Energética S.A.	-	1,748,076	-	39
Com. de Energía del Mercosur S.A.	3,742,837	3,430,215	-	-
Empresa Eléctrica Piura S.A.	52,364	54,697	-	-
Endesa España	256,008	563,374	-	-
Endesa Internacional S.A.	541,370	365,020	-	126,507
Etevensa	301,490	65,850	-	-
Fundación Endesa	157,287	61,083	-	-
Consortio Ingendesa - Minmetal Ltda.	8,336	16,281	-	31,080
Gasatacama Generación S.A.	20,594	28,974	-	-
Gasoducto Atacama Chile S.A.	176,250	200,148	-	-
Gasoducto Tal Tal Ltda.	32,171	77,790	-	-
Sociedad Consortio Ara Ltda.	17,102	13,908	-	-
Consortio Ara-Ingendesa Ltda.	68,270	208,898	-	-
Inversiones Eléctricas Quillota S.A.	-	2,072	-	-
Sacme	2,291	85,718	-	-
Smartcom S.A.	-	1,319,716	-	-
Transmisora Eléctrica de Quillota Ltda.	318,061	319,861	-	315,045
<b>TOTAL</b>	<b>5,715,640</b>	<b>118,503,650</b>	<b>89,826,992</b>	<b>472,671</b>

## b. Notes and accounts payable due to related companies:

COMPANY	AS OF DECEMBER 31,			
	SHORT-TERM		LONG-TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Cía. Interconexión Energética S.A.	-	9,183,775	-	-
Cía. de Transmisión del Mercosur S.A.	-	185,021	-	-
CGT Fortaleza	-	14,955,828	-	-
Com. de Energía del Mercosur S.A.	14,966,403	248,159	-	-
Consortio Ingendesa - Minmetal Ltda.	1,549	-	-	-
Electrogas S.A.	199,924	215,191	-	-
Empresa Eléctrica Piura S.A.	407,795	493,681	-	-
Endesa Internacional S.A.	31,811,142	58,767,186	13,241,975	-
Etevensa	11,657	-	-	-
Sacme	44,640	111,196	-	-
Smartcom S.A.	-	256,616	-	-
Transmisora Eléctrica de Quillota Ltda.	25,383	26,334	-	-
<b>TOTAL</b>	<b>47,468,493</b>	<b>84,442,987</b>	<b>13,241,975</b>	<b>-</b>



c. The most significant transactions and their effects in income (expense) for each year ended December 31 are as follows:

COMPANY	RELATIONSHIP	NATURE OF TRANSACTION	2005	2004
			INCOME (EXPENSE) THCH\$	INCOME (EXPENSE) THCH\$
Atacama Finance Co.	Subsidiary	Interest	4,822,970	6,637,288
		Monetary correction	3,784,398	3,089,815
		Exchange difference	(12,350,134)	(10,646,421)
CGTF Fortaleza	Subsidiary	Services	-	339,529
		Purchase of energy	-	(89,375,890)
Cía. Interconexión Energética S.A.	Subsidiary	Sale of energy	-	19,889,675
		Purchase of energy	-	(55,948,458)
		Interest	-	8,248
		Services	-	65,494
Consortio ARA-Ingendesa	Subsidiary	Services	1,886,722	2,664,798
Consortio Ingendesa Minmetal Ltda.	Subsidiary	Services	104,251	63,342
Com. de Energía del Mercosur S.A.	Subsidiary	Sale of energy	11,028,488	20,189,380
		Purchase of energy	(6,960,686)	(770,514)
		Services	1,182,166	18,924
Com. Transmisión del Mercosur S.A.	Subsidiary	Purchase of energy	-	(2,244,612)
Empresa Eléctrica Piura S.A.	Member of Controlling Group	Sale of energy	707,782	130,353
		Purchase of energy	(5,149,172)	(4,933,683)
		Services	129,988	129,626
Electrogas S.A.	Subsidiary	Services	(1,552,938)	(2,770,688)
Endesa España	Parent company	Exchange difference	-	(28,941)
Endesa Internacional S.A.	Parent company	Services	(552,838)	74,441
		Interest	-	(147,109)
Etevensa	Member of Controlling Group	Sale of energy	1,004,928	1,574,857
		Purchase of energy	(168,351)	-
		Services	935,825	660,174
Fundación Endesa	Member of Controlling Group	Services	99,420	36,195
Gasoducto Atacama Generación Ltda.	Subsidiary	Services	144,239	1,789
Gas Atacama S.A.	Subsidiary	Exchange difference	-	(132,207)
Sacme	Subsidiary	Services	(356,723)	(346,313)
Smartcom S.A.	Member of Controlling Group	Services	-	3,855,345
		Interest	-	33,463
Sistema SEC S.A.	Subsidiary	Services	(7,417)	
Soc. Consortio Ingendesa ARA Ltda.	Subsidiary	Services	214,586	
Soc. de Inv. Chispa Uno S.A.	Subsidiary	Services	-	3,016
Transmisora Eléctrica de Quillota Ltda.	Subsidiary	Interest	60,650	84,024
		Monetary correction	-	59,368
		Services	4,800	88,378

## 15 CONSOLIDATED FINANCIAL STATEMENTS

The transfer of short-term funds between related companies, 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 year and settlement in line with cash flows.

The balance receivable from Atacama Finance Co. arises from the loans granted by Compañía Eléctrica Cono Sur S.A. to finance the construction

work in progress by Gasoducto Atacama Argentina S.A., Gasoducto Atacama Chile S.A. and Gas Atacama Generación S.A. The loans are expressed in US dollars, accrue interest at an average annual rate of 4.25% and mature in March 2007.

Detail of the long-term receivables is as follows:

COMPANY	TYPE	DUE DATE	CAPITAL IN ORIGINAL CURRENCY	CURRENCY	INTEREST RATE
Transmisora Eléctrica de Quillota Ltda.	Account receivables	2006	35,389.57	U.F.	9.00%
Atacama Finance Co.	Account receivables	2007	175,272.00	US\$	4.25%

### NOTE 7. INVENTORIES

Inventories include the following items and are presented net of an allowance for obsolescence amounting to ThCh\$3,184,589 and ThCh\$3,126,261 as of December 31, 2005 and 2004, respectively:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Real estate under development	15,134,922	16,268,211
Materials in transit	411,736	195,196
Operation and maintenance material	38,598,963	26,288,585
Fuel	16,469,806	10,064,650
<b>TOTAL</b>	<b>70,615,427</b>	<b>52,816,642</b>

### NOTE 8. DEFERRED INCOME TAXES

a. Income taxes (recoverable) payable as of each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Income tax provision - current	66,700,894	39,200,750
Recoverable tax credits	(50,720,537)	(83,975,730)
<b>TOTAL</b>	<b>15,980,357</b>	<b>(44,774,980)</b>

b. Tax loss carryforwards

As of December 31, 2005 and 2004, the parent Company had tax loss carryforwards during the year ended December 31, 2005 amounted to of ThCh\$380,699,742 (ThCh\$364,057,920 in 2004).

c. The net effect of recording the deferred tax expense in 2005 was ThCh\$46,291,349, (ThCh\$74,498,811 in 2004).

d. In accordance with BT N°.60 and 69 of the Chilean Association of Accountants, and Circular N°.1,466 of the SVS, the Company and its subsidiaries have recorded consolidated deferred income taxes as of December 31, 2005 and 2004 as follows:

DESCRIPTION	AS OF DECEMBER 31, 2005				AS OF DECEMBER 31, 2004			
	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\$
Allowance for doubtful accounts	12,559,084	43,170,372	-	-	8,902,229	21,100,817	-	-
Deferred income	685,937	1,287,940	-	946,389	1,133,372	1,426,540	-	-
Vacation accrual	1,032,170	-	-	-	935,248	-	-	-
Intangibles	-	-	-	549,411	-	-	-	366,960
Fixed assets depreciation	-	2,660,387	142,417	391,827,913	-	2,997,634	144,361	402,629,933
Severance indemnities	-	465	-	1,725,038	-	-	-	1,954,571
Other	735,550	5,176,573	272,478	3,615,817	959,173	815,755	268,201	3,945,401
Contingencies	7,318,306	71,037,052	-	-	5,940,343	47,909,738	-	-
Bond discount	-	-	139,080	1,535,054	-	-	140,268	1,762,554
Cost of studies	-	-	-	8,323,252	-	-	-	8,399,073
Finance cost	-	100,433	-	12,982,336	-	113,742	-	13,449,698
Imputed interest on construction	-	-	-	4,063,474	-	-	-	4,447,693
Deferred charges	2,299,209	-	598,764	3,840,963	3,325,306	-	641,856	3,510,682
Actuarial deficit (Brasil)	-	11,587,394	-	-	-	12,461,438	-	-
Obsolescence	303,547	2,017,858	-	-	305,856	1,688,629	-	492,084
Materials used	-	-	-	840,151	-	-	-	928,167
Imputed salaries on construction	-	3,703,826	-	-	-	3,763,092	-	-
Tax losses	43,474,664	170,796,531	-	-	44,318,979	194,474,695	-	-
Provision real state project	-	2,410,198	-	-	-	2,619,550	-	-
Sie2000A project	-	-	-	417,215	-	-	-	287,681
Provision for employee benefits	2,429,954	3,470,755	-	-	1,532,043	2,786,229	-	-
Derivative contracts exchange difference	-	-	-	-	1,673,910	-	-	-
Operating fees	1,487,816	-	-	-	3,870,784	-	-	-
Energy in measurers	-	-	2,520,165	-	-	-	2,506,751	-
Regulated assets	-	-	14,663,029	13,858,125	-	-	7,029,883	8,156,721
Capitalized expenses	-	23,311,243	-	-	-	23,517,561	-	-
Capitalized interest	-	-	-	20,388,788	-	-	-	-
Complementary account-net	-	(10,608,775)	-	(197,248,340)	-	(18,616,662)	-	(223,024,402)
Valuation allowance	-	(148,091,532)	-	-	-	(135,575,122)	-	-
<b>TOTAL</b>	<b>72,326,237</b>	<b>182,030,720</b>	<b>18,335,933</b>	<b>267,665,586</b>	<b>72,897,243</b>	<b>161,483,636</b>	<b>10,731,320</b>	<b>227,306,816</b>

e. Income tax benefit (expense) for the year ended December 31, 2005 and 2004 is as follows:

ITEM	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>Current income tax expense:</b>		
Income tax provision	(146,471,539)	(98,251,050)
Adjustment for tax expense - prior year	764,361	705,286
<b>Deferred tax (expense) benefit:</b>		
Deferred taxes	(21,932,083)	(47,813,871)
Benefits for tax losses	13,692,284	29,862,684
Amortization of complementary accounts	(5,823,558)	(9,412,698)
Valuation allowance	(17,360,718)	(17,264,900)
Other charges or credits	(1,174,990)	(7,342)
<b>TOTAL</b>	<b>(178,306,243)</b>	<b>(142,181,891)</b>

## NOTE 9. OTHER CURRENT ASSETS

Other current assets are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Forwards contracts and swap (1)	18,848	84,441
Guaranties and indemnities	214,034	216,275
Deferred expenses	626,639	2,711,344
Post-retirement benefits	242,688	242,255
Deposits for commitments and guarantees	6,840,945	4,168,004
Assets available for sale	7,609,048	1,762,734
Bond discount	955,497	960,192
Fair value derivatives contracts	636,656	165,622
Reverse repurchase agreements (2)	21,607,826	26,506,100
Others	1,716,975	2,876,983
<b>TOTAL</b>	<b>40,469,156</b>	<b>39,693,950</b>

(1) See detail in Note 28.

(2) The detail of reverse repurchase agreements is as follows:

AS OF DECEMBER 31, 2005									
CODE	DATE		FINANCIAL INSTITUTION	CURRENCY	DOCUMENT	INTEREST RATE %	CURRENT AMOUNT THCH\$	NOMINAL THCH\$	FAIR VALUE THCH\$
	START	END							
VRC	29-Dec-05	2-Jan-06	Banco Central de Chile	\$	D.P.F.	0.50%	18,138	18,132	18,144
VRC	29-Dec-05	2-Jan-06	Banco Central de Chile	\$	D.P.F.	0.50%	5,282,929	5,281,168	5,245,870
VRC	30-Dec-05	2-Jan-06	Banco Central de Chile	\$	D.P.F.	0.42%	312,235	312,191	312,322
VRC	30-Dec-05	2-Jan-06	Corpbanca	\$	D.P.F.	0.42%	3,783	3,783	3,784
VRC	30-Dec-05	2-Jan-06	Banco Estado	\$	D.P.F.	0.42%	26	26	26
VRC	30-Dec-05	2-Jan-06	Banco Central de Chile	\$	D.P.F.	0.51%	3,119	3,119	3,120
VRC	30-Dec-05	2-Jan-06	Banco Santander Santiago	\$	D.P.F.	0.51%	902,591	902,436	902,897
VRC	30-Dec-05	2-Jan-06	Banco del desarrollo	\$	D.P.F.	0.51%	50,720	50,712	50,737
VRC	30-Dec-05	2-Jan-06	Banco chile	\$	D.P.F.	0.51%	1,816,504	1,816,195	1,817,122
VRC	30-Dec-05	2-Jan-06	Banco Boston	\$	D.P.F.	0.51%	205,373	205,338	205,443
VRC	30-Dec-05	2-Jan-06	Banco Central de Chile	\$	D.P.R.	0.51%	1,281	1,281	1,282
VRC	30-Dec-05	2-Jan-06	Banco Boston	\$	D.P.R.	0.51%	409,488	409,419	409,628
VRC	12-Dec-05	19-Jan-06	Valores Security	\$	P.R.C.	0.09%	12,601,639	12,565,826	12,637,451
<b>TOTAL</b>							<b>21,607,826</b>	<b>21,569,626</b>	<b>21,607,826</b>

## AS OF DECEMBER 31, 2004

CODE	DATE		FINANCIAL INSTITUTION	CURRENCY	DOCUMENT	INTEREST RATE %	CURRENT AMOUNT THCH\$	NOMINAL THCH\$	FAIR VALUE THCH\$
	START	END							
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.R.	0,33%	1,779,364	1,779,009	1,779,009
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	210,054	210,008	210,008
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	CERO	0,33%	57,179	57,176	57,176
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	1,807,170	1,806,773	1,806,773
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	830,280	830,135	830,135
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	2,728,341	2,727,842	2,727,842
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	5,210,056	5,208,775	5,208,775
CRV	29-Dec-04	3-Jan-05	BBVA C. Bolsa BHIF S.A.	U.F.	D.P.F.	0,33%	1,787,011	1,786,916	1,786,916
CRV	29-Dec-04	3-Jan-05	Valores Security S.A. C.B.	U.F.	BONO	0,37%	708,072	707,914	707,914
VRC	29-Dec-04	3-Jan-05	BBVA Banco BHIF	\$	D.P.R.	0,33%	656,536	656,392	656,754
VRC	29-Dec-04	3-Jan-05	Banco Central de Chile	\$	CERO	0,33%	8,334	8,333	8,338
VRC	29-Dec-04	3-Jan-05	BBVA Banco BHIF	\$	D.P.F.	0,33%	6,790,375	6,788,880	6,792,633
VRC	30-Dec-04	3-Jan-05	Banco Central de Chile	\$	CERO	0,12%	3,060	3,060	3,061
VRC	30-Dec-04	3-Jan-05	Scotiabank	\$	D.P.F.	0,12%	1,051,465	1,051,423	1,051,591
VRC	30-Dec-04	3-Jan-05	Banco de Chile	\$	D.P.F.	0,12%	1,667,028	1,666,961	1,667,229
VRC	30-Dec-04	3-Jan-05	Banco Crédito e Inversiones	\$	D.P.F.	0,12%	256,836	256,825	256,867
VRC	30-Dec-04	3-Jan-05	Banco Santander Santiago	\$	D.P.F.	0,12%	428,754	428,736	428,805
VRC	30-Dec-04	3-Jan-05	BBVA Banco BHIF	\$	D.P.F.	0,12%	73,439	73,437	73,447
VRC	30-Dec-04	6-Jan-05	Banco Central de Chile	\$	B.C.D.	0,09%	452,746	452,732	452,827
<b>TOTAL</b>							<b>26,506,100</b>	<b>26,501,327</b>	<b>26,506,100</b>

## NOTE 10. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>Gross property plant and equipment</b>		
Land	123,099,988	127,020,847
Buildings and infrastructure	5,940,476,626	5,846,369,123
Distribution and transmission lines and public lighting	4,225,883,936	4,438,403,593
Less: third party contributions	(81,880,022)	(64,647,566)
<b>SUB-TOTAL</b>	<b>10,084,480,540</b>	<b>10,220,125,150</b>
Machinery and equipment	1,624,872,069	1,783,080,592
Work in progress	168,055,596	186,586,518
Construction materials	46,259,240	46,025,222
Leased assets (1)	28,150,846	29,321,547
Furniture and fixtures, tools, and computing equipment	82,892,643	87,268,133
Vehicles	7,112,751	12,027,854
Equipment in transit	7,390,463	6,191,523
Other assets	89,687,449	45,642,057
<b>Sub-total</b>	<b>429,548,988</b>	<b>413,062,854</b>
Technical appraisal		
Buildings and infrastructure	439,850,714	491,909,891
Machinery and equipment	100,461,992	113,095,785
Other assets	184,660	207,951
<b>TOTAL TECHNICAL APPRAISAL</b>	<b>540,497,366</b>	<b>605,213,627</b>
<b>TOTAL PROPERTY PLANT AND EQUIPMENT, GROSS</b>	<b>12,802,498,951</b>	<b>13,148,503,070</b>
Depreciation		
Accumulated depreciation at beginning of year		
Buildings and infrastructure	(3,982,702,774)	(3,959,778,781)
Machinery and equipment	(629,424,651)	(631,346,491)
Other assets	(48,714,186)	(50,025,690)
Accumulated depreciation at beginning of year	(4,660,841,611)	(4,641,150,962)
Accumulated depreciation at beginning of year technical appraisal		
Buildings and infrastructure	(86,093,224)	(100,471,273)
Machinery and equipment	(41,553,907)	(51,966,454)
Other assets	(261,309)	(286,002)
<b>TOTAL ACCUMULATED DEPRECIATION AT BEGINNING OF YEAR TECHNICAL APPRAISAL</b>	<b>(127,908,440)</b>	<b>(152,723,729)</b>
Depreciation of the year	(367,623,977)	(393,152,848)
<b>TOTAL ACCUMULATED DEPRECIATION AT END OF YEAR</b>	<b>(5,156,374,028)</b>	<b>(5,187,027,539)</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>7,646,124,923</b>	<b>7,961,475,531</b>

- (1) Corresponds to a contract for power transmission lines and installations (Ralco-Charrúa 2X220 KV) between Empresa Nacional de Electricidad S.A. and Huelpil S.A. The contract has a 20-year maturity and earns interest at a 6.5% annual rate. As of December 31, 2005 the total leasing obligation amount to M\$24,420,669, which respective parts are presented in other current liabilities and other long - term liabilities.

The Company and its foreign subsidiaries have insurance contracts that include blanket, earthquake, and machinery failure policies up to a MUS\$100,000 limit. This coverage includes losses due to business interruption. Premiums prepaid associated with these policies are recorded in prepaid expenses and charged to income over the life of the policy.

## NOTE 11. INVESTMENT IN RELATED COMPANIES

a. Investments in related companies of December 31, 2005 and 2004 are as follows:

RELATED COMPANIES	NUMBER OF SHARES	PERCENTAGE OWNED		SHAREHOLDERS' EQUITY OF INVESTEES		NET INCOME OF INVESTEES		EQUITY IN INCOME		INVESTMENT BOOK VALUE	
		2005 (6)	2004 (6)	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
		Cía. de Interconexión Energética S.A. (2)	128,270,106	-	45.00%	-	121,624,240	(17,137,234)	14,836,844	(7,711,755)	6,676,580
Gasatagama Generación S.A.	5	0.05%	0.05%	39,863,084	56,267,668	[10,074,332]	[1,360,952]	[5,037]	[681]	19,931	28,134
Gasoducto Atacama Argentina S.A.	5	0.05%	0.05%	60,473,588	58,598,260	8,467,777	5,551,403	4,234	2,775	30,237	29,299
Gasoducto Atacama Chile S.A.	5	0.05%	0.05%	66,963,344	61,984,005	11,952,692	11,948,637	5,976	5,975	33,482	30,992
Inversiones Eléctricas Quillota S.A.	-	-	50.00%	-	27,198,853	-	7,354,718	-	3,677,360	-	13,599,427
Inversiones Electrogas S.A.	425	42.50%	42.50%	17,570,887	18,753,039	4,117,129	5,086,971	1,749,780	2,161,962	7,467,627	7,970,041
Cía. de Energía del Mercosur S.A. (3)	6,305,400	45.00%	45.00%	7,947,453	8,830,152	110,714	1,333,438	49,821	600,047	3,576,354	3,973,569
Transmisora Eléctrica de Quillota Ltda.	-	50.00%	50.00%	6,335,853	5,971,973	343,178	266,655	171,589	133,328	3,167,927	2,985,987
Sacme	12,000	50.00%	50.00%	71,028	83,315	(2,158)	[54]	[1,079]	[27]	35,514	41,658
Electrogas S.A.	85	0.021%	0.021%	16,185,548	17,262,409	4,225,142	5,210,816	898	1,107	3,439	3,668
Consorcio ARA- Ingendesa	-	50.00%	50.00%	845,880	552,730	293,154	420,204	146,577	210,102	422,940	276,365
Sociedad Consorcio Ingendesa Ara Ltda (1)	-	50.00%	50.00%	134,047	11,112	122,931	10,076	61,466	5,038	67,024	5,556
Consorcio Ingendesa - Minmetal Limited (1)	-	50.00%	50.00%	179,408	85,132	215,042	82,937	107,521	41,469	89,704	42,566
Gasatagama S.A.	1,147	0.00115%	0.00115%	166,528,279	173,350,266	12,086,236	12,936,709	139	148	1,910	1,988
Inversiones Gas Atacama Holding Ltda.	-	50.00%	50.00%	166,285,792	173,347,616	12,436,085	12,935,780	6,218,043	6,467,890	83,142,896	86,673,808
Central Geradora Termoeléctrica Fortaleza S.A. (6)	20,246,908	48.82%	48.82%	-	57,279,469	12,095,925	25,161,943	5,905,231	12,284,061	-	27,963,837
Sistemas Sec S.A. (4)	-	49.00%	-	1,619,290	-	86,595	-	42,432	-	793,452	-
Termoeléctrica José de San Martín S.A. (5)	-	23.13%	-	84,198	-	-	-	-	-	19,475	-
Termoeléctrica Manuel Belgrano S.A. (5)	-	23.13%	-	84,198	-	-	-	-	-	19,475	-
<b>TOTAL</b>								<b>6,745,836</b>	<b>32,267,134</b>	<b>98,891,387</b>	<b>198,357,804</b>

- (1) Related companies of subsidiary Ingendesa Ltda.
- (2) Related companies of subsidiary Compañía Eléctrica Cono Sur S.A.
- (3) Related companies of subsidiary Endesa Argentina S.A.
- (4) Related companies of subsidiary CAM Chile Ltda.
- (5) Related companies of subsidiaries Endesa Costanera e Hidroeléctrica El Chocón S.A.
- (6) See Note 11(g).

b. Income and (losses) recognized by Enersis S.A. based on the participation in the related companies as of December 31, 2005, amounted to ThCh\$14,463,707 (ThCh\$32,267,842 in 2004) and ThCh\$7,717,871 in 2005 (ThCh\$708 in 2004), respectively.

c. In accordance with Technical Bulletin N°.64 of the Chilean Association of Accountants for the years ended December 31, 2005 and 2004, the Company has recorded foreign exchange gains and

losses on liabilities related to net investments in foreign countries that are denominated in the same currency as the functional currency of those foreign investments. Such gains and losses are included in the cumulative translation adjustment account in shareholders' equity, and in this way, act as a hedge of the exchange risk affecting the investments. As of December 31, 2005 the corresponding amounts are as follows:

COMPANY	COUNTRY OF ORIGIN	INVESTMENT THCH\$	REPORTING CURRENCY	LIABILITY THCH\$
Edesur S.A.	Argentina	160,229,818	US\$	76,750,438
Ampla Energia e Serviços S.A.	Brazil	137,920,638	US\$	134,313,015
Central Hidroeléctrica Betania S.A.	Colombia	312,892,596	US\$	235,555,049
Edegel S.A.	Peru	150,119,688	US\$	115,075,062
Hidroeléctrica El Chocón S.A.	Argentina	156,439,049	US\$	72,687,324
Comercializadora de Energía del Mercosur S.A.	Argentina	3,576,354	US\$	2,528,355
Endesa Brasil S.A.	Brazil	427,542,750	US\$	393,736,562
Endesa Costanera S.A.	Argentina	80,978,734	US\$	51,581,304
<b>TOTAL</b>		<b>1,429,699,627</b>		<b>1,082,227,109</b>

During the second quarter of 2004, Enersis (Parent Company) has contracted instruments (swap) redenominating to UF that debt, reason why debt is no longer hedge with the instrument.

d. The investments in related companies made by Enersis S.A. and its subsidiaries for the years ended December 31, 2005 and 2004, amounted to ThCh\$33,141,553 and ThCh\$356,342, respectively, which are detailed as follows:

COMPANY	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Inversiones Lo Venecia Ltda. (San Isidro S.A.)	8,360,568	-
Ingendesa S.A.	60,606	-
Sistemas Sec S.A. (Cam)	420,286	-
Elesur S.A.	24,300,093	356,342
<b>TOTAL</b>	<b>33,141,553</b>	<b>356,342</b>

e. Purchase of Elesur S.A.

On May 27, 2004, Enersis S.A. purchased 49,207,343 shares with no par value from Endesa Internacional S.A., equivalent to 99.9989% of Elesur S.A. partnership assets. The price agreed upon for the transaction was ThCh\$55,551,601 (historic). The purchase was made at book value and no goodwill was recognized. The ThCh\$24,300,093 (updated value) disbursement made in June 2005 relates to a partial payment of the debt.

f. On April 18, 2005, Endesa Chile and its subsidiary Enigesas executed the incorporation deed of a new subsidiary, bearing the corporate name of Endesa Eco S.A. and whose purpose will be to promote and develop projects associated with renewable energies. Endesa Eco S.A.'s capital amounts to ThCh\$580,000 and is divided into 5,800,000 nominative, no par value shares. Endesa Chile subscribed 5,799,420 shares, representing 99.99% of the corporate capital and paid in ThCh\$179,982, representing 1,799,820 shares while Enigesas

subscribed 580 shares, representing 0.01 of the corporate capital and paid in ThCh\$18, representing 180 shares. Each shareholder will pay in its part of the balance of the capital over three years as from the date of incorporation.

On August 11, 2005, the Company and its subsidiary Endesa Inversiones Generales S.A. acquired 99.999% and 0.001% of the ownership rights in Inversiones Lo Venecia Ltda., for ThCh\$8,360,472 and ThCh\$82, respectively. Inversiones Lo Venecia Ltda. is the indirect owner of 25.001% of the paid-in capital in Compañía Eléctrica San Isidro S.A., and as a result Endesa Chile S.A. has become, considered directly and indirectly, the owner of 100% of the stock capital in Compañía Eléctrica San Isidro S.A.

In accordance with Technical Bulletin N°.72 of the Chilean Association of Accountants and Circular N°.1697 of the Superintendency of Securities and Insurance, the Company appraised the assets and liabilities acquired in Compañía Eléctrica San Isidro S.A. at July 31, 2005 at their respective fair values.

The difference determined by the Company between the fair value and the book value of the shareholders' equity in Compañía Eléctrica San Isidro S.A. at the acquisition date amounted to ThCh\$6,645,776 and is due to the greater economic value of the fixed assets relative to their book value. The amount allocated to fixed assets will be depreciated over 18 years, which is the remaining useful life of such assets.

As a result, the assets and liabilities of Compañía Eléctrica San Isidro S.A. stated at book value (for 74.999% of the interest) and at fair values (for 25.001% of the interest) which have been included in the consolidation of the Company at December 31, 2005, are as follows:

	BOOK VALUE THCH\$	PROPORTIONAL DIFFERENCE THCH\$	ADJUSTED VALUE THCH\$
<b>ASSETS</b>			
Total current assets	14,128,702		14,128,702
Total property, plant and equipment net	86,866,792	1,659,591	88,526,383
Total other assets	4,503,545		4,503,545
<b>TOTAL ASSETS</b>	<b>105,499,039</b>	<b>1,659,591</b>	<b>107,158,630</b>
<b>LIABILITIES</b>			
Total current liabilities	37,923,949		37,923,949
Total long-term liabilities	29,604,165	281,640	29,885,805
Total shareholders' equity	37,970,925	1,377,951	39,348,876
<b>TOTAL LIABILITIES</b>	<b>105,499,039</b>	<b>1,659,591</b>	<b>107,158,630</b>



The methodology applied in acquiring 25.001% of Compañía Eléctrica San Isidro S.A. was the purchase method.

**g.** On June 10, 2005, Endesa Brasil S.A. was incorporated; its purpose is to acquire paid-in capital in other companies operating, or that may be incorporated to operate, directly or indirectly, in any segment of the electrical sector, transmission, distribution, generation and marketing of electrical energy, in Brazil and other countries. Endesa Brasil S.A. was created as an energy holding concentrating all the electrical assets of Endesa Group in Brazil.

Endesa Brasil S.A. holds ownership percentages in the following companies: Compañía de Interconexión Energética S.A. (CIEN), Central Generadora Termeléctrica Fortaleza S.A. (CGTF), Companhia Energetica Do Ceara (COELCE), Ampla Energia e Servicos S.A. (formerly, Cerj), Ampla Investimentos e Servicos S.A., Ampla Generación S.A., Investluz and Centrais Eléctricas Cachoeira Dourada S.A. (CDSA).

Endesa Brasil's interest in these investees were contributed on October 25, 26 and 27, 2005 by Enersis S.A., Endesa Chile S.A., Chilectra S.A. and Endesa Internacional.

Contributions made by Enersis S.A. and its subsidiaries is detailed as follows:

- Endesa Chile S.A., through its subsidiaries Edegel S.A. and Compañía Eléctrica Cono Sur S.A., contributed its investment in Centrais Eléctricas Cachoeira Dourada S.A. (99.61%) and Compañía de Interconexión Energética S.A. (Cien) (45.00%), receiving in exchange an interest in Endesa Brasil S.A.: 4.18% for Edegel S.A. and 36.27% for Compañía Eléctrica Cono Sur S.A.

- Chilectra S.A., through its subsidiaries Chilectra Inversud S.A. and Luz de Río S.A., contributed its investments as follows:

- Chilectra S.A. contributed 10.33% of its investment in Ampla Energia e Servicos S.A., receiving in exchange a 4.65% interest in Endesa Brasil S.A.
- Chilectra Inversud S.A. contributed 10.42% of its investment in Investluz S.A., receiving in exchange a 2.37% interest in Endesa Brasil S.A.
- Luz de Río S.A. contributed 7.76% of its investment in Ampla Energia e Servicos S.A., receiving in exchange a 3.49% interest in Endesa Brasil S.A.

- Enersis S.A., contributed to Endesa Brasil S.A. the following investments:

- Its 48.82% interest in Central Generadora Termeléctrica Fortaleza S.A., receiving in exchange an 8.84% interest in Endesa Brasil S.A.
- Its 15.61% interest in Investluz S.A., receiving in exchange a 3.55% interest in Endesa Brasil S.A.
- Its 18.10% interest in Ampla Energia e Servicos S.A., receiving in exchange an 8.15% interest in Endesa Brasil S.A.

To summarize the above, Enersis S.A. has a direct and indirect interest in Endesa Brasil S.A. amounting to 53.61%.

The transaction described above resulted in a ThCh\$6,197,172 equity decrease as a result of the application of Technical Bulletin N°.72 of the Chilean Association of Accountants, for a business combination under the pooling of interest method (see note 22 e).

## NOTE 12. INVESTMENTS IN OTHER COMPANIES

Investments in other companies at December 31, 2005 and 2004 are as follows:

COMPANY	NUMBER OF SHARES	PERCENTAGE OWNED %	AS OF DECEMBER 31,	
			2005 THCH\$	2004 THCH\$
CDEC-SIC Ltda.	-	23.16%	221,458	221,458
CDEC-SING Ltda.	-	7.69%	106,886	106,886
Club de la Banca y Comercio	1	-	1,853	2,326
Club Empresarial	1	1.00%	5,255	5,683
Cooperativa Eléctrica de Chillán	-	-	13,844	13,844
Electrificadora de la Costa	13,590,296	0.14%	22,850	25,747
Electrificadora del Caribe	85,568,116	0.10%	1,224,288	1,379,483
Empresa Eléctrica de Aysen S.A	2,516,231	-	2,123,831	2,121,475
Empresa Eléctrica de Bogotá S.A. (1)	9,293,241	7.19%	36,830,953	47,711,486
Financiera Eléctrica Nacional S.A.	4,072	0.10%	106,375	119,859
Menescal Producciones Artísticas	-	-	-	54,454
Prod. Cinematográfica	-	-	-	26,107
Saelpa	-	-	-	2,045
Telebras	-	-	-	184
Teleceara	-	-	-	1,456
		<b>TOTAL</b>	<b>40,657,593</b>	<b>51,792,493</b>

(1) See Note 14 (1).

**NOTE 13. GOODWILL AND NEGATIVE GOODWILL**

a. In accordance with current standards, recognition has been given to the excess of purchase price of the proportional equity in the net assets acquired (goodwill) in the purchase of shares as of December 31, 2005 and 2004, as follows:

	AMORTIZATION		NET BALANCE	
	2005	2004	2005	2004
	THCH\$	THCH\$	THCH\$	THCH\$
Chilectra S.A.	(6,666,454)	(6,666,420)	93,984,221	100,650,675
Codensa S.A.	(879,576)	(660,559)	10,408,320	12,718,793
Edegel S.A.	(29,255)	(32,963)	346,179	423,025
Emgesa S.A.	(1,152,613)	(1,298,721)	13,638,138	16,665,102
Empresa Eléctrica de Colina S.A.	(198,617)	(198,619)	2,135,135	2,333,752
Empresa Eléctrica Pangue S.A.	(179,390)	(179,390)	2,974,882	3,154,272
Empresa Nacional de Electricidad S.A.	(46,073,571)	(46,073,571)	577,838,611	623,912,183
Gasoducto Atacama Chile Ltda.	(5,118)	(5,119)	67,394	72,512
Inversiones Distrilima S.A.	(1,070)	(1,206)	9,629	12,053
Luz de Bogotá S.A.	-	-	-	-
<b>TOTAL</b>	<b>(55,185,664)</b>	<b>(55,116,568)</b>	<b>701,402,509</b>	<b>759,942,367</b>

b. Following current standards, recognition has been given to the excess of the equity in the net assets purchased over the purchase price (negative goodwill) in the purchase of shares as of December 31, 2005 and 2004 as follows:

COMPANY	AMORTIZATION		NET BALANCE	
	2005	2004	2005	2004
	THCH\$	THCH\$	THCH\$	THCH\$
Endesa Costanera S.A.	2,482,484	2,797,173	(9,309,327)	(13,286,585)
Central Hidroeléctrica Betania S.A.	5,304,393	5,406,793	(1,668,604)	(7,856,919)
Edegel S.A.	7,341,614	8,272,264	(22,965,058)	(34,148,458)
Edelnor S.A.	147,254	999,792	-	(165,921)
Emgesa S.A.	181,938	205,001	(2,180,688)	(2,662,120)
Inversiones Distrilima S.A.	22,455	25,302	(368,636)	(440,667)
Synapsis Soluciones y Servicios IT Ltda.	16,426	16,425	(197,783)	(217,633)
<b>TOTAL</b>	<b>15,496,564</b>	<b>17,722,750</b>	<b>(36,690,096)</b>	<b>(58,778,303)</b>

## NOTE 14. OTHER ASSETS

Other assets as of each year end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Bond discount	17,749,474	20,055,482
Bond issuance cost	5,782,090	7,762,074
Deferred expenses	23,010,037	6,850,267
Bank fees and interest expense	15,959,797	15,575,084
Investment fund wholesale electrical market	-	7,602,923
Post-retirement benefits	2,936,126	1,944,391
Security deposits for judicial obligations	34,304,345	36,528,606
Recoverable taxes	30,553,109	27,013,715
Reimbursable contributions	986,492	1,174,519
Investment in Empresa Eléctrica de Bogotá S.A. (1)	38,784,463	44,003,517
Regulatory assets	60,403,747	40,265,313
Fair value derivative contracts	185,401	5,756,487
Others	6,198,587	7,805,242
<b>TOTAL</b>	<b>236,853,668</b>	<b>222,337,620</b>

- (1) Through a Memorandum of Understanding signed on October 5, 2004, the Corporación Financiera del Valle will stop being shareholder of the Central Hidroeléctrica de Betania S.A. through an asset exchange operation between the Corfivalle Group and the Group.

This operation will be drafted for attestation during 2005 and 2006, when the mandatory legal processes defined by both parties before the handing over of the corresponding assets ownership are executed.

With this operation, the Group will hand over to Corfivalle the Betania S.A. power sub-station and 3.81% of the ownership interest in the Empresa de Eléctrica de Bogotá S.A. in exchange for the ownership interest Corfivalle has in the Central Hidroeléctrica de Betania S.A. (14,3% of the company.)

The parties understand that the steps to perfect the above-mentioned Memorandum of Understanding will be gradually executed, and have agreed the economic and political right beneficial interest of the assets that will be exchanged as from January 1, 2004. According to this, the Empresa Eléctrica de Bogotá S.A. 3.81% ownership interest that is subject to this agreement is included under the Others item.

## NOTE 15. DUE TO BANKS AND FINANCIAL INSTITUTIONS

## a. Short-term debt due to banks and financial institutions:

FINANCIAL INSTITUTION	FOREIGN CURRENCY										AS OF DECEMBER 31,	
	US\$		EUROS		OTHER FOREIGN CURRENCY		\$ REAJUS		CH\$		2005	2004
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
ABN Amro Bank	-	293,369	-	-	-	-	-	-	-	-	-	293,369
Banco ABC Brasil S.A.	-	-	-	-	-	3,768,766	-	-	-	-	-	3,768,766
Banco Alfa	-	-	-	-	-	4,359,765	-	-	-	-	-	4,359,765
Banco BBM	-	-	-	-	-	4,398,872	-	-	-	-	-	4,398,872
Banco Bayerische Landes	-	121,963	-	-	-	-	-	-	-	-	-	121,963
Banco BBVA	66,606,038	-	-	-	9,065,969	-	-	-	-	-	75,672,007	-
Banco BBVA Bhif	-	-	-	-	-	-	-	-	9	5	9	5
Banco Continental	2,307,196	5,916,169	-	-	12,378,144	13,634,463	-	-	-	-	14,685,340	19,550,632
Banco Crédito Peru	-	-	-	-	8,270,374	9,848,809	-	-	-	-	8,270,374	9,848,809
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	14,162	4	14,162	4
Banco de Bogota	-	-	-	-	-	9,699,405	-	-	-	-	-	9,699,405
Banco de Chile	-	32,119	-	-	-	-	-	-	-	8,654	-	40,773
Banco de Galicia y Buenos Aires	559,138	629,438	-	-	-	-	-	-	-	-	559,138	629,438
Banco de la Ciudad de Buenos Aires	-	2,093,894	-	-	2,072,549	-	-	-	-	-	2,072,549	2,093,894
Banco de la Nación	-	-	-	-	-	3,244	-	-	-	-	-	3,244
Banco de la Provincia de Buenos Aires	1,216,163	578,043	-	-	-	-	-	-	-	-	1,216,163	578,043
Banco do Brasil	27,420	-	-	-	-	-	-	-	-	-	27,420	-
Banco Davivienda	-	-	-	-	-	3,413,755	-	-	-	-	-	3,413,755
Banco CR2 de Inversiones	-	-	-	-	-	99,936	-	-	-	-	-	99,936
Banco Fibra	-	-	-	-	-	1,562,439	-	-	-	-	-	1,562,439
Banco Ganadero	-	8,990,976	-	-	-	17,177,053	-	-	-	-	-	26,168,029
Banco Itau	1,192,075	8,626,843	-	-	938,228	-	-	-	-	-	2,130,303	8,626,843
Banco Lloyds	-	1,348,384	-	-	-	-	-	-	-	-	-	1,348,384
Banco Merrill Lynch	-	782,579	-	-	-	-	-	-	-	-	-	782,579
Banco Nacional del Trabajo	-	-	-	-	-	682,488	-	-	-	-	-	682,488
Banco Real	-	-	-	-	240,596	47,991	-	-	-	-	240,596	47,991
Banco Río	-	-	-	-	-	5,689,190	-	-	-	-	-	5,689,190
Banco Safra	-	1,932,294	-	-	-	-	-	-	-	-	-	1,932,294
Banco Santander Central Hispano	111,442	1,200,699	-	-	2,895,113	11,183,435	-	-	-	-	3,006,555	12,384,134
Banco Santander Santiago	8,355	483,595	-	-	-	-	125	-	639	2,513,838	9,119	2,997,433
Banco Security	-	-	-	-	-	-	-	-	8,897	-	8,897	-
Banco Wiese Sudameris	-	-	-	-	-	14,249	-	-	-	-	-	14,249
Bank Boston	50,122	8,919,997	-	-	-	3,390,307	-	-	-	-	50,122	12,310,304
Barings	592,963	-	-	-	-	-	-	-	-	-	592,963	-
Bladex	602,700	-	-	-	-	-	-	-	-	-	602,700	-
Bndes	-	-	-	-	-	17,282,778	-	-	-	-	-	17,282,778
Bnp Paribas	-	-	-	-	-	810	-	-	-	-	-	810
Caixa General de Depósitos	-	-	-	941,495	-	-	-	-	-	-	-	941,495
Citibank N.A.	-	14,354,875	-	-	336,713	10,150,730	-	-	-	-	336,713	24,505,605
Citibank (Agencia Chile)	-	-	-	-	-	-	-	-	23	-	23	-
Comafi	-	-	-	-	7,030	-	-	-	-	-	7,030	-
Compagnie Belge de la Webstlb	3,711	931,698	-	-	-	-	-	-	-	-	3,711	931,698
Credit Swiss First Boston	-	-	-	-	-	3,505,735	-	-	-	-	-	3,505,735
Deutsche Bank	2,776	4,125	-	-	-	-	-	-	-	-	2,776	4,125
Interbank	-	3,087	-	-	-	2,772	-	-	-	-	-	5,859
JP Morgan	-	20,730	-	-	-	-	-	-	-	-	-	20,730
Standard Bank	30,090	-	-	-	-	-	-	-	-	-	30,090	-
Unibanco	-	-	-	-	958,260	18,186,497	-	-	-	-	958,260	18,186,497
<b>TOTALS</b>	<b>73,310,189</b>	<b>57,264,877</b>	<b>-</b>	<b>941,495</b>	<b>37,162,976</b>	<b>138,103,489</b>	<b>125</b>	<b>-</b>	<b>23,730</b>	<b>2,522,501</b>	<b>110,497,020</b>	<b>198,832,362</b>
<b>TOTAL PRINCIPAL</b>	<b>65,979,170</b>	<b>56,502,647</b>	<b>-</b>	<b>936,749</b>	<b>27,388,921</b>	<b>134,180,949</b>	<b>125</b>	<b>-</b>	<b>23,730</b>	<b>2,513,836</b>	<b>93,391,946</b>	<b>194,134,181</b>
<b>WEIGHTED AVERAGE ANNUAL INTEREST RATE</b>	<b>4.73%</b>	<b>3.91%</b>	<b>-</b>	<b>3.00%</b>	<b>5.81%</b>	<b>10.88%</b>	<b>3.00%</b>	<b>-</b>	<b>0.00%</b>	<b>9.00%</b>	<b>5.10%</b>	<b>8.75%</b>

	AS OF DECEMBER 31,	
	2005 %	2004 %
Percentage of debt in foreign currency:	99.98%	98.73%
Percentage of debt in local currency:	0.02%	1.27%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

## NOTE 15. DUE TO BANKS AND FINANCIAL INSTITUTIONS

## a. Current portion of long-term debt due to banks and financial institutions:

BANCO O INSTITUCIÓN FINANCIERA	FOREIGN CURRENCY												AS OF DECEMBER 31,	
	US\$		EUROS		YEN		OTHER FOREIGN CURRENCY		CH\$		\$ NO REAJUST		2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	THCH\$	THCH\$
Bancafe	-	-	-	-	-	-	1,178,539	1,290,949	-	-	-	-	1,178,539	1,290,949
Banco Abn Amro Bank	909,670	4,900,850	-	-	-	-	-	-	-	-	-	-	909,670	4,900,850
Banco Alfa	-	-	-	-	-	-	104,222	-	-	-	-	-	104,222	-
Banco Bayerische Landes	7,861,645	649,855	-	-	-	-	-	-	-	-	-	-	7,861,645	649,855
Banco BBVA	2,968	14,136	-	-	-	-	-	-	-	-	-	-	2,968	14,136
Banco Colpatría	-	-	-	-	-	-	785,693	860,632	-	-	-	-	785,693	860,632
Banco Continental	-	-	-	-	-	-	3,856	-	-	-	-	-	3,856	-
Banco Corfinsura	-	-	-	-	-	-	3,142,772	3,442,531	-	-	-	-	3,142,772	3,442,531
Banco de Crédito (Peru)	-	-	-	-	-	-	2,972	-	-	-	-	-	2,972	-
Banco Davivienda	-	-	-	-	-	-	2,369,515	2,582,586	-	-	-	-	2,369,515	2,582,586
Banco do Brasil	1,296,625	288,532	-	-	-	-	222,425	1,228,467	-	-	-	-	1,519,050	1,516,999
Banco do Estado do Ceará	-	-	-	-	-	-	-	198,560	-	-	-	-	-	198,560
Banco do Nordeste do Brasil	78,413	-	-	-	-	-	-	49,702	-	-	-	-	78,413	49,702
Banco Estado	-	-	-	-	-	-	-	-	1,788,047	1,761,618	-	-	1,788,047	1,761,618
Banco Europeo de Inversiones	-	876,233	-	-	-	-	777,463	-	-	-	-	-	777,463	876,233
Banco Interamericano de Desarrollo	11,369,479	-	-	-	-	-	-	-	-	-	-	-	11,369,479	-
Banco Itau	-	-	-	-	-	-	1,818,731	-	-	-	-	-	1,818,731	-
Banco Medio Crédito	-	-	-	-	-	-	1,803,488	1,852,156	-	-	-	-	1,803,488	1,852,156
Banco Nacional del Lavoro	-	-	-	-	-	-	594,059	660,934	-	-	-	-	594,059	660,934
Baring Bank	-	1,208,637	-	-	-	-	-	-	-	-	-	-	-	1,208,637
Banco Pactual	-	-	-	-	-	-	363,278	-	-	-	-	-	363,278	-
Banco Safra	-	-	-	-	-	-	754,940	-	-	-	-	-	754,940	-
Banco Santander Central Hispano	3,595,414	4,672,999	-	-	-	-	1,351,649	-	-	-	-	-	4,947,063	4,672,999
Bancolombia	-	-	-	-	-	-	3,142,772	3,442,531	-	-	-	-	3,142,772	3,442,531
Banesto	4,301,572	-	-	-	-	-	-	-	-	-	-	-	4,301,572	-
Bank Boston	-	-	-	-	-	-	4,924,806	-	-	-	-	-	4,924,806	-
Bank of América	-	15,980,007	-	-	-	-	-	-	-	-	-	-	-	15,980,007
Bank of Tokio - Mitsubishi	-	5,593,084	-	129,909	-	427,679	-	430,284	-	-	-	-	-	6,580,956
Bnp Paribas	3,422,025	3,904,240	-	-	-	-	1,218,061	-	-	-	-	-	4,640,086	3,904,240
Bndes	-	-	-	-	-	-	26,177,395	9,254,951	-	-	-	-	26,177,395	9,254,951
Bradesco	-	-	-	-	-	-	868,897	-	-	-	-	-	868,897	-
Caja de Ahorros y Monte de Piedad de Madrid	21,129	14,135	-	-	-	-	-	-	-	-	-	-	21,129	14,135
Caixa General de Depósitos	-	-	713,533	-	-	-	-	-	-	-	-	-	713,533	-
Citibank N.A.	2,969	5,890	-	-	-	-	-	-	-	-	348	-	3,317	5,890
Compagnie Belge de la Webstlb	2,067,437	853,254	-	-	-	-	-	-	-	-	-	-	2,067,437	853,254
Conavi	-	-	-	-	-	-	1,964,233	2,151,581	-	-	-	-	1,964,233	2,151,581
Deutsche Bank A.G.	3,420,625	8,246	-	-	-	-	-	-	-	-	-	-	3,420,625	8,246
Export Develop. Corp.	1,698,110	1,820,481	-	-	-	-	-	-	-	-	-	-	1,698,110	1,820,481
Granahorrar	-	-	-	-	-	-	1,178,539	1,290,949	-	-	-	-	1,178,539	1,290,949
J.P. Morgan Chase Bank	91,823	32,089,086	-	-	-	-	-	-	-	-	-	-	91,823	32,089,086
Kreditanstalt Für Weideraubau	8,103,412	333,513	-	-	-	-	-	-	-	-	-	-	8,103,412	333,513
Skandinaviska Enskilda Banken	1,702,107	1,924,297	-	-	-	-	-	-	-	-	-	-	1,702,107	1,924,297
Unibanco	1,062,865	-	-	-	-	-	9,316,347	4,597,325	-	-	-	-	10,379,212	4,597,325
<b>TOTALS</b>	<b>51,008,288</b>	<b>75,137,475</b>	<b>713,533</b>	<b>129,909</b>	-	<b>427,679</b>	<b>64,064,652</b>	<b>33,334,138</b>	<b>1,788,047</b>	<b>1,761,618</b>	<b>348</b>	-	<b>117,574,868</b>	<b>110,790,819</b>
<b>TOTAL PRINCIPAL</b>	<b>48,457,874</b>	<b>73,063,315</b>	<b>710,505</b>	<b>128,690</b>	-	<b>426,606</b>	<b>45,833,425</b>	<b>31,386,091</b>	<b>1,609,242</b>	<b>1,672,500</b>	<b>348</b>	-	<b>96,611,046</b>	<b>106,677,202</b>
<b>WEIGHTED AVERAGE ANNUAL INTEREST RATE</b>	<b>10.27%</b>	<b>7.03%</b>	<b>3.45%</b>	<b>3.00%</b>	-	<b>0.90%</b>	<b>11.66%</b>	<b>12.99%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>11.06%</b>	<b>8.83%</b>

## AS OF DECEMBER 31,

	2005 %	2004 %
Percentage of debt in foreign currency:	98,48%	98,41%
Percentage of debt in local currency:	1,52%	1,59%
<b>TOTAL</b>	<b>100,00%</b>	<b>100,00%</b>

## NOTE 16. LONG-TERM PORTION OF DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

FINANCIAL INSTITUTION	CURRENCY	AS OF DECEMBER 31, 2005					AFTER 10 YEARS YEARS	THCH\$	TOTAL LONG-TERM PORTION 2005 THCH\$	ANNUAL INTEREST RATE AVERAGE	TOTAL LONG-TERM PORTION 2004 THCH\$
		AFTER 1 YEAR BUT WITHIN 2 YEARS THCH\$	AFTER 2 YEARS BUT WITHIN 3 YEARS THCH\$	AFTER 3 YEARS BUT WITHIN 5 YEARS THCH\$	AFTER 5 YEARS BUT WITHIN 10 YEARS THCH\$						
Bancafe	\$ Colom	-	-	1,121,827	-	-	-	1,121,827	12.17%	2,416,431	
Banco ABC Brasil	Rs	-	-	-	-	-	-	-	-	336,662	
Banco Abn Amro Bank	US\$	6,613,813	1,550,313	2,720,718	2,776,042	-	-	13,660,886	6.46%	5,527,124	
Banco Alfa	Rs	6,568,548	-	-	-	-	-	6,568,548	21.07%	-	
Banco Bayerische Landes	US\$	-	-	-	-	-	-	-	-	8,727,639	
Banco BBVA	US\$	-	10,890,625	-	-	-	-	10,890,625	4.91%	86,619,960	
Banco Colpatría	\$ Colom	-	-	747,885	-	-	-	747,885	12.17%	1,610,953	
Banco Continental	Soles	8,813,028	-	-	-	-	-	8,813,028	5.25%	-	
Banco Crédito Peru	Soles	6,198,995	-	-	-	-	-	6,198,995	5.88%	-	
Banco Estado	\$ Reaj.	951,856	-	-	-	-	-	951,856	9.00%	2,804,543	
Banco Europeo de Inversiones	US\$	4,270,833	4,270,833	8,541,667	8,541,667	-	-	25,625,000	18.33%	28,873,320	
Banco Davivienda	\$ Colom	-	-	2,243,654	-	-	-	2,243,654	12.17%	4,833,085	
Banco de Colombia	\$ Colom	-	-	-	-	-	-	-	-	325,029	
Banco do Brasil	Rs	1,400,486	1,400,486	2,756,733	5,732,100	-	-	11,289,805	16.25%	9,401,741	
	US\$	-	-	-	-	-	-	-	-	3,093,558	
Banco Interamericano de Desarrollo	US\$	10,945,443	10,945,443	21,890,888	26,378,528	-	-	70,160,302	4.50%	-	
Banco Itau	Rs	-	-	21,725,135	-	-	-	21,725,135	4.80%	-	
Banco Medio Crédito	\$ Arg	1,786,956	1,786,956	3,573,912	893,301	-	-	8,041,125	1.75%	10,075,779	
Banco Nacional de Paris	\$ Arg	-	-	-	-	-	-	-	-	1,396,392	
	US\$	2,660,413	3,177,750	3,881,278	4,192,436	-	-	13,911,877	5.89%	19,255,964	
Banco Nacional del Trabajo	\$ Arg	-	-	-	-	-	-	-	-	659,408	
Banco de la Provincia de Buenos Aires	US\$	512,500	-	-	-	-	-	512,500	4.37%	-	
Banco Pactual	Rs	-	-	6,531,915	-	-	-	6,531,915	4.80%	-	
Bancolombia	\$ Colom	195,356	-	2,991,539	-	-	-	3,186,895	11.87%	6,443,813	
Banco Santander Central Hispano	US\$	3,454,888	22,033,013	3,454,888	8,328,125	-	-	37,270,914	5.69%	90,662,225	
Banesto	US\$	3,131,132	1,565,566	1,565,566	-	-	-	6,262,264	6.83%	11,760,153	
Bank of America	US\$	-	-	-	-	-	-	-	-	8,812,570	
Bank Tokio - Mitsubishi	US\$	-	-	-	18,988,125	-	-	18,988,125	4.91%	-	
Banco do Nordeste do Brasil	Rs	-	1,676,356	-	-	-	-	1,676,356	7.68%	41,059	
Barings Bank	US\$	-	-	-	-	-	-	-	-	646,762	
BNDES	Rs	13,502,214	15,053,663	26,426,403	11,165,900	-	-	66,148,180	19.32%	80,635,602	
Bradesco	Rs	-	-	8,758,064	-	-	-	8,758,064	21.30%	-	
Caja de Ahorros y Monte de Piedad de Madrid	US\$	-	10,890,625	-	4,330,625	-	-	15,221,250	4.91%	86,619,960	
Caixa General de Depósitos	Euros	710,950	-	-	-	-	-	710,950	3.06%	1,873,497	
Citibank N.Y.	US\$	-	10,890,625	-	14,990,625	-	-	25,881,250	4.91%	86,619,960	
Compagnie Belge de la Webstlb	US\$	3,715,625	-	-	-	-	-	3,715,625	8.10%	6,513,821	
Comafi	\$ Arg	-	1,183,017	-	-	-	-	1,183,017	7.23%	-	
Conavi	\$ Colom	-	-	1,869,712	-	-	-	1,869,712	12.17%	4,027,384	
Corfinsura	\$ Colom	-	-	2,991,539	-	-	-	2,991,539	12.17%	6,443,813	
Credit Swiss First Boston	US\$	-	2,198,625	13,176,375	-	-	-	15,375,000	10.25%	-	
Deutsche Bank A.G.	US\$	5,128,049	-	-	-	-	-	5,128,049	9.13%	9,630,167	
Export Develop. Corp.	US\$	1,477,941	1,477,941	2,211,689	3,307,088	-	-	8,474,659	4.72%	11,135,388	
Granahorrar	\$ Colom	-	-	1,121,846	-	-	-	1,121,846	12.17%	2,416,432	
Hsbc	US\$	-	-	-	2,776,042	-	-	2,776,042	4.91%	-	
Ing Bank	US\$	-	-	-	6,662,500	-	-	6,662,500	4.91%	-	
Instituto de Crédito Oficial	US\$	-	-	-	2,220,833	-	-	2,220,833	4.91%	-	
J.P.Morgan Chase Bank	US\$	12,812,500	-	-	-	-	-	12,812,500	8.60%	23,791,616	
Kreditanstalt Fur Weideraubau	US\$	7,766,968	7,766,968	15,113,403	11,229,919	-	-	41,877,258	4.85%	1,105,629	
San Paolo IMI S.P.A.	US\$	-	-	-	5,552,083	-	-	5,552,083	4.91%	-	
Skandinaviska Enskilda Banken	US\$	846,865	-	-	-	-	-	846,865	6.50%	2,862,838	
Standard Bank	US\$	-	10,250,000	-	-	-	-	10,250,000	7.75%	-	
Unibanco	Rs	17,409,334	7,185,320	9,921,211	3,352,712	-	-	37,868,577	10.29%	20,652,036	
<b>TOTALS</b>		<b>120,874,693</b>	<b>126,194,125</b>	<b>165,337,847</b>	<b>141,418,651</b>			<b>553,825,316</b>		<b>648,652,313</b>	

	AS OF DECEMBER 31,	
	2005 %	2004 %
Percentage of debt in local currency:	99.83%	99.57%
Percentage of debt in foreign currency:	0.17%	0.43%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

On April 15, 2004, Enersis S.A. prepaid US\$150 million of the syndicated loan obtained in November, 2003, for US\$500 million, the remaining US\$350 million balance was refinanced in November, 2004, through revolving overdraft lines whose term is 4 years. It is possible to prepay and draw down funds throughout the contract period. The interest (spread) depends on the corporate rating given by S & P. Currently, at BBB-, the

interest spread is 0.375%. Later on, on March 4, 2005, US\$80 million were prepaid.

On November 10, 2004, Endesa Chile entered into a new credit for MUS\$250 million, with which it prepaid the loan entered into on February 4, 2004.

The new Endesa Chile loan matures on November 11, 2010, and has a 0.375% Libor spread.

The operation was carried out without warranties, endorsements, or investment or indebtedness restrictions.

## NOTE 17. OTHER CURRENT LIABILITIES

Other current liabilities are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Advances and guarantee on construction	42,344	37,751
Taxes payables	1,382,810	1,218,725
Contingencies - third party claims	6,903,532	23,379,305
Reimbursable contributions	1,707,884	2,227,172
Azopardo provision	3,352,285	3,382,707
Accrued employees benefits - other	1,936,924	1,959,842
Forward contracts and swaps	16,513,081	4,483,866
Fair value - derivative contracts	8,626,604	165,622
Emergency energy provisions (Brazil)	3,816,740	1,964,456
Other current liabilities	4,593,160	3,843,733
<b>TOTAL</b>	<b>48,875,364</b>	<b>42,663,179</b>



## NOTE 18. BONDS PAYABLE

a. Details of the current portion of bonds payable is as follows:

INSTRUMENT	SERIES	FACE VALUE OUTSTANDING	CURRENCY	INTEREST RATE %	MATURITY DATE	AS OF DECEMBER 31,	
						2005 M\$	2004 M\$
Bonds Edelnor	One	4,891,900	Soles	9.61%	01/02/2011	5,163	5,571
Bonds Edelnor	1ºProg.	80,000,000	Soles	VAC + 7.5%	01/07/2006	13,399,830	558,281
Bonds Edelnor	1ºProg.	100,000,000	Soles	VAC + 6.9%	10/10/2006	16,399,996	263,910
Bonds Edelnor	1ºProg.	18,570,000	Soles	VAC + 6.2%	26/04/2007	34,282	39,944
Bonds Edelnor	1ºProg.	40,000,000	Soles	4.47%	11/09/2007	81,608	96,100
Bonds Edelnor	1ºProg.	30,000,000	Soles	5.86%	15/01/2008	120,934	142,409
Bonds Edelnor	1ºProg.	20,000,000	Soles	6.25%	15/01/2012	85,852	101,098
Bonds Edelnor	1ºProg.	20,000,000	Soles	VAC + 5.4%	22/04/2014	32,408	37,760
Bonds Edelnor	1ºProg.	20,000,000	Soles	8.56%	01/06/2009	15,637	-
Bonds Edelnor	1ºProg.	20,000,000	Soles	VAC + 6.5%	01/06/2014	12,150	14,157
Bonds Edelnor	1ºProg.	40,000,000	Soles	VAC + 6.5%	01/06/2014	7,721	8,997
Bonds Edelnor	1ºProg.	30,000,000	Soles	7.38%	10/06/2010	19,284	-
Bonds Edelnor	1ºProg.	30,000,000	Soles	8.75%	08/06/2009	22,880	18,414
Bonds Codensa	B3	50,000,000,000	\$ Col.	9.62%	15/03/2009	60,579	73,608
Bonds Codensa	B5	200,000,000,000	\$ Col.	10.80%	15/03/2011	269,239	327,891
Bonds Codensa	B8	250,000,000,000	\$ Col.	10.99%	15/03/2014	342,157	416,835
Bonds Edesur	5	40,000,000	\$ Arg	8.50%	05/04/2006	5,432,675	158,980
Bonds Edesur	6	80,000,000	\$ Arg	4.00%	05/10/2007	3,385,609	5,951
Bonds Ampla	1ª série	290,000,000	Reales	CDI+1.2% aa	01/03/2008	3,945,062	17,116,628
Bonds Ampla	2ª série	110,000,000	Reales	IGP-M+11.4%	01/03/2010	2,290,261	-
Bonds Coelce	Unit	88,500,000	Reales	CDI + 16%	20/02/2012	3,689,610	3,086,508
Bonds Endesa	One	230,000,000	US\$	7.88%	01/02/2027	3,464,882	3,907,150
Bonds Endesa	Two	220,000,000	US\$	7.33%	01/02/2037	3,441,225	3,877,448
Bonds Endesa	Three	200,000,000	US\$	8.13%	01/02/2097	719,688	831,717
Bonds Endesa	One	400,000,000	US\$	7.75%	15/07/2008	7,281,770	8,204,834
Bonds Endesa	One	400,000,000	US\$	8.50%	01/04/2009	4,356,250	4,908,464
Bonds Endesa	C2; D1 Y D2	1,043,873	U.F.	6.80%	01/11/2010	-	2,901,114
Bonds Endesa	E-1 y E-2	6,000,000	U.F.	6.20%	01/08/2006	110,593,059	2,738,956
Bonds Endesa	F	1,500,000	U.F.	6.20%	01/08/2022	686,050	684,740
Bonds Endesa	G	4,000,000	U.F.	4.80%	15/10/2010	710,565	709,207
Bonds Endesa	H	4,000,000	U.F.	6.20%	15/10/2008	914,731	912,984
Bonds Endesa	144A	400,000,000	US\$	8.35%	01/08/2013	7,132,292	8,036,407
Bonds Endesa	144A	200,000,000	US\$	8.63%	01/08/2015	3,683,594	4,150,540
Bonds Edegel	One	30,000,000	US\$	8.75%	03/06/2006	15,481,125	119,578
Bonds Edegel	Two	30,000,000	US\$	8.41%	14/02/2007	492,705	555,162
Bonds Edegel	Three	30,000,000	US\$	8.75%	13/06/2007	69,571	78,344
Bonds Edegel	Four	20,000,000	US\$	8.44%	21/11/2005	-	11,658,075
Bonds Edegel	One A	100,000,000	Soles	6.00%	06/06/2005	-	17,659,953
Bonds Edegel	Three A	50,000,000	Soles	4.13%	04/09/2006	7,567,939	116,897
Bonds Edegel	Three B	50,000,000	Soles	4.88%	30/10/2006	7,529,350	71,458
Bonds Edegel	Four A	50,000,000	Soles	4.75%	12/12/2006	7,486,406	20,888
Bonds Edegel	5 A 2º issue	10,000,000	US\$	3.75%	26/01/2009	82,214	92,635
Bonds Edegel	6 A 2º issue	30,000,000	Soles	5.88%	27/02/2008	89,951	105,923
Bonds Edegel	6 B 2º issue	20,000,000	Soles	5.88%	18/06/2008	9,170	10,798
Bonds Edegel	7 A 2º issue	10,000,000	US\$	8.50%	26/07/2009	124,211	91,678
Bonds Edegel	8 A 2º issue	22,370,000	Soles	6.00%	10/03/2008	61,261	-
Bonds Edegel	8 B 2º issue	10,456,135	Soles	6.47%	30/03/2008	62,082	-
Bonds Edegel	9 A 2º issue	70,000,000	Soles	6.91%	01/06/2009	60,177	-
Bonds Edegel	10 A 2º issue	35,000,000	Soles	6.72%	21/10/2010	67,325	-
Bonds Edegel	11 A 2º issue	20,000,000	US\$	3.71%	18/11/2012	72,457	-
Bonds Emgesa	A-1	15,000,000,000	\$ Col.	8.68%	26/07/2006	53,591	65,870
Bonds Emgesa	B-7	19,500,000,000	\$ Col.	9.18%	09/10/2006	3,456,778	112,720
Bonds Emgesa	B-10	229,825,000,000	\$ Col.	9.49%	09/10/2009	1,112,862	1,369,673
Bonds Emgesa	B-10	60,000,000,000	\$ Col.	9.31%	10/11/2009	178,605	216,658
Bonds Emgesa	C-10	8,928,433,000	\$ Col.	10.25%	09/10/2009	84,138	88,315
Bonds Emgesa	C-10	15,889,565,000	\$ Col.	9.88%	08/10/2009	45,573	47,834
Bonds Emgesa	B-1 2º issue	50,000,000,000	\$ Col.	12.43%	26/07/2006	12,445,994	1,045,727
Bonds Emgesa	B-1	85,000,000,000	\$ Col.	12.43%	26/07/2006	1,032,660	1,231,173
Bonds Emgesa	A-10	210,000,000,000	\$ Col.	10.18%	23/02/2006	4,375,126	-
Bonds Emgesa	A-1	15,000,000,000	\$ Col.	8.68%	26/07/2006	19,071,061	-
Bonds Endesa Chile Internacional	Unit	150,000,000	US\$	7.20%	01/04/2006	78,258,750	1,559,159
<b>TOTAL</b>						<b>515,523,256</b>	<b>110,939,073</b>

## a. Details of the long-term portion of bonds payable is as follows as of:

INSTRUMENT	SERIES	FACE VALUE OUTSTANDING	CURRENCY	INTEREST RATE %	MATURITY DATE	AS OF DECEMBER 31,	
						2005 THCH\$	2004 THCH\$
Bonds Edelnor	One	4,891,900	Soles	9,61%	01/02/2011	730,933	860,727
Bonds Edelnor	I°Prog.	80,000,000	Soles	VAC + 7,5 %	01/07/2006	-	15,037,298
Bonds Edelnor	I°Prog.	100,000,000	Soles	VAC + 6,9%	10/10/2006	-	18,862,306
Bonds Edelnor	I°Prog.	18,570,000	Soles	VAC + 6,2%	26/04/2007	3,022,089	3,521,241
Bonds Edelnor	I°Prog.	40,000,000	Soles	4,47%	11/09/2007	5,976,678	7,037,981
Bonds Edelnor	I°Prog.	30,000,000	Soles	5,86%	15/01/2008	4,482,507	5,278,486
Bonds Edelnor	I°Prog.	20,000,000	Soles	6,25%	15/01/2012	2,988,338	3,518,991
Bonds Edelnor	I°Prog.	20,000,000	Soles	VAC + 5,4%	22/04/2014	3,065,164	3,571,430
Bonds Edelnor	I°Prog.	20,000,000	Soles	8,56%	01/06/2009	4,482,507	-
Bonds Edelnor	I°Prog.	20,000,000	Soles	VAC + 6,5 %	01/06/2014	3,058,767	3,563,977
Bonds Edelnor	I°Prog.	40,000,000	Soles	VAC + 6,5 %	01/06/2014	6,106,914	7,115,578
Bonds Edelnor	I°Prog.	30,000,000	Soles	7,38%	10/06/2010	4,482,507	-
Bonds Edelnor	I°Prog.	30,000,000	Soles	8,75%	10/06/2015	2,988,338	3,518,991
Bonds Codensa	B3	50,000,000,000	\$ Col.	9,62%	15/03/2009	11,218,271	12,082,151
Bonds Codensa	B5	200,000,000,000	\$ Col.	10,80%	15/03/2011	44,873,086	48,328,603
Bonds Codensa	B8	250,000,000,000	\$ Col.	10,99%	15/03/2014	56,091,357	60,410,754
Bonds Edesur	5	40,000,000	\$ Arg	8,50%	05/04/2006	-	7,757,735
Bonds Edesur	6	80,000,000	\$ Arg	7,00%	05/10/2007	10,140,148	15,515,471
Bonds Ampla	1ª serie	290,000,000	Reales	CDI+1,2% aa	01/03/2008	24,208,912	47,970,170
Bonds Ampla	2ª serie	110,000,000	Reales	IGP-M+11,4%aa	01/03/2010	63,495,963	-
Bonds Coelce	Unit	88,500,000	Reales	CDI + 16%	20/02/2012	14,537,346	17,452,569
Bonds Endesa	One	230,000,000	US\$	7,88%	01/02/2027	105,514,012	118,889,359
Bonds Endesa	Two	220,000,000	US\$	7,33%	01/02/2037	112,750,000	127,042,608
Bonds Endesa	Three	200,000,000	US\$	8,13%	01/02/2097	20,713,200	23,338,883
Bonds Endesa	One	400,000,000	US\$	7,75%	15/07/2008	205,000,000	230,986,560
Bonds Endesa	Unit	400,000,000	US\$	8,50%	01/04/2009	205,000,000	230,986,560
Bonds Endesa	C2; D1 Y D2	1,043,873	U.F.	6,80%	01/11/2010	-	16,035,205
Bonds Endesa	E-1 y E-2	6,000,000	U.F.	6,20%	01/08/2006	-	107,642,783
Bonds Endesa	F	1,500,000	U.F.	6,20%	01/08/2022	26,962,215	26,910,696
Bonds Endesa	G	4,000,000	U.F.	4,80%	15/10/2010	71,899,240	71,761,855
Bonds Endesa	H	4,000,000	U.F.	6,20%	15/10/2008	71,899,240	71,761,855
Bonds Endesa	144A	400,000,000	US\$	8,35%	01/08/2013	205,000,000	230,986,560
Bonds Endesa	144A	200,000,000	US\$	8,63%	01/08/2015	102,500,000	115,493,280
Bonds Endesa Chile Internacional	Unit	150,000,000	US\$	7,20%	01/04/2006	-	86,619,960
Bonds Edegel	One	30,000,000	US\$	8,75%	03/06/2006	15,375,000	17,323,992
Bonds Edegel	Two	30,000,000	US\$	8,41%	14/02/2007	15,375,000	17,323,992
Bonds Edegel	Three	30,000,000	US\$	8,75%	13/06/2007	-	17,323,992
Bonds Edegel	Three A	50,000,000	Soles	4,13%	04/09/2006	-	8,794,798
Bonds Edegel	Three B	50,000,000	Soles	4,88%	30/10/2006	-	8,794,798
Bonds Edegel	Four A	50,000,000	Soles	4,75%	12/12/2006	-	8,794,798
Bonds Edegel	5 A 2º issue	10,000,000	US\$	3,75%	26/01/2009	5,125,000	5,774,664
Bonds Edegel	6 A 2º issue	30,000,000	Soles	5,88%	27/02/2008	4,481,201	5,276,877
Bonds Edegel	6 B 2º issue	20,000,000	Soles	5,88%	18/06/2008	2,987,467	3,517,919
Bonds Edegel	7 A 2º issue	10,000,000	US\$	8,50%	26/07/2009	5,125,000	5,774,663
Bonds Edegel	8 A 2º issue	22,370,000	Soles	6,00%	10/03/2008	3,341,482	-
Bonds Edegel	8 B 2º issue	25,700,000	Soles	6,47%	30/03/2008	3,838,895	-
Bonds Edegel	9 A 2º issue	70,000,000	Soles	6,91%	01/06/2009	10,456,135	-
Bonds Edegel	10 A 2º issue	35,000,000	Soles	6,72%	21/10/2010	5,228,068	-
Bonds Edegel	11 A 2º issue	20,000,000	US\$	3,71%	18/11/2012	10,250,000	-
Bonds Emgesa	A-1	15,000,000,000	\$ Col.	8,68%	26/07/2006	-	3,624,645
Bonds Emgesa	B-7	19,500,000,000	\$ Col.	9,18%	09/10/2006	-	4,712,039
Bonds Emgesa	B-10	229,825,000,000	\$ Col.	9,49%	09/10/2009	51,564,785	55,535,585
Bonds Emgesa	B-10	60,000,000,000	\$ Col.	9,31%	10/11/2009	13,461,776	14,498,581
Bonds Emgesa	C-10	8,928,433,000	\$ Col.	10,25%	09/10/2009	3,610,294	3,699,403
Bonds Emgesa	C-10	15,889,565,000	\$ Col.	9,88%	09/10/2009	2,028,642	2,078,712
Bonds Emgesa	B-12º issue	50,000,000,000	\$ Col.	12,43%	26/07/2006	-	12,082,099
Bonds Emgesa	B-1	85,000,000,000	\$ Col.	12,43%	26/06/2006	-	20,539,572
Bonds Emgesa	A-10	210,000,000,000	\$ Col.	10,18%	23/02/2015	47,116,741	-
Bonds Betania	B	300,000,000,000	\$ Col.	11,40%	10/11/2011	67,309,700	72,492,822
<b>TOTAL</b>						<b>2,002,198,838</b>	<b>2,583,266,113</b>

## 18.1 Bonds payable consist of the following:

### 18.1.1 Enersis S.A. Series B1-B2

On September 11, 2001, Enersis S.A. registered two series of bearer bonds dated June 14, 2001, as follows:

SERIES	TOTAL AMOUNT IN UF	Nº.OF BONDS PER SERIES	FACE VALUE IN UF
B1	1,000,000	1,000	1,000
B1	3,000,000	300	10,000
B2	1,000,000	1,000	1,000
B2	1,500,000	150	10,000

The scheduled maturity of the Series B-1 bonds is 8 years, interest and principal payable semi-annually. Annual interest is 5.50%, compounded semi-annually.

The scheduled maturity of the Series B-2 bonds is 21 years, principal payments beginning after 5 years, interest and principal payable semi-annually. Annual interest is 5.75%, compounded semi-annually.

### 18.1.2 Enersis S.A. (Yankee Bonds)

On November 21, 1996, the Company, acting through its agency in the Cayman Islands, issued corporate notes (Yankee Bonds) for US\$800 million in three series, as follows:

SERIES	TOTAL AMOUNT IN US\$	YEARS TO MATURITY	STATED ANNUAL INTEREST RATE
1	300,000,000	10	6.90%
2	350,000,000	20	7.40%
3	150,000,000	30	6.60%

Interest is payable on a semi-annual basis and principal is due upon maturity. The Series 3 bond holders have a pre-redemption option in year seven, which was exercised by nearly all holders in November 2003 for US\$149,142,000.

During the second half of 2004, debts have been re-nominated through UF/US\$swap contracts for an amount of US\$100,000,000 associated to the tranche 1 bond and US\$250,000,000 associated to tranche 2.

### Repurchase of Yankee Bonds

Enersis Internacional, a 100% subsidiary of Enersis during November 2001 made a tender offer to repurchase all or a portion of the Series 2 Yankee Bonds. The offer expired November 21, 2001 and Enersis Internacional repurchased a total of US\$100,266,000 in bonds with accrued interest, at a price of US\$95,536,000.

### 18.1.3 International Bonds (Yankee Bonds II)

On November 24, 2003, the Company, through its Cayman Islands Agency, issued and placed Yankee Bonds on the American market for US\$350 million. This placement was made in a single tranche, whose features are as follows:

SERIES	TOTAL AMOUNT IN US\$	YEARS TO MATURITY	STATED ANNUAL INTEREST RATE
1	350,000,000	10	7.375%

Interest is paid semi-annually and amortization of capital is a single installment at the end of the term.

During 2004 second half, debts have been re-nominated through US\$/UF swap contracts for the total of this issue.

### 18.1.4 Bonds of Chilectra S.A.

On October 13, 2003, Chilectra S.A. registered, in the Superintendency of Securities and Insurance, 2 lines of bonds corresponding to N° 347 and 348 for a maximum line amount of UF4,200,000 and UF4,000,000 respectively; the placement has a maturity of 10 years from August 22, 2003. To date, the placement of the related bonds has not been made.

**18.1.5 Edelnor Bonds (Subsidiary of Distrilima S.A.)**

## First issue

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Date of Issue	:	March 1, 1996
Number of bonds subscribed	:	48,919
Face value	:	100 (new soles each)
Redemption term	:	15 years
Interest rate	:	9.61% annual
Interest payment	:	Annually, on coupon maturity
Principal amortization	:	Amortization of total principal upon maturity

## First program of Corporate Bonds

## First issue

---

Date of Issue	:	October 29, 2001
Number of bonds subscribed	:	146,300
Face value	:	30,000 (new soles each)
Redemption term	:	5 years
Interest rate	:	7.50% annual
Interest payment	:	Semi - annual

## Second issue

---

Date of Issue	:	October 19, 2001
Number of bonds subscribed	:	20,000
Face value	:	5,000 (new soles each)
Redemption term	:	5 years
Interest rate	:	6.9% annual + VAC
Interest payment	:	Semi - annual

## Fifth issue

---

Date of Issue	:	March 1, 2003
Number of bonds subscribed	:	3,714
Face value	:	5,000 (new soles each)
Redemption term	:	4 years
Interest rate	:	6.2 % annual + VAC
Interest payment	:	Semi - annual

## Sixth issue

---

Date of Issue	:	September 12, 2003
Number of bonds subscribed	:	8,000
Face value	:	5,000 (new soles each)
Redemption term	:	4 years
Interest rate	:	4.47 % annual
Interest payment	:	Semi - annual

## Seventh issue

---

Date of Issue	:	January 16, 2004.
Number of bonds subscribed	:	6,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	4 years
Interest rate	:	5.86%.
Interest payment	:	Semi-annual

## Eighth issue

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Date of Issue	:	January 16, 2004.
Number of bonds subscribed	:	4,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	8 years
Interest rate	:	6.25%.
Interest payment	:	Semi-annual

## Ninth issue

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Date of Issue	:	April 22, 2004.
Number of bonds subscribed	:	4,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	10 years
Interest rate	:	VAC + 5.4375%.
Interest payment	:	Semi-annual

## Tenth issue

---

Date of Issue	:	June 9, 2004.
Number of bonds subscribed	:	4,000 bonds
Face value	:	5,000 (new soles) each
Redemption term	:	5 years
Interest rate	:	8.56%.
Interest payment	:	Semi-annual

## Eleventh issue

---

Date of Issue	:	June 9, 2004.
Number of bonds subscribed	:	4,000 bonds
Face value	:	5,000 (new soles) each
Redemption term	:	10 years
Interest rate	:	VAC + 6,50%
Interest payment	:	Semi-annual

## Twelfth issue

---

Date of Issue	:	June 24, 2004.
Number of bonds subscribed	:	8,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	10 years
Interest rate	:	VAC + 6.50%.
Interest payment	:	Semi-annual

## Thirteenth issue

---

Date of Issue	:	June 10, 2005
Number of bonds subscribed	:	6,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	10 years
Interest rate	:	7.38%
Interest payment	:	Semi-annual

## Fourteenth issue

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Date of Issue	:	June 10, 2005.
Number of bonds subscribed	:	6,000 bonds
Face value	:	5,000 (new soles each)
Redemption term	:	15 years
Interest rate	:	8.75%
Interest payment	:	Semi-annual

**18.1.6 Codensa S.A.**

Codensa S.A. issued bonds on March 11, 2004.

## First Issue

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Issuer	:	Codensa
Issued securities	:	Securities negotiable in Colombian pesos.
Amount issued	:	500,000,000,000 Colombian pesos
1st principal payment	:	maturity in 2009 for 50,000,000,000 Colombian pesos
Nominal interest rate	:	9.62% average annual rate
Interest payment	:	Quarterly Interest earned at the closing of the year is ThCh\$60,579 (ThCh\$73,608 in 2004), and is presented in current liabilities
2nd principal payment	:	Maturity in 2011 for 200,000,000,000 Colombian pesos
Nominal interest rate	:	10.80% average annual rate
Interest payment	:	Quarterly Interest earned at the closing of the year is ThCh\$269,239 (ThCh\$327,891), and is presented in current liabilities
3rd principal payment	:	Maturity in 2014 for 250,000,000,000 Colombian pesos
Nominal interest rate	:	10.99% average annual rate
Interest payment	:	Quarterly Interest earned at the closing of the year is ThCh\$34,157 (ThCh\$416,835 in 2004), and is presented in the current liabilities

**18.1.7 Edesur S.A.**

On October 5, 2004, under its medium-term certificate of indebtedness issue program, Edesur S.A. issued negotiable liabilities in Argentinean pesos for a total amount of ThUS\$40,302 in two 18-month series (class 5) and 1-3-year series (class 6), respectively.

Issuer	: Edesur S.A.
Issued securities	: Negotiable liabilities in Argentinean pesos
Amount issued	: ThUS\$13,434
Principal due	: Maturity in 2006
Nominal interest rate	: 8.50% average annual rate
Interest payment	: Semi-annual

Issuer	: Edesur S.A.
Issued securities	: Negotiable liabilities in Argentinean pesos
Amount issued	: ThUS\$26,868
Principal due	: Maturity in 2007
Nominal interest rate	: 4.00% minimum annual nominal rate.
Interest payment	: Quarterly

**18.1.8 Ampla Energia e Serviços S.A.**

On March 01, 2005, Ampla Energia e Serviços S.A. issued liabilities in reales for a total amount of R\$400,000,000 in a 2-year term series.

**First Issue**

Issuer	: Ampla Energia e Serviços S.A.
Issued securities	: Negotiable liabilities in Brazilian reales
Amount issued	: R\$ 290,000,000.00
Principal due	: Maturity in 2008
Nominal interest rate	: CDI + 1,2% a.a.
Interest payment	: Semi-annual
Interest payment	: Maturity in 2008

**Second Issue**

Issuer	: Ampla Energia e Servicios S.A.
Issued securities	: Negotiable liabilities in Brazilian reales
Amount issued	: R\$110,000,000
Principal due	: Maturity in 2010
Nominal interest rate	: IGP - M + 11,4% a.a.
Interest payment	: Annual
Interest payment	: Maturity in 2010

**18.1.9 Coelce S.A.**

On February 29, 2004, Coelce S.A. issued liabilities in reales for a total amount of MR\$88,500 in a 12-year term series.

Issuer	:	Coelce S.A.
Issued securities	:	Negotiable securities in Brazilian reales
Amount issued	:	ThR\$88,500
Principal due	:	Maturity in 2012
Nominal interest rate	:	1.16%. x CDI average annual rate
Interest payment	:	Semi-annual

**18.1.10 Endesa Chile S.A.**

a.1.- Our Subsidiary - Endesa Chile S.A. currently has two outstanding public bond issues on the domestic market on the following dates:

- On December 7, 1990, it registered the third issuance of bonds worth U.F. 4,000,000 under N°.131. U.F. 2,030,000 of this issue had been placed at December 31, 2003. The remaining balance of U.F. 1,970,000 has been cancelled, because its placement deadline has expired. This issue is fully paid in at May 2, 2005.
- On August 9, 2001, it registered the fourth bond issuance worth U.F: 7,500,000 under N°.264; this was totally placed at December 31, 2001.
- On November 26, 2002, it registered the fifth bond issuance worth U.F. 8,000,000 under N°. 317 and 318 and then amended it on October 2, 2003; this issue was totally placed at December 31, 2003.

Risk rating of the issued bonds is as follows as of December 31, 2004:

	Category
- Féller – Rate Clasificadora de Riesgo Ltda.	A+
- Comisión Clasificadora de Riesgo	A+
- Fitch Chile Clasificadora de Riesgo Ltda.	A+



## ISSUANCE TERMS

## Third Issuance

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Bearer bonds in local currency, denominated in Unidades de Fomento
Issuance Value	: Four million Unidades de Fomento (UF4,000,000) divided into: <ul style="list-style-type: none"> <li>- Series C-1: 120 bonds at UF10,000 each</li> <li>- Series C-2: 800 bonds at UF1,000 each</li> <li>- Series D-1: 120 bonds at UF10,000 each</li> <li>- Series D-2: 800 bonds at UF1,000 each</li> </ul>
Indexation	: Based on variations in Unidad de Fomento index
Amortization period	: Series C-1 and C-2: 15 years (5-year grace year and 10 years to pay off principal) Series D-1 and D-2: 20 years (5-year grace year and 15 years to pay off principal)
Capital amortization	: Series C-1 and C-2: 20 consecutive installments payable semi-annually, starting April 1, 1996. Series D-1 and D-2: 30 consecutive installments payable semi-annually, starting May 1, 1996. Paydown installments are incremental
Early Redemption	: As elected by the issuer, starting May 1, 1996 and only on the interest payment and amortization dates.
Nominal interest rate	: 6.80% annually upon expiration, compound and actual rate per semester on outstanding principal, readjusted by the value of the Unidad de Fomento (UF) The applicable semi-annual interest rate will be equal to 3.34409%
Nominal interest rate	: Interest will be paid semi-annually each May 1 and November 1, starting May 1, 1991. Accrued interest as of December 31, 2005 and 2004 amounts to ThCh\$208,755 and ThCh\$ -, respectively, and is shown under current liabilities
Guarantee	: There is no specific collateralization, however, a general guarantee collateralizes all the issuer's assets.
Placement period	: 48 months from the registration date in the Chilean Securities Register of the Superintendency of Securities and Insurance

This issue was completely paid in May 2005

## Fourth Issuance

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Bearer bonds in local currency, denominated in Unidades de Fomento
Issuance Value (1)	: Up to seven and a half million (UF7,500,000) divided into: <ul style="list-style-type: none"> <li>Series E-1: 1,500 bonds at UF1,000 each</li> <li>Series E-2: 600 bonds at UF10,000 each</li> <li>Series F: 200 bonds at UF10,000 each</li> </ul>
Indexation	: Variation in the UF
Amortization period	: Series E-1 and E-2: August 1, 2006 Series F: August 1, 2022
Early Redemption	: Only in the Series F case, beginning February 1, 2012.
Nominal interest rate	: 6.20% annually, compounded semi-annually and effective on the outstanding principal adjusted for the value of the Unidad de fomento. The semi-annual interest rate will be 3.0534%.
Guarantee	: There is no specific collateralization; however, a general guarantee covers all the issuer's assets.
Placement period	: Interest will be paid semi-annually, due on August 1 and February 1 of each year starting from August 1, 2001. Interest accrued at year-end is ThCh\$3,430,249 in 2005 and ThCh\$3,423,695 in 2004, and presented in current liabilities.

## Fifth Issue

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Dematerialized bearer bonds in local currency, expressed in Unidades de Fomento.
Amount of issue	: Eight million Unidades de Fomento (U.F. 8,000,000) divided into: <ul style="list-style-type: none"> <li>- Series G: 4,000 Bonds at UF 1,000 each</li> <li>- Series H: 4,000 Bonds at UF 1,000 each</li> </ul>
Readjustment base	: Based on variation in Unidad de Fomento index.
Amortization period	: Serie G: October 15, 2010. Serie H : Semi-annually matures on April 15, 2010.
Pre-redemption	: Only for series G bonds, as of October 16, 2004.
Nominal interest rate	: Series G: 4.80% per year, compounded every six months and effective on the principal not fully paid adjusted by the value of the Unidad de Fomento. The interest rate to be applied every six months will be 2.3719%..
Series H	: 6.20% per year, compounded every six months and effective on the principal not fully paid adjusted by the value of the Unidad de Fomento. The interest rate to be paid every six months will be 3.0534%.
Placement deadline	: 36 months as of date of registration in Securities Register of the Superintendency of Securities and Insurance.
Interest payment	: Interest will be paid semi-annually, due on April 15 and October 15 of each year starting from April 15, 2004. Interest accrued at year-end is ThCh\$1,625,296 in 2005 and ThCh\$1,622,192 in 2004 are presented in current liabilities.

a.2.- Endesa Chile S.A. has issued and placed four public offerings of bonds in the international market as follows:

The risk ratings of these offerings of bonds at the date of these financial statements is as follows:

Rating entity	Category
- Standard & Poor's	BBB-
- Moodys Investors Services	Ba1
- Fitch	BBB-

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**First Issuance**

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Marketable securities denominated in US\$(Yankee bonds) in the US market.
Issuance Value	: Six hundred and fifty million US Dollars (US\$650,000,000) divided into: Series 1: US\$230,000,000 Series 2: US\$220,000,000 Series 3: US\$200,000,000
Readjustment	: Variation in the US Dollar in relation with the Chilean peso
Amortization period	: Series 1 matures on February 1, 2027 Series 2 matures on February 1, 2037 (Put Option on February 1, year 2009, on which date the holders may redeem 100% of bonds plus accrued interest). Series 3 matures on February 1, 2097
Nominal interest rate	: Series 1: 7.88% annually Series 2: 7.33% annually Series 3: 8.13% annually
Interest Payments	: Interest will be paid semi-annually each February 1 and August 1 annually, starting January 27, 1997. Accrued interest as of the year end amounts to ThCh\$10,779,051 in 2005 and ThCh\$12,145,443 in 2004, which is shown under current liabilities

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**Second Issuance**

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Marketable securities denominated in US\$(Yankee bonds) in the US market
Issuance Value	: Four hundred million US Dollars (US\$400,000,000)
Readjustment	: Variation in the US Dollar in relation with the Chilean peso
Principal due	: Series 1 matures on July 15, 2008
Nominal interest rate	: Series 1: 7.75% annually
Interest Payment	: Interest will be paid semi-annually each January 15 and July 15 annually, starting January 15, 1999. Accrued interest as of the year end amounts to ThCh\$7,281,770 in 2005 and ThCh\$8,204,834 in 2004, which is shown under current liabilities

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**Third Issuance**

Issuer	: Empresa Nacional de Electricidad S.A.
Securities issued	: Marketable securities denominated in US\$(Yankee bonds) in the US market
Issuance Value	: Four hundred million US Dollars (US\$400,000,000)
Readjustment	: Variation in the US Dollar in relation with the Chilean peso
Principal due	: Series 1 matures on April 1, 2009
Nominal interest rate	: Series 1: 8.50% annually
Interest Payment	: Interest will be paid semi-annually each October 1 and April 1 annually, starting October 1, 1999. Accrued interest as of the year end amounts to ThCh\$4,356,250 in 2005 and ThCh\$4,908,464 in 2004, respectively, which is shown under current liabilities

## Fourth Issue

Issuer	:	Empresa Nacional de Electricidad S.A.
Securities issued	:	Electronic negotiable bonds expressed in American dollars on the American and European markets, under rules "Rule 144A" and "Regulation S"
Amount of issue	:	Six hundred million US dollars (US\$600,000,000) divided into: <ul style="list-style-type: none"> <li>- Series August 1, 2013: US\$400,000,000</li> <li>- Series August 1, 2015: US\$200,000,000</li> </ul>
Adjustment	:	Variation in US dollar
Principal due	:	Series of ThUS\$400 total maturity on August 1 2013 Series of ThUS\$200 total maturity on August 1 2015
Nominal interest rate	:	Series of ThUS\$400 8.35% per year Series of ThUS\$400 8.63% per year
Payment of interest	:	Interest will be paid semi-annually on February 1 and August 1 each year starting from July 23, 2003. Interest accrued at year-end was ThCh\$10,815,886 in 2005 and ThCh\$12,186,947 in 2004 which is shown under current liabilities

**Repurchase of Yankee Bonds**

Endesa Chile Internacional, a 100% subsidiary of Endesa Chile, made a tender offer in November 2001, for the total or partial purchase, in cash, of the following bond issue in US dollar (Yankee Bonds) made by its parent company:

- Series 1: ThCh\$230,000 at 30 years, maturing in 2027.
- Series 3: ThCh\$200,000 at 100 years, maturing in 2097.

As a result of the offer which expired on November 21, 2001, series 1 and series 3 bonds, for ThUS\$21,324 and ThUS\$134,828, respectively, were purchased, whose nominal values amounted to ThUS\$24,119 and ThUS\$159,584 for each series.

**18.1.11 Subsidiaries of Endesa Chile S.A.**

**b.1.-** Endesa Chile Internacional issued Yankee Bonds on April 1, 1996.

Risk rating of the bond issuance is as follows as of December 31, 2005:

	Category
- Standard & Poor's	BBB-
- Moodys Investors Service	Ba1

## ISSUANCE TERMS

## First Issuance

Issuer	:	Endesa Chile Internacional
Securities issued	:	Marketable securities denominated in US\$(150,000 bonds)
Issuance Value	:	One hundred and fifty million Dollars (US\$150,000,000)
Principal due	:	Maturity as of April 1, 2006
Nominal interest rate	:	7.20 % annually in arrears
Interest Payment	:	Interest will be paid semi-annually in arrears starting October 1, 1996. Accrued interest as of the year end amounts to ThCh\$1,383,750 in 2005 and ThCh\$1,559,159 in 2004 and is shown under current liabilities
Guarantee	:	Guarantee from Empresa Nacional de Electricidad S.A.

**b.2.-** Edegel S.A. issued bonds on June 4, 1999, February 15, 2000, June 14, 2000 and November 27, 2000, August 22, 2001, June 6, 2003, September 4, 2003, October 29, 2003, December 12, 2003, January 26, 2004, February 27, 2004, June 18, 2004 and July 26, 2004, March 10, 2005, March 30, 2005, June 1, 2005, October 21, 2005 and November 18, 2005, as per the following:

## First Issuance

Issuer	:	Edegel S.A.
Securities issued	:	Marketable securities denominated in US\$(110,000 bonds)
Issuance Value	:	US\$110,000,000
Principal due	:	June 3, 2006, February 14, 2007, June 13, 2006 and November 21, 2005 respectively
Nominal interest rate	:	8.75%, 8.41%, 8.75% and 8.44% annually
Interest Payment	:	Interest will be paid semi-annually, starting December 3, 1999 Accrued interest as of December 31, 2005 and 2004, amounts to ThCh\$668,401 and ThCh\$861,832, respectively, and is shown in other current liabilities

Issuer	:	Edegel S.A.
Securities issued	:	Marketable securities denominated in new soles (20,000 bonds)
Issuance Value	:	100,000,000 new Peruvian soles
Principal due	:	Maturity as of June 6, 2005
Nominal interest rate	:	6.0% annually
Interest Payment	:	Interest will be paid semi-annually. Accrued interest as of December 31, 2005 and 2004, amounts to ThCh\$ --and ThCh\$70,359, respectively and is shown in other current liabilities

This issuance was fully paid in June 2005.

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Issuer	:	Edegel S.A.
Securities issued	:	Marketable securities denominated in new Peruvian soles (10,000 bonds)
Issuance Value	:	50,000,000 new soles
Principal due	:	Maturity as of September 4, 2006
Nominal interest rate	:	4.13% annually
Interest Payment	:	Interest will be paid semi-annually. Accrued interest as of December 31, 2005 and 2004, amounts to ThCh\$99,271 and ThCh\$116,897, respectively and is shown in other current liabilities

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Issuer	:	Edegel S.A.
Securities issued	:	Negotiable Instruments in New Peruvian Soles (10,000 bonds)
Amount of issued	:	Fifty million new Peruvian soles (NS50,000,000)
Principal due	:	Total maturity at October 30, 2006
Nominal interest rate	:	4.88% per year
Interest Payment	:	Interests will be paid semi-annually. Interests accrued at year-end is ThCh\$71,458 in 2004 and ThCh\$60,682 in 2005 and is presented in current liabilities

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Issuer	:	Edegel S.A.
Issued securities	:	Negotiable Instruments in New Peruvian Soles (10,000 bonds)
Amount of issued	:	Fifty million new Peruvian soles (NS50,000,000)
Principal due	:	Total maturity at December 12, 2006
Nominal interest rate	:	4.75% per year
Interest Payment	:	Interests will be paid semi-annually. Interest accrued at year-end is ThCh\$20,888 in 2004 and ThCh\$17,738 in 2005 and is presented in current liabilities

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Issuer	:	Edegel S.A.
Issued securities	:	Negotiable securities in dollars (10,000 bonds)
Amount issued	:	Ten million (US\$10,000,000)
Principal due	:	Total maturity on January 26, 2009
Nominal interest rate	:	Due annually 3.75%
Interest Payment	:	Semi-annual Interest earned at the closure of the fiscal year is ThCh\$92,635 in 2004 and ThCh\$82,214 in 2005 and presented in current liabilities

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Issuer : Edegel S.A.  
 Issued securities : Negotiable securities in new Peruvian soles (6,000 bonds)  
 Amount issued : Thirty million new Peruvian soles (NS 30,000,000)  
 Principal due : Total maturity on February 27, 2008  
 Nominal interest rate : Due annually 5.88%  
 Interest Payment : Semi-annual Interest earned at the closing of the fiscal year is ThCh\$105,923 in 2004 and ThCh\$89,951 in 2005 and presented in current liabilities

Issuer : Edegel S.A.  
 Issued securities : Negotiable securities in new Peruvian soles (4,000 bonds)  
 Amount issued : Twenty million new Peruvian soles (NS 20,000,000)  
 Principal due : Total maturity on June 18, 2008  
 Nominal interest rate : Due annual 5.88%  
 Interest Payment : Semi-annual Interest earned at the closing of the fiscal year is ThCh\$10,798 in 2004 and ThCh\$9,170 in 2005 and presented in current liabilities

Issuer : Edegel S.A.  
 Issued securities : Negotiable securities in dollars (10,000 bonds)  
 Amount issued : Ten million dollars (US\$10,000,000)  
 Principal due : Total maturity on July 26, 2009  
 Nominal interest rate : Due annual 8.50%  
 Interest Payment : Semi-annual Interest earned at the closing of the fiscal year is ThCh\$91,678 in 2004 and ThCh\$124,211 in 2005 and presented in current liabilities

Issuer : Edegel S.A.  
 Securities issued : Marketable securities in new Peruvian soles (4,474 bonds)  
 Amount of issue : Twenty two million three hundred seventy thousand new Peruvian soles (NS22,370,000)  
 Principal due : Total maturity on March 10, 2008  
 Nominal interest rate : 6.00% per year  
 Interest Payment : Semi-annual Interest accrued at year-end is ThCh\$61,261 and is presented in current liabilities

Issuer : Edegel S.A.  
 Securities issued : Marketable securities in new Peruvian soles (5,140 bonds)  
 Amount of issue : Twenty five million seven hundred thousand new Peruvian soles (NS25,700,000)  
 Principal due : Total maturity on March 30, 2008  
 Nominal interest rate : 6.47% per year  
 Interest Payment : Semi-annual Interest accrued at year-end is ThCh\$62,082 and is presented in current liabilities

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Issuer	: Edegel S.A.
Securities issued	: Marketable securities in new Peruvian soles 14,000 bonds)
Amount of issue	: Seventy million new Peruvian soles (NS70,000,000)
Principal due	: Total maturity on June 1, 2009
Nominal interest rate	: 6.91% per year
Interest Payment	: Semi-annual Interest accrued at year-end is ThCh\$60,177 and is presented in current liabilities

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Issuer	: Edegel S.A.
Securities issued	: Marketable securities in new Peruvian soles 7,000 bonds)
Amount of issue	: Thirty five million new Peruvian soles (NS35,000,000)
Principal due	: Total maturity on October 21, 2010
Nominal interest rate	: 6.72% per year
Interest Payment	: Semi-annual Interest accrued at year-end is ThCh\$67,325 and is presented in current liabilities

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Issuer	: Edegel S.A.
Securities issued	: Marketable securities in US dollars 20,000 bonds
Amount of issue	: Twenty million US dollars (US\$20,000,000)
Principal due	: Total maturity on November 18, 2012
Nominal interest rate	: 3.71% per year
Interest Payment	: Semi-annual Interest accrued at year-end is ThCh\$72,457 and is presented in current liabilities

**b3.-** Emgesa S.A. issued bonds on October 8, 1999 and July 9, 2001, the first issuance, and on February 26, 2003, the second issuance as per the following:

### First Issuance

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Issuer	: Emgesa S.A.
Securities issued	: Marketable securities denominated in Colombian pesos
Issuance Value	: \$Col 530,000,000,000
Principal due	: Maturities between 2004 and 2009 amount to Col\$449,554,880.
Nominal interest rate	: 15.51% annual average rate
Interest Payment	: Interest will be paid quarterly and annual Accrued interest as of December 31, 2005 and 2004, amounts to ThCh\$3,132,243 and ThCh\$1,566,066, respectively and is shown under current liabilities



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**Second Issuance**

Issuer	:	Emgesa S.A.
Securities issued	:	Marketable securities denominated in Colombian pesos
Issuance Value	:	\$Col 50,000,000,000
Principal due	:	Maturity as of July 26, 2006
Nominal interest rate	:	12.43% annual average rate
Interest Payment	:	Interest will be paid annually Accrued interest as of December 31, 2005 and 2004, amounts to ThCh\$1,045,727 and ThCh\$1,227,721, respectively and is shown in other current liabilities

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**Third Issuance**

Issuer	:	Emgesa S.A.
Securities issued	:	Marketable securities denominated in Colombian pesos
Issuance Value	:	\$Col 210,000,000,000
Principal due	:	Maturity as of February 23, 2015
Nominal interest rate	:	Consumer Price Index + 5.04%
Interest Payment	:	Interest will be paid annually Accrued interest as of December 31, 2005 amounts to ThCh\$4,375,126 and is shown in other current liabilities

**b.4.- Central Hidroeléctrica Betania S.A. E.S.P. issued bonds on November 11, 2004, completing the first issue**


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**First issue**

Issuer	:	Central Hidroeléctrica Betania S.A. E.S.P.
Securities issued	:	Bonds in Colombian pesos
Issuance Value	:	400,000,000,000 Colombian pesos
Principal due	:	Maturity between 2009 and 2011, for 300,000,000,000 Colombian pesos
Nominal interest rate	:	IPC + 6.29% (11.04%) effective annual rate
Interest Payment	:	Quarterly and annual interest earned at the closing of the fiscal year is ThCh\$1,240,398 in 2004 and ThCh\$1,092,650 in 2005 and is presented in current liabilities

Amortized bond discounts of Enersis S.A. and its subsidiaries of ThCh\$17,749,474 and ThCh\$20,055,482 as of December 31, 2005 and 2004, respectively are included in Other Assets (see Note 14)

## NOTE 19. ACCRUED EXPENSES

## a. Short-term accruals:

Accrued expenses included in current liabilities are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Bonus and other employee benefits	34,606,100	27,005,004
Litigation and other contingencies	13,018,734	4,460,764
Energy purchases from others	805,532	2,576,724
Post-retirement benefits foreign subsidiaries	17,130,206	7,766,122
Post-retirement benefit Chilean subsidiaries	970,660	1,181,618
Suppliers and services	5,644,930	8,599,233
Others	1,806,326	2,105,766
<b>TOTAL</b>	<b>73,982,488</b>	<b>53,695,231</b>

## b. Long-term accruals:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Advance monthly corporate and other taxes	6,494,913	7,718,994
Post-retirement benefits-Chilean subsidiaries	15,438,892	16,601,209
Employee and retired personnel benefits (Ampla-Coelce)	30,127,539	47,945,923
Severance indemnity	13,173,387	11,408,988
Legal, labor and other contingencies (Ampla, Coelca and Cien)	238,131,458	157,661,555
Post-retirement benefits-foreign subsidiaries	67,034,151	71,090,751
Resolución Aneel N° 40 (Cgtf)	23,852,775	-
Referj (Cien)	11,037,205	-
Others	1,505,944	2,028,641
<b>TOTAL</b>	<b>406,796,264</b>	<b>314,456,061</b>

## NOTE 20. SEVERANCE INDEMNITIES

Long-term accruals include employee severance indemnities, calculated in accordance with the policy described in Note 2u. An analysis of the changes in the accruals in each year is as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Opening balance as of January 1	11,408,988	11,019,269
Increase in accrual	2,724,754	2,034,097
Transfer to short-term	(46,337)	(99,098)
Payments during the period	(914,018)	(1,545,280)
<b>TOTAL</b>	<b>13,173,387</b>	<b>11,408,988</b>

## NOTE 21. MINORITY INTEREST

a. Minority shareholders' participation in the shareholders' equity of the Company's subsidiaries is as follows:

COMPANY	AS OF DECEMBER 31, 2005			AS OF DECEMBER 31, 2004		
	EQUITY THCH\$	PARTICIPATION %	TOTAL THCH\$	EQUITY THCH\$	PARTICIPATION %	TOTAL THCH\$
Aguas Santiago Poniente	2,130,431	45.00%	958,694	2,215,758	45.00%	997,091
Ampla Energia e Serviços S.A.	439,699,516	8.07%	35,470,149	542,750,373	18.77%	101,899,273
Ampla Investimentos	35,278,474	8.07%	2,845,881	-	-	-
Cam Argentina S.A.	326,804	0.001%	4	508,577	0.10%	510
Cam Brasil S.A.	844,149	0.0001%	1	-	-	-
Cam Colombia S.A.	2,124,826	0.001%	28	1,454,638	0.001%	20
Capital de Energía S.A.	353,519,936	49.00%	173,224,769	449,097,351	49.00%	220,057,702
Central Hidroeléctrica Betania S.A.	367,176,012	14.38%	52,791,833	410,982,836	14.38%	59,090,291
Central Cachoeira Dourada	324,764,588	0.39%	1,279,962	373,915,847	0.39%	1,473,677
Chilectra S.A.	471,335,145	1.76%	8,233,882	473,841,658	1.76%	8,278,337
Cía. Eléctrica San Isidro S.A.	-	-	-	54,361,382	50.00%	27,180,691
Cía. Peruana de Electricidad S.A.	21,622,608	49.00%	10,595,078	27,654,994	49.00%	13,550,947
Codensa S.A.	557,546,702	78.19%	435,920,137	834,500,555	78.19%	652,458,016
Compañía de Transmisión del Mercosur S.A.	8,785,917	0.002%	142	-	-	-
Companhia Energetica Do Ceara - Coelce	433,772,476	41.14%	178,440,266	496,712,350	43.41%	215,624,237
Constructora y Proyectos Los Maitenes S.A.	(1,747,131)	45.00%	(786,209)	(1,298,603)	45.00%	(597,543)
Edegel S.A.	431,307,963	36.44%	157,185,011	503,839,216	36.44%	183,618,157
Edelnor S.A.	144,135,359	40.00%	57,654,144	184,511,263	40.00%	73,804,505
Edesur S.A.	463,812,334	34.11%	158,178,124	542,370,580	34.11%	184,991,856
Elesur S.A.	17,124,193	0.001%	184	58,729,304	0.001%	631
Emgesa S.A.	583,039,985	51.52%	300,364,126	764,799,967	51.52%	394,001,235
Empresa Eléctrica Pangué S.A.	95,681,574	5.02%	4,799,579	81,276,427	5.02%	4,076,988
Endesa S.A.	1,642,258,829	40.02%	657,216,805	1,625,378,308	40.02%	650,461,376
Endesa Argentina S.A.	40,631,767	0.01%	4,063	55,441,812	0.01%	5,545
Endesa Brasil S.A.	913,850,458	28.48%	260,287,093	-	-	-
Endesa Costanera S.A.	140,493,163	35.74%	50,205,102	170,495,799	35.74%	60,926,517
Generandes Peru S.A.	251,167,277	40.37%	101,393,768	286,154,158	40.37%	115,517,629
Hidroeléctrica El Chocón S.A.	167,858,100	34.81%	58,431,405	186,224,829	34.81%	64,824,863
Hidroinvest S.A.	67,227,735	30.07%	20,215,380	75,260,613	30.07%	22,630,866
Ingendesa S.A.	-	-	-	2,447,814	2.36%	57,830
Inversiones Distrilima S.A.	86,546,599	31.61%	27,357,379	110,642,067	31.61%	34,973,956
Investluz S.A.	-	-	-	272,153,607	37.55%	102,193,960
Pehuenche S.A.	208,026,098	7.35%	15,289,918	197,547,780	7.35%	14,519,762
Soc. Agrícola de Cameros Ltda.	7,254,214	42.50%	3,083,041	7,319,251	42.50%	3,110,681
Soc. Agrícola Pastos Verdes Ltda.	65,346,855	45.00%	29,406,086	61,735,501	45.00%	27,780,975
Túnel El Melón S.A.	(10,511,587)	0.05%	(5,256)	(8,725,392)	0.05%	(4,363)
<b>TOTAL</b>			<b>2,800,040,569</b>			<b>3,237,506,218</b>

## b. Minority shareholders' participation in the net (income) or loss of the Company's subsidiaries is as follows:

COMPANY	AS OF DECEMBER 31, 2005			SALDO AL 31 DE DICIEMBRE 2004		
	NET INCOME (LOSS) THCH\$	PARTICIPATION %	TOTAL THCH\$	NET INCOME (LOSS) THCH\$	PARTICIPATION %	TOTAL THCH\$
Aguas Santiago Poniente	85,327	45.00%	38,397	112,554	45.00%	50,649
Ampla Energia e Serviços S.A.	8,086,192	37.50%	3,032,447	32,073,726	18.77%	6,021,718
Ampla Investimentos	(1,374,571)	8.07%	(110,886)	-	-	-
Cam Argentina S.A.	124,556	0.001%	1	67,632	0.10%	67
Cam Colombia S.A.	(833,838)	0.001%	(11)	(940,115)	0.001%	(12)
Capital de Energía S.A.	(19,376,598)	49.00%	(9,494,533)	(13,854,574)	49.00%	(6,788,741)
Central Hidroeléctrica Betania S.A.	(2,429,249)	14.38%	(349,273)	4,806,254	14.38%	691,034
Central Cachoeira Dourada	(25,010,000)	0.39%	(98,569)	(15,351,944)	0.39%	(60,506)
Chilectra S.A.	(77,881,177)	1.76%	(1,360,527)	(80,105,154)	1.76%	(1,402,006)
Cía. Eléctrica San Isidro S.A.	-	-	-	(14,724,770)	50.00%	(7,362,385)
Cía. Peruana de Electricidad S.A.	(2,726,433)	49.00%	(1,335,952)	(123,908)	49.00%	(60,715)
Codensa S.A.	(66,791,678)	78.19%	(52,221,343)	(58,715,436)	78.19%	(45,906,927)
Compañía de Transmisión del Mercosur S.A.	209,002	0.09%	198	-	-	-
Companhia Energetica Do Ceara - Coelce	(13,307,306)	40.96%	(5,450,493)	16,650,581	43.41%	7,228,064
Constructora y Proyectos Los Maitenes S.A.	419,257	45.00%	188,666	745,990	45.00%	335,696
Edegel S.A.	(34,522,426)	36.44%	(12,581,284)	(18,433,284)	36.44%	(6,717,789)
Edelnor S.A.	(18,037,748)	40.00%	(7,215,099)	541,676	40.00%	216,670
Edesur S.A.	17,540,214	34.11%	5,981,898	17,746,497	34.11%	6,052,978
Elesur S.A.	4,456,602	0.001%	48	1,316,505	0.001%	15
Emgesa S.A.	(40,388,072)	51.52%	(20,806,683)	(29,170,139)	51.52%	(15,027,552)
Empresa Eléctrica Pangué S.A.	(19,376,338)	5.02%	(971,956)	(5,014,196)	5.02%	(251,522)
Endesa S.A.	(110,622,993)	40.02%	(44,270,299)	(86,805,151)	40.02%	(34,738,619)
Endesa Argentina S.A.	9,516,794	0.01%	952	469,091	0.01%	47
Endesa Brasil S.A.	(31,785,007)	28.48%	(9,053,152)	-	-	-
Endesa Costanera S.A.	10,821,438	35.74%	3,867,031	(5,673,607)	35.74%	(2,027,458)
Generandes Peru S.A.	(29,192,886)	40.37%	(11,784,882)	(19,866,076)	40.37%	(8,019,740)
Hidroeléctrica El Chocón S.A.	(2,584,025)	34.81%	(899,499)	3,617,827	34.81%	1,259,366
Hidroinvest S.A.	119,673	30.07%	35,986	7,005,761	30.07%	2,106,632
Ingendesa S.A.	-	-	-	(981,872)	2.36%	(23,197)
Inversiones Distrilima S.A.	(10,944,621)	31.61%	(3,459,595)	(542,559)	31.61%	(171,503)
Investluz	(8,395,627)	13.68%	(1,148,247)	6,727,947	37.55%	2,526,351
Inversiones Eléctricas Quillota S.A.	10,057,558	50.00%	5,028,779	-	-	-
Pehuenche S.A.	(60,184,201)	7.35%	(4,423,539)	(28,873,983)	7.35%	(2,122,238)
Soc. Agrícola de Cameros Ltda.	65,036	42.50%	27,640	27,026	42.50%	11,486
Soc. Agrícola Pastos Verdes Ltda.	(1,510,931)	45.00%	(679,919)	(1,261,321)	45.00%	(567,595)
Túnel El Melón S.A.	1,786,195	0.05%	893	1,781,105	0.05%	891
<b>TOTAL</b>			<b>(169,512,805)</b>			<b>(104,746,841)</b>

## NOTE 22. SHAREHOLDERS' EQUITY

## a. Consolidated statements of changes in shareholder's equity.

	PAID-IN CAPITAL THCH\$	ADDITIONAL PAID-IN CAPITAL THCH\$	OTHER RESERVES THCH\$	RETAINED EARNINGS THCH\$	DEFICIT OF SUBSIDIARIES IN DEVELOPMENT STAGE THCH\$	NET INCOME (LOSS) FOR THE YEAR THCH\$	TOTAL THCH\$
As of January 1, 2004	2,227,711,340	159,323,362	(25,671,685)	176,016,726	(1,455,716)	12,467,863	2,548,391,890
Capital increase	-	(563,714)	-	-	-	-	(563,714)
Transfer of prior year income to retained earnings	-	-	-	13,629,822	(1,161,959)	(12,467,863)	-
Changes in equity of subsidiaries	-	-	(4,435,524)	-	-	-	(4,435,524)
Cumulative translation adjustment	-	-	(103,832,123)	-	-	-	(103,832,123)
Reserve Technical Bulletin No.72	-	-	11,992,130	-	-	-	11,992,130
Price-level restatement of capital	55,692,784	3,966,173	(641,792)	4,731,711	(55,989)	-	63,692,887
Net income for the year	-	-	-	-	-	44,307,596	44,307,596
<b>As of December 31, 2004</b>	<b>2,283,404,124</b>	<b>162,725,821</b>	<b>(122,588,994)</b>	<b>194,378,259</b>	<b>(2,673,664)</b>	<b>44,307,596</b>	<b>2,559,553,142</b>
<b>As of December 31, 2004 (1)</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(127,002,198)</b>	<b>201,375,876</b>	<b>(2,769,916)</b>	<b>45,902,669</b>	<b>2,651,697,054</b>
As of January 1, 2005	2,283,404,124	162,725,821	(122,588,994)	194,378,259	(2,673,664)	44,307,596	2,559,553,142
Transfer of prior year income to retained earnings	-	-	-	41,633,932	2,673,664	(44,307,596)	-
Changes in equity of subsidiaries	-	-	(5,851,418)	-	-	-	(5,851,418)
Dividend paid	-	-	-	(13,600,517)	-	-	(13,600,517)
Cumulative translation adjustment	-	-	(97,676,664)	-	-	-	(97,676,664)
Reserve Technical Bulletin No.72	-	-	(6,197,072)	-	-	-	(6,197,072)
Price-level restatement of capital	82,202,548	5,858,130	(4,413,204)	7,979,618	-	-	91,627,092
Net income for the year	-	-	-	-	-	68,016,865	68,016,865
<b>As of December 31, 2005</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(236,727,352)</b>	<b>230,391,292</b>	<b>-</b>	<b>68,016,865</b>	<b>2,595,871,428</b>
<b>As of December 31, 2005 (2)</b>	<b>4,615,818</b>	<b>328,944</b>	<b>(461,907)</b>	<b>449,544</b>	<b>-</b>	<b>132,716</b>	<b>5,065,115</b>

(1) Restated in thousands of constant Chilean pesos as of December 31, 2005.

(2) Expressed in thousand of US\$ as of December 31, 2005

## b. Dividends - These are not restrictions to paid dividends.

DIVIDEND NUMBER	PAYMENT DATE	HISTORICAL VALUE (\$)	TYPE OF DIVIDEND
72	April 2005	0.41654	Final 2004

## d. Subscribed and paid in capital is as follows:

SERIE	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
As of January 1,	2,365,606,672	2,365,606,672

## c. Number of shares

SERIE	AS OF DECEMBER 31,	
	2005 SHARES	2004 SHARES
Capital stock authorized	32,651,166,465	32,651,166,465

## e. Other reserves

Other reserves at December 31, 2005 are composed of the following:

	INITIAL BALANCE AT JANUARY 1, 2005 THCH\$	RESERVE FOR THE PERIOD THCH\$	FINAL BALANCE AT DECEMBER 31, 2005 THCH\$
Reserve for entities using remeasurement method	(15,472,587)	(5,851,418)	(21,324,005)
Reserve for accumulated conversion differences	(123,953,457)	(97,676,664)	(221,630,121)
Reserve for Technical Bulletin N°. 72 (1)	12,423,846	(6,197,072)	6,226,774
<b>TOTAL</b>	<b>(127,002,198)</b>	<b>(109,725,154)</b>	<b>(236,727,352)</b>

- (1) Corresponds to the reserve generated by the purchase of shares in Ampla Energía e Servicios S.A. (formerly Cerj) in 2004. This effect has been recorded in accordance with Technical Bulletin N°.72 of the Chilean Association of Accountants.

The year's variation relates to the reserve generated as a result of the difference between the application of the percentages determined in the exchange equations applied to the shareholders' equity of Endesa Brasil S.A. under Chilean GAAP, versus the book value of the investments that Enersis S.A., (Endesa Chile) S.A. and Chilectra S.A. had in the Brazilian companies which were contributed to Endesa Brasil S.A., in accordance with Technical Bulletin N°.72 of the Chilean Institute of Accountants as regards business combinations (pooling of interest).

Detail of changes in the reserve for accumulated conversion differences is as follows:

	INITIAL BALANCE AT JANUARY 1, 2005 THCH\$	RESERVE FOR ASSETS THCH\$	RESERVE FOR LIABILITIES THCH\$	RESERVE FOR THE PERIOD THCH\$	FINAL BALANCE AT DECEMBER 31, 2005 THCH\$
Cumulative translation adjustment	(123,953,457)	(126,907,221)	29,230,557	(97,676,664)	(221,630,121)
<b>TOTAL</b>	<b>(123,953,457)</b>	<b>(126,907,221)</b>	<b>29,230,557</b>	<b>(97,676,664)</b>	<b>(221,630,121)</b>

The detail of the accumulated conversion difference reserve at December 31, 2005 is as follows:

	THCH\$
Distritec Inversora S.A.	(27,348,834)
Inversiones Distrilima S.A.	(11,548,095)
Cía. Peruana de Electricidad S.A.	(1,527,104)
Edesur S.A.	(37,691,767)
Ampla Energía e Servicios S.A.	(46,634,447)
Ampla Invermentos e Servicios S.A.	852,063
Codensa S.A.	(40,509,969)
Investluz	(6,131,620)
Central Geradora Termelétrica Fortaleza S.A.	(6,293,577)
Synapsis de Colombia S.A.	(1,061,888)
Endesa Market Place	389,748
Endesa Argentina S.A.	(3,102,038)
Endesa Chile Internacional	(3,137,016)
Endesa Brasil S.A.	(23,396,576)
Ingendesa Do Brasil Ltda.	(147,239)
Endesa Costanera S.A.	(841,212)
Cono Sur S.A.	(13,477,934)
Cesa S.A.	(22,616)
<b>TOTAL</b>	<b>(221,630,121)</b>

**NOTE 23. OTHER INCOME AND EXPENSES**

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

	YEAR ENDED DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Adjustments to investments in related companies	225,160	1,184,975
Gain on sale of fixed assets, inventories and others costs	7,588,117	8,358,766
Received compensations	4,573,225	-
Gain on forward contracts and swaps	-	7,164,419
Services - projects and inspections	1,837,771	1,199,451
Penalties charged to contractors and suppliers	6,020,420	6,728,570
Power settlement gain	7,537,107	12,481,492
Transportation and gas service income	-	910,401
Cost recoveries	3,394,553	2,138,287
Reversal of contingencies provision and other provisions	2,477,498	45,625,495
Recoverable taxes	8,290,026	2,736,602
Effect of application of BT 64	19,981,888	8,859,310
Sales rights lines of transmission	1,931,104	-
Indemnities and commissions	1,176,367	7,932,304
Dividend from investees	2,218,878	2,032,036
Others	6,658,415	13,936,963
<b>TOTAL</b>	<b>73,910,529</b>	<b>121,289,071</b>

b. Other non-operating expenses are as follows:

	YEAR ENDED DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Adjustments to investments in related companies	5,270,878	1,977,851
Cost of sales - materials	871,536	871,429
Loss on sale of fixed assets, inventories and other costs	7,081,161	1,334,334
Effect of application of BT 64	44,851,577	67,857,038
Contingencies and litigation	35,368,070	36,673,725
SIC power settlement loss	8,512,710	26,621,155
Pension plan expense	3,209,422	5,312,352
Index Brazil	3,101,069	1,822,385
Penalties and fines	7,471,003	7,796,807
Cost of projects, inspections and other	600,044	1,727,150
Other taxes Colombia	6,681,467	4,649,521
Other taxes Peru	995,640	-
Other taxes Argentina and Brazil	10,197,175	7,150,587
Loss on forward contracts and swaps	-	13,806,277
Provision of obsolescence and write-off fixed assets	10,933,861	21,580,172
Others	13,597,895	14,434,988
<b>TOTAL</b>	<b>158,743,508</b>	<b>213,615,771</b>

## NOTE 24. PRICE-LEVEL RESTATEMENT

The (charge) credit to income for price-level restatement is as follows:

ASSETS	INDEX	YEAR ENDED DECEMBER 31,	
		2005 THCH\$	2004 THCH\$
Inventory	I.P.C.	2,450,603	2,700,943
Current assets	I.P.C.	10,530,466	5,264,745
	U.F.	442,715	2,330,048
Property, plant and equipment	I.P.C.	82,050,608	55,634,751
Accounts receivable from subsidiaries	I.P.C.	3,784,398	3,149,183
Investment in subsidiaries	I.P.C.	6,892,742	4,667,477
Amortization of goodwill	I.P.C.	24,236,943	17,849,341
Other assets	I.P.C.	117,680,525	100,769,776
	U.F.	6,181,106	2,953,344
Price-level restatement of the income statement		1,327,261	1,169,362
<b>Net credits - assets</b>		<b>255,577,367</b>	<b>196,488,970</b>
<b>Liabilities and Shareholders' equity</b>			
Shareholders equity	I.P.C.	(91,627,092)	(65,985,831)
Current and long-term liabilities	I.P.C.	(99,963,430)	(84,414,653)
	U.F.	(36,441,560)	(25,168,579)
Minority interest	I.P.C.	(22,367,088)	(15,425,946)
Accounts payable to subsidiaries	I.P.C. - U.F.	-	(226,341)
Non-monetary liabilities	I.P.C.	(821,577)	-
	U.F.	(66,014)	(34,080)
Price-level restatement of the income statement	I.P.C.	(9,235,590)	(6,038,386)
<b>Net charge - liabilities and shareholders' equity accounts</b>		<b>(260,522,351)</b>	<b>(197,293,816)</b>
<b>Net Credit charge to income</b>		<b>(4,944,984)</b>	<b>(804,846)</b>

## NOTE 25. EXCHANGE DIFFERENCES

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

ASSETS	CURRENCY	YEAR ENDED DECEMBER, 31		LIABILITIES	CURRENCY	YEAR ENDED DECEMBER, 31	
		2005 THCH\$	2004 THCH\$			2005 THCH\$	2004 THCH\$
Cash	US\$	2,021,903	345,162	Short-term debt due to banks and financial institutions	US\$	4,967	(646,733)
	Others	(229,915)	(6,485)		Other	-	-
Time deposits	US\$	(941,418)	(6,352,251)	Current portion of long-term debt due to banks	US\$	(3,179,054)	2,302,241
	Others	-	3,768	and financial institutions	Yen	(50,228)	15,183
Marketable securities	US\$	(22,069)	(9,415)		Other	(30,286)	(104,558)
	Others	-	(71,099)	Current portion of bonds payable	Euro	1,238	1,249
Accounts receivable, net	US\$	(734,111)	(54,463)	Current portion of bonds payable	US\$	9,744,960	221,132
	Euro	-	-	Current portion of notes payable	US\$	(488,164)	536,699
	Others	(21,936)	(394,288)	Accounts payable	US\$	(1,837,607)	77,824
					Euro	-	1,998
Prepaid expenses	US\$	-	6,831		Other	118	751
Other current assets	US\$	(6,498,490)	(5,597,356)	Miscellaneous payables	US\$	(9,807)	846,805
	Others	(22,462)	(130,951)	Accrued expenses	US\$	20,101	190,816
Amounts due from related companies	US\$	(153,221)	(10,807,569)	Deferred income	Other	15,881	1,811
				Other current liabilities	US\$	1,237,071	(10,272)
					US\$	3,368	80,594
					Other	-	-
				Dividends payable	US\$	-	51
				Amounts due from related companies	US\$	52	-
<b>NON-CURRENT ASSETS</b>				<b>LONG-TERM LIABILITIES</b>			
Long-term receivables	US\$	(2,803,222)	(4,442,800)	Due to banks and financial institutions	US\$	15,374,079	20,402,102
	Others	-	7,332		Yen	64,416	3,883
Amounts due from related companies	US\$	-	-		Euro	5,279	466
Deferred expenses		-	-		Other	41,233	937,706
Other assets		(23,097,884)	(34,005,655)	Bonds payable	US\$	18,978,038	45,972,754
Amounts due from related companies	US\$	(12,202,404)	-	Notes payable	US\$	-	1,610,096
Forward contracts and swaps	US\$	-	5,177,678	Accounts payable	US\$	3,065,857	1,739,956
				Other long-term liabilities	US\$	(233,419)	(2,925,569)
				Forward	US\$	(4,264,812)	-
<b>TOTAL GAIN (LOSS)</b>	<b>US\$</b>	<b>(44,705,229)</b>	<b>(56,331,561)</b>	<b>TOTAL GAIN (LOSS)</b>		<b>38,463,281</b>	<b>71,256,985</b>
				<b>EXCHANGE DIFFERENCE - NET LOSS</b>		<b>(6,241,948)</b>	<b>14,925,424</b>



## NOTE 26. SHARE ISSUANCE COSTS

a. Expenses incurred for issuing and placing debt instruments incurred each year in placing bonds are as follows:

	AS OF DECEMBER 31,	
	2005	2004
	M\$	M\$
Bank commissions	897,662	1,956,642
Advisory	-	394,829
Others	-	97,081
<b>TOTAL</b>	<b>897,662</b>	<b>2,448,552</b>

These expenses are registered in other assets, which will be amortized in the corresponding bond period.

## NOTE 27. CASH FLOW STATEMENT

a. Other financing disbursements:

	AS OF DECEMBER 31	
	2005	2004
	THCH\$	THCH\$
Commissions on debt refinancing	-	4,818,413
Forward contract payments	16,268,492	28,546,755
Reimbursables contributions	1,052,799	-
Payments to Santander Leasing	-	2,080,749
Others	15,006	159,971
<b>TOTAL</b>	<b>17,336,297</b>	<b>35,605,888</b>

b. Other receipts investment:

	AS OF DECEMBER 31	
	2005	2004
	THCH\$	THCH\$
Receipts from loans granted to ex filial	2,063,456	1,823,895
Payments from OHL	-	39,940,137
Capital reduction Company Energy of Bogotá	5,030,297	-
Others	-	271,005
<b>TOTAL</b>	<b>7,093,753</b>	<b>42,035,037</b>

## NOTE 28. FINANCIAL DERIVATIVES

As of December 31, 2005 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 DERIVATIVE	TYPE CONTRACT	NOMINAL AMOUNT US\$	DATE OF MATURITY	DESCRIPTION OF THE CONTRACTS				AMOUNT HEDGED ITEM THCH\$	ACCOUNTS			
				ITEM	SALE / PURCHASE	HEDGED ITEM	AMOUNT THCH\$		ASSETS/LIABILITIES		INCOME	
									ACCOUNT	AMOUNT THCH\$	REALIZED THCH\$	UNREALIZED THCH\$
FR	CCTE	259,341	I Trimestre 06	Exchange rate	C	Bank obligations	152,204	152,204	Otros pas c/p	18,848	-	-
OE	CCTE	85,000,000	II Trimestre 06	Interest rate	C	Bank obligations	43,562,500	43,562,500	Otros pas c/p	-	(832,662)	-
OE	CCTE	60,000,000	III Trimestre 09	Interest rate	C/V	Bank obligations	30,750,000	30,750,000	Otros pas.circ./otros Pas.L/P	(17,878)	-	-
OE	CCTE	40,000,000	III Trimestre 10	Interest rate	C/V	Bank obligations	20,500,000	20,500,000	Otros pas.circ./otros Pas.L/P	(116,988)	-	12
S	CCPE	16,476,582	III Trimestre 07	Interest rate	C	Bank obligations	8,546,748	8,546,748	Otros act l/p	50,546	142	50,404
S	CCPE	10,000,000	IV Trimestre 07	Exchange rate	C	Bank obligations	5,125,000	5,125,000	Otros pas c/p	(2,246,649)	-	(2,246,649)
S	CCPE	12,200,000	II Trimestre 10	Exchange rate	C	Bank obligations	6,252,500	6,252,500	Otros pas c/p	(584,966)	-	(584,966)
S	CI	50,000,000	III Trimestre 06	Exchange rate	V	Bonds	-	-	Otros pas c/p	(1,071,746)	376,379	3,708,360
S	CCTE	100,000,000	IV Trimestre 06	Exchange rate	C	Bonds	51,250,000	51,250,000	Otros pas l/p	(15,462,294)	(348,731)	(6,929,485)
S	CCTE	50,000,000	II Trimestre 08	Exchange rate	C	Bank obligations	25,625,000	25,625,000	Otros pas l/p	(7,433,413)	-	(7,433,413)
S	CCTE	3,807,000	III Trimestre 08	Exchange rate	C	Bank obligations	1,951,088	1,951,088	Otros pas l/p	(866,293)	-	(866,293)
S	CCTE	350,000,000	I Trimestre 14	Exchange rate	C	Bonds	179,375,000	179,375,000	Otros pas l/p	(48,861,451)	75,864	(17,455,152)
S	CCTE	250,000,000	IV Trimestre 16	Exchange rate	C	Bonds	128,125,000	128,125,000	Otros pas l/p	(34,940,275)	66,295	(24,081,317)

## NOTE 29. COMMITMENTS AND CONTINGENCIES

## Collateral held by third parties:

GUARANTEE	SUBSIDIARY	TYPE GUARANTEE	COMMITTED ASSETS			BALANCE PAYABLE OF RELATED DEBT			RELEASE OF GUARANTEES		
			TYPE	CURRENCY	BOOK VALUE OF COLLATERAL	AT DECEMBER 31,			2006	2007	2008
						CURRENCY	2004	2005			
Creditors banks	Pangue S.A.	Mortgage and pledge	Real Estate, properties	ThCh\$	89,343,977	ThCh\$	10,892,314	6,961,989	-	-	-
Banco Estado	Túnel el Melón	Pledge over 45% of operating income		ThCh\$	1,663,754	ThCh\$	4,566,161	2,739,903	-	-	-
Soc. de Energía de la República Argentina	Endesa Argentina, Endesa Costanera	Pledge	Shares	ThCh\$	72,961,666	ThCh\$	11,927,935	9,844,613	-	-	-
Mitsubishi	Endesa Costanera S.A.	Pledge	Combinated cycle	ThCh\$	78,683,903	ThCh\$	21,346,921	19,963,900	9,932,758	6,891,979	-
Credit Swiss First Boston	Endesa Costanera S.A.	Pledge	Combinated cycle	ThCh\$	26,835,697	ThCh\$	15,980,007	15,375,000	-	-	-
Varios Acreedores	Endesa Matriz	Bank bond		ThCh\$	-	ThCh\$	222,262	107,561	-	-	-
Banco Santander Central Hispano	Conosur (Cien)	Pledge	Shares	ThCh\$	-	ThCh\$	76,506,907	-	-	-	-
Miscellaneous payables	Ampla S.A.	Pledge over cash flows and others		ThCh\$	13,900,981	ThCh\$	-	108,061,106	-	-	-
Miscellaneous payables	Coelce	Pledge over cash flows and others		ThCh\$	62,080,748	ThCh\$	-	149,308,390	-	-	-
Deutsche Bank	Enersis S.A.	Deposits account	Deposits account	ThCh\$	4,381,875	ThCh\$	-	29,392,209	-	-	-

## Guarantees of subsidiary obligations:

GUARANTEE	SUBSIDIARY	RELATION	COMMITTED ASSETS			BALANCE PAYABLE OF RELATED DEBT			RELEASE OF GUARANTEES			
			TYPE	CURRENCY	ACCOUNTING VALUE	AT DECEMBER 31			2005	2006	2007	2008
						MONEDA	2004	2005				
J.P. Morgan & Co. Y.C.S.F.B.	Endesa Chile Internacional	Subsidiary	Guarantor	ThCh\$	76,875,000	ThCh\$	86,619,960	76,875,000	-	76,875,000	-	-
Mitsubishi Co.	Cía. Eléctrica San Isidro S.A.	Subsidiary	Guarantor	ThCh\$	-	ThCh\$	26,308,203	-	-	-	-	-
Banco Español de Crédito	Cía. Eléctrica Tarapacá S.A.	Subsidiary	Guarantor	ThCh\$	10,563,836	ThCh\$	16,661,003	10,563,836	-	-	-	10,563,836
Banco Santander Central Hispano	Cía. Eléctrica Conosur S.A.	Subsidiary	Guarantee	ThCh\$	-	ThCh\$	76,506,907	-	-	-	-	-

## b. Litigation and other legal actions:

## Enersis S.A.

<b>Plaintiff</b>	<b>: Enersis S.A., Chilectra S.A., Empresa Nacional de Electricidad S.A., Elesur S.A.</b>
<b>Defendant</b>	<b>: The Republic of Argentina</b>
<b>Court</b>	<b>: CIADI Arbitration Panel</b>
<b>Case/Identification</b>	<b>: (CIADI Case ARB/03/21)</b>

Compensation for losses caused to the Plaintiff's investment in the Republic of Argentina is requested in connection with the participation in the power distribution concessionaire Edesur S.A. on the grounds of violation of the Investment Protection and Promotion Agreement entered into by the Republics of Chile and Argentina, and the Argentinean Government behavior through the passing of Public Emergency Law 25,561, dated January 6, 2002. The said behavior has also seriously affected the economic and financial balance of the Concession Contract between Edesur S.A. and the Argentinean National State. The said Law authorized a re-negotiation process of the Concession Contracts with the purpose of re-composing the economic-financial equation affected by the conversion to pesos,

at US\$1 = \$1, of tariff values calculated in American dollars, and the prohibition to apply biased tariff updating. In the practice, this process has not been promoted by the Government, and no measures to prevent losses for the Plaintiff have been formalized. Edesur S.A. has been deprived of receiving the tariffs indicated in the regulations and in the said Concession Contract, therefore being harmful to the investment the Plaintiff companies have made.

Process status: On October 18, 2004, a copy of the lack of jurisdiction petition filed by the Republic of Argentina was received. On December 17, 2004 the said petition was answered and confirmation of the CIADI jurisdiction was requested.

On April 6, 2005, the allegations of the parties regarding this jurisdiction issue took place. The court decided to accept the re-complaint and re-answer of the parties, setting a brief term for them. On June 17, 2005, Edesur S.A. entered with the Unit for Renegotiation and Analysis of Public Services Contracts (UNIREN) into an Understanding Letter within the framework of the process for renegotiating Edesur S.A.'s Concession Contract, envisaged in Law N°.25,561 and supplementary regulation. The Understanding Letter contains the terms and conditions that, provided the other statutory Argentinean procedures are met, will constitute the basis for the Agreement for the Full Renegotiation of the Concession Contract between the Argentinean State and Edesur S.A. In addition, the Understanding Letter imposes the obligation of initially suspending, and subsequently dropping, all actions filed against the Argentinean State by Edesur S.A. and its shareholders. Such requirement would cause Enersis S.A. to suspend the international arbitration started on April 25, 2003 with the International Center for the Settlement of Disputes regarding Investments between States and Nationals of Other States (CIADI), seeking from the Republic of Argentina the payment of damages caused by the actions taken by the Republic of Argentina starting with the Public Emergency Law and the Reform of the Foreign Exchange Regime and their statutory and regulatory norms, to Enersis S.A.'s investment in Edesur S.A.. After publication in the Official Gazette of the Republic of Argentina of the resolution approving the rates arising from the Full Rates Revision, Enersis S.A. and its subsidiaries Enersis Internacional, Chilectra S.A., Chilectra Internacional, Empresa Nacional de Electricidad S.A. and Elesur S.A. would drop the abovementioned international arbitration started with the CIADI.

On August 29, 2005, Edesur S.A. entered into the Minutes of Agreement for the Adequacy of the Concession Contract for the

Public Service of Distribution and Marketing of Electric Energy, which formalizes, in essence, the agreement reached in the Understanding Letter. This Minutes of Agreement must be approved by the Argentinean Congress and ratified by the Argentinean government. The suspension of the aforementioned actions is a prerequisite for ratification. On September 16, 2005 the Republic of Argentina made a filing requesting the suspension of the proceedings. It was answered on September 22, 2005 by the plaintiffs, who opposed the suspension. On September 30, 2005 the court rejected the Argentinean request, for lack of consent. On October 7, 2005, Argentina made a new filing on the same issue, which the court communicated to us on October 11, 2005, and we answered the filing on October 18, 2005. The Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy is now being studied by the Argentinean Congress.

**Amount involved: US\$574,739,500.**

#### Chilectra S.A.

<b>Plaintiff</b>	<b>: Enersis S.A., Chilectra S.A., Empresa Nacional de Electricidad S.A., Elesur S.A.</b>
<b>Defendant</b>	<b>: The Republic of Argentina</b>
<b>Court</b>	<b>: CIADI Arbitration Panel</b>
<b>Case/Identification</b>	<b>: CIADI Case ARB/03/21</b>

Compensation of losses caused to the Plaintiff's investment in the Republic of Argentina is requested in connection with the participation in the power distribution concessionaire Edesur S.A. on the grounds of non-fulfillment of the Investment Protection and Promotion Agreement entered into by the Republics of Chile, and Argentina and the Argentinean Government behavior through the passing of Public Emergency Law 25,561, dated January 6, 2002. The said behavior has also seriously affected the economic and financial balance of the Concession Contract between Edesur S.A. and the Argentinean National State. The said Law authorized a re-negotiation process of the Concession Contracts with the purpose of re-composing the economic-financial equation affected by the conversion to pesos, at US\$1 = \$1, of tariff values calculated in American dollars, and the prohibition to apply biased tariff updating. In the practice, this process has not been promoted by the Government, and no measures to prevent losses for the Plaintiff have been formalized. Edesur S.A. has been deprived of receiving the tariffs indicated in the regulations and in the said Concession Contract, therefore being harmful to the investment the Plaintiff companies have made.

Process status: On October 18, 2004, a copy of the lack of jurisdiction petition filed by the Republic of Argentina was received. On December 17, 2004 the said petition was answered and confirmation of the CIADI jurisdiction was requested. On April 6, 2005, the allegations of the parties regarding this jurisdiction issue took place. The court decided to accept the re-complaint and re-answer of the parties, setting a brief term for them. On June 17, 2005, Edesur S.A. entered with the Unit for Renegotiation and Analysis of Public Services Contracts (UNIREN) into an Understanding Letter within the framework of the process for renegotiating Edesur S.A.'s Concession Contract, envisaged in Law N°.25,561 and supplementary regulation. The Understanding Letter contains the terms and conditions that, provided the other statutory Argentinean procedures are met, will constitute the basis for the Agreement for the Full Renegotiation of the Concession Contract between the Argentinean State and Edesur S.A. In addition, the Understanding Letter imposes the obligation of initially suspending, and subsequently dropping, all actions filed against the Argentinean State by Edesur S.A. and its shareholders. Such requirement would cause Enersis S.A. to suspend the international arbitration started on April 25, 2003 with the International Center for the Settlement of Disputes regarding Investments between States and Nationals of Other States (CIADI), seeking from the Republic of Argentina the payment of damages caused by the actions taken by the Republic of Argentina starting with the Public Emergency Law and the Reform of the Foreign Exchange Regime and their statutory and regulatory norms, to Enersis S.A.'s investment in Edesur S.A.. After publication in the Official Gazette of the Republic of Argentina of the resolution approving the rates arising from the Full Rates Revision, Enersis S.A. and its subsidiaries Enersis Internacional, Chilectra S.A., Chilectra Internacional, Empresa Nacional de Electricidad S.A. and Elesur S.A. would drop the abovementioned international arbitration started with the CIADI.

On August 29, 2005, Edesur S.A. entered into the Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy, which formalizes, in essence, the agreement reached in the Understanding Letter. This Minutes of Agreement must be approved by the Argentinean Congress and ratified by the Argentinean government. The suspension of the aforementioned actions is a prerequisite for ratification. On September 16, 2005 the Republic of Argentina made a filing requesting the suspension of the proceedings. It was answered on September 22, 2005 by the plaintiffs, who opposed the suspension. On September 30, 2005 the court rejected the Argentinean request, for lack of consent. On October 7, 2005, Argentina made a new filing

on the same issue, which the court communicated to us on October 11, 2005, and we answered the filing on October 18, 2005. The Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy is now being studied by the Argentinean Congress.

**Amount claimed by Chilectra S.A.: US\$624,238,650.**

#### Elesur S.A.

<b>Plaintiff</b>	<b>: Enersis S.A., Chilectra S.A., Empresa Nacional de Electricidad S.A., Elesur S.A.</b>
<b>Defendant</b>	<b>: The Republic of Argentina</b>
<b>Court</b>	<b>: CIADI Arbitration Panel</b>
<b>Case/Identification</b>	<b>: (CIADI Case ARB/03/21)</b>

Summary of proceedings: Compensation of losses caused to the Plaintiff's investment in the Republic of Argentina is requested in connection with the participation in the power distribution concessionaire Edesur S.A. on the grounds of non-fulfillment of the Investment Protection and Promotion Agreement entered into by the Republics of Chile and Argentina, and the Argentinean Government behavior through the passing of Public Emergency Law 25,561, dated January 6, 2002. The said behavior has also seriously affected the economic and financial balance of the Concession Contract between Edesur S.A. and the Argentinean National State. The said Law authorized a re-negotiation process of the Concession Contracts with the purpose of re-composing the economic-financial equation affected by the conversion to pesos, at US\$1 = \$1, of tariff values calculated in American dollars, and the prohibition to apply biased tariff updating. In the practice, this process has not been promoted by the Government, and no measures to prevent losses for the Plaintiff have been formalized. Edesur S.A. has been deprived of receiving the tariffs indicated in the regulations and in the said Concession Contract, therefore being harmful to the investment the Plaintiff companies have made.

Process status: On October 18, 2004, a copy of the lack of jurisdiction petition filed by the Republic of Argentina was received. On December 17, 2004 the said petition was answered and confirmation of the CIADI jurisdiction was requested.

On April 6, 2005, the allegations of the parties regarding this jurisdiction issue took place. The court decided to accept the re-complaint and re-answer of the parties, setting a brief term for them. On June 17, 2005, Edesur S.A. entered with the Unit for

Renegotiation and Analysis of Public Services Contracts (UNIREN) into an Understanding Letter within the framework of the process for renegotiating Edesur S.A.'s Concession Contract, envisaged in Law N°.25,561 and supplementary regulation. The Understanding Letter contains the terms and conditions that, provided the other statutory Argentinean procedures are met, will constitute the basis for the Agreement for the Full Renegotiation of the Concession Contract between the Argentinean State and Edesur S.A. In addition, the Understanding Letter imposes the obligation of initially suspending, and subsequently dropping, all actions filed against the Argentinean State by Edesur S.A. and its shareholders. Such requirement would cause Enersis S.A. to suspend the international arbitration started on April 25, 2003 with the International Center for the Settlement of Disputes regarding Investments between States and Nationals of Other States (CIADI), seeking from the Republic of Argentina the payment of damages caused by the actions taken by the Republic of Argentina starting with the Public Emergency Law and the Reform of the Foreign Exchange Regime and their statutory and regulatory norms, to Enersis S.A.'s investment in Edesur S.A.. After publication in the Official Gazette of the Republic of Argentina of the resolution approving the rates arising from the Full Rates Revision, Enersis S.A. and its subsidiaries Enersis Internacional, Chilectra S.A., Chilectra Internacional, Empresa Nacional de Electricidad S.A. and Edesur S.A. would drop the abovementioned international arbitration started with the CIADI. On August 29, 2005, Edesur S.A. entered into the Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy, which formalizes, in essence, the agreement reached in the Understanding Letter. This Minutes of Agreement must be approved by the Argentinean Congress and ratified by the Argentinean government. The suspension of the aforementioned actions is a prerequisite for ratification. On September 16, 2005 the Republic of Argentina made a filing requesting the suspension of the proceedings. It was answered on September 22, 2005 by the plaintiffs, who opposed the suspension. On September 30, 2005 the court rejected the Argentinean request, for lack of consent. On October 7, 2005, Argentina made a new filing on the same issue, which the court communicated to us on October 11, 2005, and we answered the filing on October 18, 2005. The Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy is now being studied by the Argentinean Congress.

**Amount: US\$98,731,260.**

#### Edesur S.A.

**Plaintiff** : Asociación Coordinadora de Usuarios Consumidores y Contribuyentes - Ente Nacional Regulador de la Electricidad (ENRE).  
**Defendant** : Edesur S.A.  
**Court** : N°2 Federal Civil and Commercial First Instance Court, Registry of the Court N° 6, La Plata  
**Case/Identification** : 38676/03

Summary of proceedings: The said institution filed a measure through which it expects ENRE and EDESUR to be ordered to suspend of cabling works in Quilmes, Province of Buenos Aires, as well as the company's "Sobral" sub-station due to the damage the installations may cause to the population health.

Process status: A Resolution from La Plata Civil and Commercial Federal Chamber of Appeal instructs that the First Instance Judge must order EDESUR to report on the situation regarding electromagnetic fields in connection with other sub-stations. Also, the company must report regarding use of PCB, adjust the equipment containing it, as well as the storage locations. Finally, the company must identify the equipment and containers. The case file passed to first instance for the above mentioned purposes, but EDESUR has not been notified yet on the said requirement.

The court decided to summon the Secretary of Energy, the Ministry of Health and the Environment, and the Provincial Agency for Environmental Control and Urban Sanitation of the Environmental Policy Secretary of the Province of Buenos Aires, so that they may take part in the proceedings.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Transportes Metropolitanos Gral. Roca.  
**Court** : First Instance National Commercial Court, Registry of the Court N° 1  
**Case/Identification** : 87934/03

Summary of proceedings: Edesur promoted an action to declare settlements in public property free-of-charge, taking into consideration that the company Transportes Metropolitanos General Roca S.A.

(T.M.R.) intends to charge an annual rent for every crossing or power line wiring along the rails (existing or future) over land designated as railroad service property.

Process status: Edesur obtained from the corresponding Court a precautionary measure through which the company is not obliged to pay rent while the procedure is pending resolution. Taking into consideration that the company Transportes Metropolitanos General Roca S.A. attended in caution and, since this is a procedure related to property, the proceedings were brought to the Commercial Court, where the process still continues. It is worth pointing out that, after the term for submitting evidence had expired, the company made its allegation, and recently the Receiver has been notified that the trial is in the status in which the judge must issue a sentence.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Dirección de Vialidad of the Buenos Aires Province  
**Court** : The National Supreme Court of Justice  
**Case/Identification** : E 213/01

Summary of proceedings: Edesur wants prevalence and application of the rights established in its Contract to be declared precedent over the provincial regulations.

Process status: A favorable ruling was obtained from the National Attorney's General Office, and the procedure is about to be ruled upon by the Supreme Court of Justice.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Buenos Aires City Government ("GCBA")  
**Court** : N° 7 Administrative and Tax Court of Buenos Aires City, Registry of the Court N° 13  
**Case/Identification** : 2955/00

Summary of proceedings: The provision through which the Buenos Aires City Government tries to charge an annual rent for each underground transformation center installed by Edesur in public roads is contested. At the same time, the provision tries to force Edesur to cover the costs resulting from the removal of the said centers whenever removal is necessary. The contested provision violates the Concession Contract.

Process status: First instance favorable ruling was appealed against by the GCBA. Parallel to the main procedure, Edesur filed an extraordinary appeal to the Supreme Court sustaining the lack of competence of the Buenos Aires City Courts and the competence of federal courts. The Supreme Court of Justice ruled in favor and determined that the Federal Administrative Court is competent to continue with the lawsuit. Therefore, the proceedings are being transferred procedure to the latter Court.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Buenos Aires City Government (GCBA)  
**Court** : N° 7 Administrative and Tax Court of the City of Buenos Aires, Registry of the Court N° 13.  
**Case/Identification** : 2956/01

Summary of Proceedings: To contest a GCBA provision through which payment of procedure expenses on permits requested by Edesur for the installation of its lines is demanded, as well as payment for the corresponding inspections carried out by the GCBA, in addition to a rent for using public roads with power systems for the provision of power distribution public utilities.

Process status: Submission of trial briefings. Proceedings were transferred to the Federal Administrative Court where the procedure continues.

**Amount: Undeterminable**

**Plaintiff** : Unión de Usuarios y Consumidores.  
**Defendant** : Edesur S.A.  
**Court** : N° 11 Federal Administrative First Instance National Court, Registry of the Court N° 21.  
**Case/Identification** : 142321/02

Summary of proceedings: The Users and Consumers Union wants a modification of the type of rate applied to the many condominium owners consortiums existing in the City of Buenos Aires and EDESUR users. This would imply an important reduction of the values to be invoiced in future to these consortiums, as well as the obligation for retrospective reimbursement of "unduly" received amounts.

Process status: Evidence stage. The accounting expert evidence stage ended. Its transfer was ordered.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Estado Nacional (Ministerio de Economía).  
**Court** : N° 3 Federal Administrative First Instance National Court, Registry of the Court N° 5.  
**Case/Identification** : 1856/97

Summary of proceedings: In accordance with a provision in Power Law 24065, the power sector concessionaire companies must pay a significant rate to the Power Regulating National Agency with the purpose of financing its controlling and regulating activities (the rate is paid by EDESUR, among other concessionaires.) These expenses do not exceed annually the amount of the rate paid, thus giving rise to a financial surplus which, instead of being allocated to the Argentinean government, must be refunded to the companies. In this regard, the action was filed to nullify a resolution of the General Agency for Management of the Economy Ministry, which allocates to the Argentinean Treasury these financial surpluses. Obviously, this resolution is confiscatory in nature, because the rate must always be a payment for a service provided, and no portion of it must become income for the government.

Process status: First instance sentence was pronounced in favor of the company. The counterparty appealed against the sentence.

**Amount: Undeterminable**

**Plaintiff** : Edesur S.A.  
**Defendant** : Secretaría de Política Ambiental de la Provincia de Buenos Aires  
**Court** : N° 2 Federal Civil, Commercial and Administrative First Instance National Court, Registry of the Court N° 5, La Plata.  
**Case/Identification** : 9335/05

Summary of proceedings: An injunction petition was filed, in accordance with Law PBA N°.7166, against the Secretaría de la Política Ambiental de la Provincia de Buenos Aires, in connection with several fines issued by this entity, which affect rights and guarantees established in the Argentinean Constitution, in particular, articles 14, 17, 18 and 31 of the Argentinean Constitution, as well as National Law N°.25,760, because the provincial regulations (in particular Resolution SPA N°.1118/02) have envisaged caps for PCB concentration in transformers which are not consistent with Argentinean or international standards.

Process status: Defendant was notified of the injunction petition. Recently, Secretaría de la Política Ambiental de la Provincia de Buenos Aires answered the complaint. As a result, Edesur S.A. will continue the proceedings.

**Amount: Undeterminable.**

**Plaintiff** : Edesur S.A.  
**Defendant** : Municipalidad de Berazategui  
**Court** : N° 2 Federal Civil, Commercial and Administrative First Instance National Court, Registry of the Court N° 5, La Plata.  
**Case/Identification** : 11.893/05

Summary of proceedings: A lawsuit was filed against the Municipalidad de Berazategui, so that it allows Edesur S.A. to render public services consisting in distributing electricity, for which it must install an underground electrical line under the western sidewalk of street 5, between Avenida Mitre and Calle 146, in Berazategui. The installation was suspended by the defendant through Decree N°.1207/05, of which the plaintiff is seeking that it be pronounced unconstitutional and inapplicable. Also, an injunction was requested from the court.

Process status: The injunction requested by Edesur S.A. was granted and notification of the lawsuit to the defendant was requested. Recently, the court granted an injunction request by suspending the application of the aforementioned Decree and allowing Edesur S.A. to install the conductor, and then energizing it, through the participation of the Ente Nacional Regulador de la Electricidad and National University of La Plata.

**Amount: Undeterminable.**

**Plaintiff** : Ente Nacional Regulador de la Electricidad.  
**Defendant** : Edesur S.A.  
**Court** : N° 2 Federal Administrative First Instance National Court, Registry of the Court N° 3.  
**Case/Identification** : 1756/05

Summary of proceedings: The lawsuit was filed by Ente Nacional Regulador de la Electricidad to enforce Resolution ENRE N°.626/03 through which fines are imposed on Edesur S.A. for possible non-compliance with tension level quality.

Process status: Answer of lawsuit. Recently the city government answered the lawsuit, therefore Edesur S.A. will continue the proceedings.

**Amount: Undeterminable.**

**Ampla Energia e Serviços S.A.**

**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: Mistral and Civel, represented by Meridional, claim they are creditors of the former state electricity distribution company CELF, owing to 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\$136,085,087.

Process status: On October 7, 2005, a sentence was handed down that ruled without grounds the action undertaken by Civel Constructora, Industria, Viación e Engenharia S/A but accepted the action undertaken by the Centrais Elétricas Fluminense S/A - CELF, ordering Civel to refund to CELF the amounts collected in liquidation, as well as the payment of court costs of the two actions and fees of 20% of the value of the case in the action of which it launched and 20% of the amount of the action in which it was the Defendant. The embargo of declaration placed on the monitor action was accepted, which stated that the deed submitted was invalid and the embargoed party was ordered to pay court costs and fees. It was found that there is a valid document to make the deed effective, contrary to what was stated by Meridional S/A Servicios, Emprendimientos y Participaciones in the monitor action. The trial proceedings are concluded with petition to appeal, probably with the filing of an appeal submitted October 27, 2005.

**Amount US\$106,808,117**

**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) Ampla is ordered by the court 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) Ampla is ordered to refund the amounts paid as a result of the price increase implemented following port administrative resolutions 38 and 45 of 1986, which have been considered legal, both by the government and by the courts.

Process status: On October 6, 2005, a decision was made to convert the Special Audience into an Instruction and Trial Audience to be held January 23, 2006, at 11:30. This decision as published in the Official Government Gazette on November 7, 2005. It was added at Ampla's request demanding the right to examine the trial proceedings on November 23, 2005. On November 30, 2005, the viewing of the proceedings was deferred; publication of this resolution is expected.

**Amount: US\$ 18,206,066.95**

**Plaintiff** : Núcleo de Defesa do Consumidor-NUDECON.  
**Defendant** : Ampla and LIGHT.  
**Court** : 8th Chamber of Rio de Janeiro Commercial  
**Case/Identification** : 1999.001.168990-1.

Summary of Proceedings: Group civil action launched on December 13, 1999, with the objective of preventing the cut of the energy electrical supply to consumers late in payment of their bills, as well as consumers who have stolen electricity.

Process status: The actions submitted to the higher courts: Extraordinary injunction 2004.134.02040 and Special Injunction 2004.135.04122. The Extraordinary Injunction was not accepted by the Court of Justice of Rio de Janeiro. This decision was appealed by means of Instrument 2004.136.06485, by Ampla, to get the injunction accepted. While this appeal is awaiting resolution, the Special Injunction was admitted and redirected to the high court of justice on March 15, 2005 and is also awaiting judgement.

**Amount: Undeterminate**

**Plaintiff** : ABRACON - Associação Brasileira del Consumidor e Ministerio Público  
**Defendant** : Ampla and the Town of Saint Gonzalo  
**Court** : 4th Civil Chamber of Saint Gonzalo County / RJ  
**Case/Identification** : 2000.004.019389-4 attached to 2000.004.012307-7



Summary of Proceedings: a) Declaration of illegality of the collection of the TMIP, for being overpriced, b) order of Ampla to indemnify in the amount of 10 million reales for supposed collective damages, c) order of Ampla to refund double the amount improperly billed under TMIP.

Process status: Documents extracted from the Trial N°.2000.004.012307-7, Public Civil Action in the Appendix, Citation of Saint Gonzalo Town on October 21, 2005. The proceedings were sent to the Town of Saint Gonzalo on October 21, 2005. The protest of the amount of the case was rejected.

**Amount: US\$10,601,621**

**Plaintiff** : **Brazilian Consumer Defence Association (ADCON)**  
**Defendant** : **Ampla**  
**Court** : **8th Business chamber of the County of Brasilia**  
**Case/Identification** : **2004.001.017223-0**

Summary of Proceedings: (i) No registration of consumers late in payments on records of Services for Credit Protection, and removal of registrations already made, while proceedings continue at court of law; (ii) the restoration of electric energy supply to all consumers whose supply was shut off and refrain from further electric energy shut-offs of any user or consumer due to illegal actions performed by them (whether stealing of energy or fraud) or because of the fact that they may be late in payments, if no ordinary administrative or legal proceedings have been started in connection with them; (iii) no collection of debts from consumers, unless they arise out of a regular court trial.

Process status: Filings went back to court of law. Hearing on December 13, 2005. After the vote of the Relator and the Revisor (two court members) denying the recourse filed, the judge Maria Augusta Vaz transformed the lawsuit in administrative issue.

**Amount: Undeterminable**

**Plaintiff** : **Ampla**  
**Defendant** : **ANEEL**  
**Court** : **1st Federal Chamber of Niteroi County**  
**Case/Identification** : **99.0208621-7**

Summary of Proceedings: This action seeks rescission of the electrical energy supply contract and federal permit of the Rural Electrification Co-operative, because service is to customers in the Ampla Concession

area, and because monthly bills are overdue for electrical energy supplied for the past few years and which add u to R\$ 15 million. There are other actions to collect a debt from the Co-operative that have been launched by Ampla before the State justice system.

Process status:The Judge conceded power in advance. Ampla took over the distribution of energy in the area served by the Co-operative in October 2005. The judge's decision was upheld by the court of Justice on June 8, 2005. The court upheld the power in advance. On August 23, 2005, the petition of the Cersan was annexed requiring the return of .the material held, since the term had already expired for the copying and recording of consumer data. On September 14, 2005, Ampla was ordered to state its case within 10 days on the Cersan's petition and immediately afterward it was granted access to the Federal Attorney General's office. Ampla stated its case on the petition of the Cersan on September 26, 2005. The proceedings were then remitted to the Federal Attorney General's office on October 10, 2005.

**Amount Undeterminate**

**Plaintiff** : **Ampla**  
**Defendant** : **Teresópolis-Friburgo Electrification Co-operative (CERTEF)**  
**Court** : **1st Federal Chamber of Niteroi County**  
**Case/Identification** : **2000.51.02.000030-1**

Summary of Proceedings: This action seeks rescission of the electrical energy supply contract and federal permit of the Rural Electrification Co-operative, because service is to customers in the Ampla Concession area, and because monthly bills are overdue for electrical energy supplied for the past few years and which add up to R\$ 9 million. There are other actions to collect a debt from the Co-operative that have been launched by Ampla before the State justice system

Process status:The judge set a special conciliation audience for May 5, 2005, to hear the president of CERTEF, and determined that the co-operative must bring to the trial documents related to its technical and financial situation. In the audience, the judge ruled that Aneel must introduce to the proceedings the administrative regularisation trial of the co-operative, and that afterwards the parties must comment on the documents introduced to the trial.. On August 10, 2005, the CERTEF was notified through the publication in the Official Government Gazette of the establishment of the period of 15 days in which the documents could be examined by the parties.

**Amount Undeterminate**

<b>Plaintiff</b>	<b>: Consumer Defence Commission of the Legislative Assembly of the State of Rio de Janeiro</b>
<b>Defendant</b>	<b>: Ampla</b>
<b>Court</b>	<b>: 7th Business chamber of the State of Rio de Janeiro</b>
<b>Case/Identification</b>	<b>: 2005.001.084370-8</b>

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 modernisation'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: On November 30, 2005, without the Defendant's citation being effected, the decision was made to overturn the case. The sentence was published December 2, 2005. The petition was added on December 13, 2005.

**Amount: Undeterminable**

<b>Plaintiff</b>	<b>: State Attorney General's Office</b>
<b>Defendant</b>	<b>: Ampla</b>
<b>Court</b>	<b>: 2nd Civil Chamber of Town of Saint Gonzalo</b>
<b>Case/Identification</b>	<b>: 2003.004.034117-9</b>

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 he 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.

Process status: The trial ended on September 5, 2005 and judgement is awaited.

**Amount: Undeterminable**

<b>Plaintiff</b>	<b>: Town of Itaboraí</b>
<b>Defendant</b>	<b>: Ampla</b>
<b>Court</b>	<b>: 2nd Civil Chamber of County of Itaboraí</b>
<b>Case/Identification</b>	<b>: 2003.023.041682-7</b>

Summary of Proceedings: The Town of Itaboraí, through its Procurator General, launched Public Civil Action soliciting power in advance for the compliance of the obligation to perform against Ampla, invoking its jurisdictional power to require that said concessionaire (i) refrain from interrupting the supply of electrical energy of the consumers of this Town, even if they are in debit, because this is an essential and continuous service, compelling the Rea to forthwith take measures necessary to provide continuity and reliability of the supply service in the entire town, under penalty of a fine of R\$200 (200 reales) per day for each consumer inconvenienced; (ii) be ordered to pay a fine of R\$10,000 for each day that it fails to comply with the sentence in (i).

Process status: On November 25, 2005, the decision was made requiring that the parties must make their final submissions. This decision was published in the Official Government Gazette on December 13, 2005. Conclusion was presented to the judge on December 14, 2005.

**Amount: Undeterminable**

<b>Plaintiff</b>	<b>: ABRACON (Brazilian Consumer Association)</b>
<b>Defendant</b>	<b>: Ampla and Town of Niterói</b>
<b>Court</b>	<b>: 6th Civil Chamber of Niterói County (outstanding debt)</b>
<b>Case/Identification</b>	<b>: 2000.002.012629-2</b>

Summary of Proceedings: Towards the end of 2002, there was a tax destined to finance the public lighting of towns and cities, referred to as the "Lighting Network Maintenance Tax" (TMRI). Ampla had made agreements with towns within its concession area to collect said tax by including it in its invoices. The constitutionality of this tax has been contested by some parties; therefore Ampla, a mere collector of the tax, has been involved in the suit. Ampla has maintained in its defence that it should not be included in the suit, and ABRACON strives to force Ampla to stop collecting the tax and to notify the consumers of the elimination of the tax.

Process status: On November 18, 2005, this trial was annexed to Trial N°.2000.020.012627-9, Public Civil Action.

**Amount: Undeterminate**

<b>Plaintiff</b>	<b>: Town of Niterói</b>
<b>Defendant</b>	<b>: Ampla</b>
<b>Court</b>	<b>: 6th Civil Chamber of Niterói County</b>
<b>Case/Identification</b>	<b>: 2000.002.007345-7</b>

Summary of Proceedings: The Town of Niterói launched this action requiring the removal of posts situated in places that are supposedly

inadequate. At issue is the question of paying for the removal of the posts.

Process status: On November 28, 2005, Dr. Ronaldo Alvaro Martins, the "Disembargor Reviewer", requested a date for trial. The judgement session was carried out and the provision of an injunction denied in terms of the vote of the relator. The court's verdict is expected to be published.

**Amount:Undeterminate**

**Plaintiff** : **Co-ordination of Consumer Defence - CODECON/SG**  
**Defendant** : **Ampla**  
**Court** : **4th Civil Chamber of the Town of Saint Gonzalo**  
**Case/Identification** : **2003.004.043260-4**

Summary of Proceedings: This is the Public Civil Action in which CODECON/Saint Gonzalo required power in advance to determine that AMPLA be prohibited from suspending the supply of electrical energy to the consumers of Saint Gonzalo when they fail to pay their monthly bill, under penalty of a fine of R\$ 500 per day, and that Ampla be ordered to refrain from suspending the supply of electrical energy to the consumers of Saint Gonzalo for delay in payment of their monthly bill. Input is required from the Attorney General's Office.

Process status: The decision handed down on October 10, 2005 was published in the Official Government Gazette of November 7, 2005, requiring the parties to present their final arguments. Ampla presented its final arguments on November 28.

**Amount: Undeterminable**

**Plaintiff** : **Consumer Defence Commission of the Legislative Assembly of the State of Rio de Janeiro**  
**Defendant** : **Ampla**  
**Court** : **8th Business chamber of the County of Rio de Janeiro**  
**Case/Identification** : **2002.001.115854-5**

Summary of Proceedings: Plaintiff launched this action stating that on September 7, 2002, there was a wind storm in the entire state of Rio de Janeiro that affected the supply of electrical energy and caused damaged to the population. It charges that Ampla failed to provide adequate service due to the storm, but that this event cannot

be considered Force Majeure because it was perfectly predictable. Plaintiff demands that Ampla pay its consumers the amount of 1/30 of the basic rate multiplied by the N°.of days (three) in which service was not provided, as well as that Ampla be ordered to pay all damages suffered by consumers, including the loss of business and goodwill arising from inability to function with electricity. Input is required from the Attorney General's Office.

Process status: On November 18, 2005, opposing arguments were presented. On December 6, proceedings were remitted to the Attorney General's Office. Remittance of the proceedings from the Court of Justice December 15, 2005.

**Amount: Undeterminable**

**Plaintiff** : **Association of Townspeople of Recanto dos Arcanjos-Amora**  
**Defendant** : **Ampla**  
**Court** : **1st Civil Chamber of the Town of Saint Gonzalo**  
**Case/Identification** : **2002.004.003639-2**

Summary of Proceedings: The people of Recanto dos Arcanjos-Amora, through their Association of Inhabitants, launched this action requiring that Ampla carry out the installation of an electricity network for all inhabitants currently without electricity in the Recanto dos Arcanjos housing development. A request for concession was formulated to require Ampla to begin the installation within 10 days of an electricity grid and to finish the installation within 30 days under penalty of a fine per day to be determined by the trial, and that Ampla refrain from charging any financial participation, under penalty of the refund of twice the amount charged. The main petition was for the confirmation of the order and for input from the Attorney General's Office.

Process status: Ampla launched a court injunction July 14, 2005, and the Association of Townspeople of Recanto dos Arcanjos-Amora were given a time to express their opposing arguments. Remittance of the proceedings of the Attorney General's Office, October 20, 2005. On December 19, 2005, the decision made to accept Ampla's request for a court injunction was published in the Official Government Gazette.

**Amount: Undeterminable**

**Plaintiff** : **Anacont National Association of Consumer and Worker Assistance**  
**Defendant** : **Ampla and Town of Angra dos Reis**  
**Court** : **2nd Civil Chamber of the County of Angra dos Reis**  
**Case/Identification** : **2002.003.001624-5**

Summary of Proceedings: This is the Public Civil Action in which the plaintiff require that Ampla be condemned for not being consistent in refraining from charging a fee for the public lighting of the Town of Angra dos Reis, as well as to refund double the amount paid by the consumers for the illegal charge. It bases its petition on the illegality and unconstitutionality of the tax and requires power in advance in the suspension of the charge for public lighting until the case is decided.

Process status: On November 10, 2005, the parties and the Attorney General's Office were informed through the Official Government Gazette that they must express their arguments on the Town's petition and provide expert evidence and supporting documents. On November 21, 2005, Ampla presented its arguments. A decision is expected on the Town of Angra dos Reis' demand for additional evidence.

**Amount: Undeterminable**

**Plaintiff** : **Attorney General's Office of the State of Rio de Janeiro**  
**Defendant** : **Ampla, Former Governor Wellington Moreira Franco, Renato Torres de Mello da Cunha Vasconcellos, Wanda Beatriz Massierey Correa de Moraes Lima, Isabella Machado Garcia Justo, Orcydneia Knaip da Cunha and José Antonio Ferreira da Costa**  
**Court** : **10th Public Finance Chamber of Brasilia**  
**Case/Identification** : **1990.001.096354-0**

Summary of Proceedings: This is the people's action undertaken by the Attorney General's Office of the State of Rio de Janeiro in which the plaintiff objects to the hiring of officials authorised by the state governor for the former Cerj without any competition. The plaintiff requests that power in advance be applied to prevent future supposedly improper hiring of officials and, particularly, that the fourth, fifth, sixth and seventh Defendants named not be permitted to exercise their functions. It also required that the former Cerj present

the list of persons hired without competition based on the enactment of the State Constitution.

Process status: Proceedings remitted to the Special "Curaduría" on November 25, 2005

**Amount: Undeterminable.**

**Plaintiff** : **National Institute for Citizens' Defence (INDECCON)**  
**Defendant** : **Ampla**  
**Court** : **5th Business chamber of the County of Brasilia**  
**Case/Identification** : **2005.001.105254-3**

Summary of Proceedings: Request for concession of power in advance to require that Ampla issue invoices, within a period of 60 days, for electrical energy with two different bar codes, one for actual consumption of electrical energy and the other for the tax to finance public lighting by all customers. Confirmation of power in advance. Input was required from Attorney General's Office and the losing party was ordered to pay court costs.

Process status: Power in advance was required to force Ampla, within 60 days beginning June 8, 2005, to include two bar codes in invoices for electrical energy issued to all its customers (one only for the CIP and the other for consumption). Ampla issued a plea for relief from its difficulties, to the 3rd Civil Chamber of the Court of Justice of Rio de Janeiro, under trial N°.2005.002.15305, which granted its request for suspension of the order. Taking into account the existence of another identical action proposed by the Idecon before the 5th Business chamber of the County of Rio de Janeiro, the judge of the 4th Civil Chamber of Petrópolis ordered that the two trials be combined into one trial before the 5th Business chamber. The proceedings were sent to the Attorney General's Office for its comments about whether or not the 5th Business chamber had jurisdiction over the case. The Attorney General's Office responded by demanding that the proceedings be examined again in conjunction with the other ongoing Public Civil Action handled by the Attorney General's Office since September 28, 2005.

**Amount: Undeterminate**

**Plaintiff** : **Brazilian Consumer Defence Association (ADCON)**  
**Defendant** : **Ampla**  
**Court** : **8th Business chamber of the County of Brasilia**  
**Case/Identification** : **2003.001.096115-4**

Summary of Proceedings: The Brazilian Consumer Defence Association launched this action requesting that Ampla be ordered to immediately refrain from applying clauses 3, points 15 and 16, clause 5, clause 6 point 2, which clauses are supposedly unfair; the action also requests the imposition of an obligatory fine for eventual failure to comply with the order in the event that the latter is granted, a decree to annul the above mentioned clauses, a sentence to require payment of 20 percent of the amount of the case for lawyers' fees, as well as to assign responsibility, an debeatour and quantum debeatour, which will be carried out by means of the enforcement of the sentence, which will be owed to each consumer who presents himself and provides evidence of his individual damages and relationship to the case, all as a result of the supposedly unfair clause 3, points 15 and 16, clause 5 and clause 6 point2 of the subscriber contract between Ampla and its customers.

Process status: On October 28, 2005, Ampla was given the opportunity to present its arguments concerning the petition by he plaintiff to terminate the case.

**Amount: Undeterminate**

**Plaintiff** : **Brazilian Consumer Defence Association (ADCON)**  
**Defendant** : **Ampla**  
**Court** : **8th Business chamber of the County of Brasilia**  
**Case/Identification** : **2005.001.062360-5**

Summary of Proceedings: The Brazilian Consumer Defence Association launched this action requesting that Ampla be ordered to immediately refrain from applying clauses 3, points 15 and 16, clause 5, clause 6 point 2, which clauses are supposedly unfair; the action also requests the imposition of an obligatory fine for eventual failure to comply with the order in the event that the latter is granted, a decree to annul the above mentioned clauses, a sentence to require payment of 20 percent of the amount of the case for lawyers' fees, as well as to assign responsibility, an debeatour and quantum debeatour, which will be carried out by means of the enforcement of the sentence, which will be owed to each consumer who presents himself and provides evidence of his

individual damages and relationship to the case, all as a result of the supposedly unfair clause 3, points 15 and 16, clause 5 and clause 6 point2 of the subscriber contract between Ampla and its customers.

Process status: On October 28, 2005, Ampla was given the opportunity to present its arguments concerning the petition by he plaintiff to terminate the case.

**Amount: Undeterminate**

**Plaintiff** : **National Association of Consumer and Worker Assistance**  
**Defendant** : **Ampla**  
**Court** : **1st Civil Chamber of the County of Angra dos Reis**  
**Case/Identification** : **2003.003.003327-0**

Summary of Proceedings: Plaintiff required Ampla to give early warning to its customers in the event of shut-off of electric supply due to default in payments, asking the court to set a daily fine to ensure effectiveness.

Process status: Lawsuit was allocated to a court of law on February 20, 2003. On July 8, 2003, Ampla filed and objection. On February 18, 2004 the Attorney General's Office indicated the objection was acceptable in part. On June 14, 2004, a ruling was published that required ANEEL to manifest its probable interest in the trial. On October 4, 2005, the communication to ANEEL, fully performed, was included in the trial. ANEEL is yet to indicate whether or not it has a probable interest in the trial.

**Amount: Undeterminable**

**Plaintiff** : **National Association of Consumer and Worker Assistance**  
**Defendant** : **Ampla and Town of Cachoieras de Macacu**  
**Court** : **2nd Civil Chamber of the County of Cachoieras de Macacu**  
**Case/Identification** : **2004.012.000013-9**

Summary of Proceedings: The plaintiff launched this action requiring the suspension of the CIP charge and that the Defendants be ordered to refund amounts charged.

Process status: Presentation of final pleas by the parties. Conclusion to the judge on December 5, 2005

**Amount: Undeterminable**

**Plaintiff** : Marcos Enrique Sousa de Magalhães  
**Defendant** : Ampla, State of Rio de Janeiro, EDP - Electricidade de Portugal S/A (EDP), Sociedad Panameña de Electricidad S.A., Desarrollo S.A., and Empresa Eléctrica de Panamá S.A.  
**Court** : 2nd Public Finance Chamber of the County of Brasilia  
**Case/Identification** : 1996.001.128021-4

Summary of Proceedings: The plaintiff objects to the sale by the state of Rio de Janeiro of its shares in the equity of the former Cerj and requests the annulment of the edict, the suspension of the sale of the shares and the declaration of nullity of the bidding as well as the sentencing of the Defendants to compensate the public treasury for the damages it has suffered.

Process status: Distribution on November 14, 1996. On November 19, 1996, the decision was made to accept the plaintiff's request. On February 17, 1997, the State of Rio de Janeiro presented an objection. On February 21, 1997, Ampla (then Cerj) presented its objection. On March 14, 1997 he plaintiff presented his response. On September 29, 1997, the plaintiff requested that EDP, Desarrollo S.A. and Empresa Eléctrica de Panamá S.A. to testify, through a letter of petition. On April 23, 1999, the letter of petition was introduced to call on EDP. On July 6, 2000, a communiqué was sent to the Ministry of Justice to report on failure to comply with the other letter of petition. On December 17, 2004, there was certification o a lack of response to the previous communiqué. On January 11, 2005, a new communiqué was sent to the Ministry of Justice.

#### **Cuantía Indeterminada**

**Plaintiff** : Macao Consumer and Worker Defence Association  
**Defendant** : Ampla  
**Court** : Single Chamber of the County of Río 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, and requesting that Ampla be required to refund the amounts wrongly charged and pay costs. Related to the trial.

Process status: Action distributed March 31, 2004. After brief questionings regarding the demand and the jurisdiction of the court, on September 30, 2004 the Attorney General's Office showed support

to grant the plaintiff's request. Then Ampla was called on. On August 1, 2005, Ampla presented its objections.

**Amount: Undeterminable**

**Plaintiff** : National Citizen and Consumer Defence Institute  
**Defendant** : Ampla  
**Court** : Single Chamber of the County of Río das Ostras  
**Case/Identification** : 2005.001.069542-2

Summary of Proceedings: The plaintiff launched this action requesting that the bill for the consumption of electricity be sent to the customer with two different bar codes, one referring to the actual consumption and the other for the levying of the CIP. It requested power in advance with erga omnes effect for the whole state of Rio de Janeiro, the input of the Attorney General's Office as well as a list of cities that levy the CIP collected by Ampla.

Process status: Trial concluded on November 22, 2005. On December 7, 2005, a plea for relief from its difficulties was remitted to the General Procurator of Justice.

**Amount: Undeterminable**

**Plaintiff** : National Institute of Defence of Citizen Consumer - INDECCON  
**Defendant** : Ampla and Light  
**Court** : 7th Business Chamber of the County of Rio de Janeiro  
**Case/Identification** : 2005.001.073480-4

Summary of Proceedings: The plaintiff launched this action requesting power in advance to order the suspension of the charge of a fee for normal reconnection, or any fee with this intention, with effect erga omnes for the entire state of Rio de Janeiro, the ordering of the Defendants to reimburse double the amount received for this charge, and that the Defendants pay the costs related to the trial.

Stage of the Trial: The action was distributed in June 20, 2005. On September 29, 2005, the petition for free reconnection was deferred and the Defendants were ordered to appear, Ampla on October 13, 2005 and Light on December 12, 2005. Light's appearance was annexed to that of Ampla on December 12, 2005.

**Amount: Undeterminable**

**Plaintiff** : **Ampla**  
**Defendant** : **Federal Union**  
**Court** : **2nd Federal Chamber and 4th TRF Chamber of the 2nd Region**  
**Case/Identification** : **Ordinary Action N°.96.0035653-0 and Civil Appeal N°.98.02.21000-5**

Summary of Proceedings: 1) The declaration of Ampla's immunity from payment of the tax called COFINS and 2) That Federal Union be ordered to refund payments made under COFINS in the past five years, adjusted and inflated in accordance with the law and based on the decision of the court in Security Mandate N°.92.0113589-4.

Process status: On May 2, 1997, sentence was handed down declaring Ampla's petition improper and requiring it to pay fees of five percent of the amount of the trial. Ampla's application to appeal is pending..

**Amount: US\$ 38,111,292.74**

**Plaintiff** : **Federal Union**  
**Defendant** : **Ampla**  
**Court** : **1st Section of TRF**  
**Case/Identification** : **Rescission Action N°.97.02.09655-3**

Summary of Proceedings: Federal Union imposed a rescission action against Ampla before the TRF 2nd region, in order to rescind the decision (Security Mandate N°.92.0113589-4) hat recognised Ampla's immunity from the requirement to withhold the COFINS tax .

Process status: On November 1, 2005, the decision was published that refused to provide for Infraction Embargoes. On December 1, 2005, the National Treasury launched declaration embargoes. On December 5, 2005, the proceedings were concluded for the Presiding Federal "Desembargador".

**Amount: US\$ 187,289,981.49**

**Plaintiff** : **Ampla**  
**Defendant** : **Federal Union**  
**Court** : **2nd Federal Chamber of Niteról and 1st Section of TRF of 2nd Region**  
**Case/Identification** : **Ordinary Action N°.96.0035652-1 and Civil Appeal N°.98.02.09149-9**

Summary of Proceedings: Ampla sought to obtain a declaration of immunity from the obligation to collect the tax referred to as PIS and to have the Union ordered to refund the total of amounts collected over the last five years, beginning August 1996, based on Section 3 of Article 155 of the Federal Constitution.

Process status: Judgement unfavourable to Ampla in first verdict. Appeals are pending before the Federal Tax Court. The petition was considered without grounds, Ampla presented Embargoes, which were approved, with an order for the refund of the difference in the payment in accordance with Decree Law 2.445/88 and 2.449/88 and that calculated in accordance with LC 7/70. Ampla presented its appeal and the Federal Union presented its opposing arguments to the 4th Group, the majority of whose members voted to allow the appeal. The court's decision was published and the Federal Union launched Embargoes while Ampla presented its opposing arguments. The Embargoes were allowed in terms of the relator's vote. Opposing the decision of the TRF, Ampla launched Declaration Embargoes, which were rejected by the TRF. The trial was decided favourably to Ampla in the matter of the unconstitutionality of the above mentioned Decree Laws. We are calculating the amounts that must be refunded under the tax credits protocol before the Department of Federal Reserve. On August 24, 2005, a dispatch was published that certified to the parties the return of the proceedings to their origin as well as the dropping of the process from the distribution with later dismissal of the proceedings.

**Amount: US\$ 21,806,000**

**Plaintiff** : **Ampla**  
**Defendant** : **Federal Union**  
**Court** : **2nd Federal Chamber of Niteról**  
**Case/Identification** : **Precautionary Action N°.96.0034797-2 and Ex Officio remittance N°.97.02.37774-9**

Origen / Materia : Medida Cautelar en juicio por Ampla, con fundamento en el § 3º del artículo 155 de la Constitución Federal, con el objetivo de suspender la exigencia del crédito tributario referente al impuesto denominado PIS, mediante su depósito judicial.

Summary of Proceedings: Precautionary measure is taken by Ampla in the trial, based on Article 3 of the Federal Constitution, which seeks to suspend the demand to pay the tax credit for the tax called PIS, by means of a judicial deposit.

Process status: Proceedings awaiting publication of the decision on the conversion to Federal Union revenue of the judicial deposit. Decision published October 7, 2005. On November 8, 2005, the proceedings were remitted to the federal judge for conclusion.

**Amount: US\$ 21,806,000**

**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 N°.96.0035387-5 and Civil Appeal N°.1999.02.01.047064-8**

Summary of Proceedings: 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 on its gross monthly revenue. It also seeks to have the Union forced to refund the total amount collected in the last five years, starting from October 1996 and, as a side effect of the foregoing, that the 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 N°.1.940/82, in the same period referred to above..

Process status: The first 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 presented. The proceedings were sent to Federal Regional Court where they are currently awaiting a judgement on the two appeals.

**Amount: US\$ 12,962,670**

**Plaintiff** : **Ampla**  
**Defendant** : **Federal Union**  
**Court** : **2<sup>nd</sup> Federal Chamber**  
**Case/Identification** : **Ordinary Action N°.96.0035652-1 and Civil Appeal N°.98.02.09149-9**

Summary of Proceedings: Ampla sought to obtain a declaration of immunity from the obligation to collect the tax referred to as PIS and to have the Union ordered to refund the total of amounts collected over the last five years, beginning August 1996, based on Section 3 of Article 155 of the Federal Constitution.

Process status: Judgement unfavourable to Ampla in first verdict. Appeals are pending before the Federal Tax Court. The petition was considered without grounds, Ampla presented Embargoes, which were approved, with an order for the refund of the difference in the payment in accordance with Decree Law 2.445/88 and 2.449/88 and that calculated in accordance with LC 7/70. Ampla presented its appeal and the Federal Union presented its opposing arguments to the 4th Group, the majority of whose members voted to allow the

appeal. The court's decision was published and the Federal Union launched Embargoes while Ampla presented its opposing arguments. The Embargoes were allowed in terms of the relator's vote.

Opposing the decision of the TRF, Ampla launched Declaration Embargoes, which were rejected by the TRF. The trial was decided favourably to Ampla in the matter of the unconstitutionality of the above mentioned Decree Laws. We are calculating the amounts that must be refunded under the tax credits protocol before the Department of Federal Reserve. On August 24, 2005, a dispatch was published that certified to the parties the return of the proceedings to their origin as well as the dropping of the process from the distribution with later dismissal of the proceedings.

**Amount: Undeterminable**

**Plaintiff** : **Federal Union**  
**Defendant** : **Ampla**  
**Court** : **Special Branch of TRF in the 2nd Region**  
**Case/Identification** : **Rescission Action N°.97.02.09655-3**

Summary of Proceedings: The Federal Union launched a rescission action against Ampla before the TRF 2nd region in order to get the decision (Security Mandate N°.92.0113589-4) recognising tax immunity related to the withholding of COFINS tax rescinded. The rescission action is based on very restricted causes that we estimate are not really well grounded. The first court ruling on the rescission action was favourable to Ampla. In the case where Federal Union's rescission action is accepted by the court, Ampla will have to collect for public coffers all the COFINS which it did not collect following the decision in Security Mandate N°.92.0113589-4, which recognised Ampla's immunity from the tax in question.

Process status: On November 1, 2005, the decision denying provision of the Infraction Embargoes was published. ON December 1, 2005, the National Treasury placed Declaration Embargoes. On December 5, 2005, proceedings were concluded for the Presiding Federal "Desembargador".

**Amount: US\$ 181,213,194**



**Plaintiff** : **Ampla**  
**Defendant** : **Federal Union**  
**Court** : **3rd Group - Federal Regional Court on the 2nd Region and 1st Federal Chamber of Niterói**  
**Case/Identification** : **Security Mandate N°.98.02.07129-3 and Appeal on Security Mandate N°.1998.51.02.207129-6**

Summary of Proceedings: This is a security order against the Commissary in charge of the collection of federal taxes in Niterói that seeks to ensure Ampla's right to complete indemnification for tax damages for the purposes of determining the basis of the calculation of the IRPJ and the negative basis of the calculation of the CSL, for the years 1993, 1995 and 1996, with the profits generated in the base years 1998 and following, without submitting itself to the limit of 30 percent of taxable income.

Process status: The first court judgement was completely favourable to the interests of Ampla. An application to appeal is pending before the Federal regional Court of the 2nd Region, beginning October 7, 2003. Proceedings concluded on December 15, 2005 for resolution in the offices of Dr. Francisco Pizzolante.

**Amount: R\$ 141,886,285, IRPJ (US\$ 61,689,689) and R\$ 41,705,245, CSL (US\$ 18,132,715)**

**Plaintiff** : **Ampla**  
**Defendant** : **State Superintendent for Supervision of the Office of the Secretary of State for Finance and Inspector of State Supervision - Large Taxpayers**  
**Court** : **11th Public Finance Chamber of Rio de Janeiro**  
**Case/Identification** : **Security Mandate N°.99.001.099825-2 and Civil Appeal N°.2000.001.11362**

Summary of Proceedings: This is a precautionary constitutional action ("preventive security mandate") aimed at preventing the enforcement of the limitation imposed by article 2 of Law 3.188/99 that restricted the right to use the tax credit derived from the tax called ICMS when acquiring fixed assets.

Process status: On December 18, 2001, the proceedings of the "plea for relief from difficulties" were remitted to the Federal Supreme Court and the proceedings of the precautionary action returned to the 11th State Public Finance Chamber. On October 21, 2004, the STF denied

the plea filed by the State of Rio de Janeiro, whereupon the State filed another kind of plea, which was also rejected by a STF decision favouring the Company.

Following the execution of the decision favourable to Ampla, the trial returned to the court of origin where it awaits the filing of proceedings.

**Cuántia Indeterminada**

**Plaintiff** : **Secretary of Federal Income Tax Collection**  
**Defendant** : **Ampla**  
**Court** : **Niterói Rio de Janeiro Federal Income Tax Commissary**  
**Case/Identification** : **Infraction Proceeding N°.0710200/00370/02 and Administrative Trial N°.10730.002730/2003-13**

Summary of Proceedings: Tax infraction for supposed shortfall in that paid for the tax called COFINS. During the mandatory verification procedure, differences were found between the amounts declared, those consigned in writing and those collected and paid with respect to COFINS for the period December 2001 to June 2002.

Process status: On August 11, 2003, Ampla presented its opposition to the Infraction Proceeding, which was accepted by the Commissary of Federal Income Tax Collection of Niterói / Rio de Janeiro. The proceedings are currently awaiting a hearing with the Taxpayers' Council of the Ministry of Finance for judgement.

**Amount: US\$ 54,330,735.53**

**Plaintiff** : **Secretary of the Federal "Receita" (Brazilian IRS)**  
**Defendant** : **Ampla**  
**Court** : **Taxpayers' Council of the Ministry of Finance**  
**Case/Identification** : **Infraction Proceeding 0710200/00370/02 and Administrative Trial 10730.002674/2003-17**

Summary of Proceedings: Tax infraction for supposed unpaid difference in tax called IRPJ. The Infraction Proceeding seeks to redress compensation of tax damages over and above the limit of 30 percent of net income, adjusted for exclusions and additions provided for and authorised by income tax legislation. Inconsistent with the

rule, the Company compensated the entire amount of its actual profit, seeking justification in Security mandate N°.98.0207129-3, currently being examined by the 1st Federal Chamber of the Judiciary Section of Rio de Janeiro in Niteról.

Process status: On November 10, 2005, the court's verdict was announced in a communiqué (#142853), in which the unanimous decision was made to deny the appeal (taxes with collectability suspended). On November 16, 2005, awaiting the word from the Procurator.

**Amount: US\$ 20,357,912.46**

**Plaintiff** : Secretary of the Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Taxpayers' Council of Ministry of Finance  
**Case/Identification** : Infraction Proceeding 0710200/00370/02 and Administrative Trial 10730.002675/2003-53

Summary of Proceedings: Infraction for supposed unpaid difference in the tax called CSL. The Infraction Proceeding seeks to redress undue compensation calculated using a negative base, taking into account the failure to apply the limit of 30 percent of taxable income, adjusted for exclusions and additions provided for and authorised by income tax legislation. Inconsistent with the rule, the Company compensated the entire amount of its actual profit, seeking justification in Security mandate N°.98.0207129-3, currently being examined by the 1st Federal Chamber of the Judiciary Section of Rio de Janeiro in Niteroi.

Process status: On November 10, 2005, the court's verdict was announced in a communiqué (#142855), in which the unanimous decision was made to deny the appeal (taxes with collectability suspended, but with no fine called for) . On November 16, 2005, awaiting the word from the Procurator.

**Amount: US\$ 8,326,014.07**

**Plaintiff** : Secretary of the Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Federal Income Tax Commissary  
**Case/Identification** : Infraction Proceeding N°.00218 and Administrative Trial N°.10730.002007/99-24.

Summary of Proceedings: A demand for tax credit relating to the PIS contribution, with the objective of preventing the prescription of amounts entered judicially plus interest due on arrears.

Process status: On June 7, 1999, Ampla presented its opposition to the Infraction Proceeding, which was accepted by the Federal "Receita" court. As a result of this, Ampla tabled a voluntary action, which was partially recognised by the 3rd Chamber of the 2nd Council of taxpayers of the Ministry of Finance, at least to exclude the interest charged on arrears by the Federal "Receita" (IRS) Court. Currently the proceedings are in the Federal "Receita" court of Niteról.

**Amount: US\$ 7,849,241.64**

**Plaintiff** : INDECCON - National Citizen Consumer Defence Institute  
**Defendant** : Ampla  
**Court** : 4th Civil Chamber of Petrópolis County  
**Case/Identification** : Collective Civil Action N°.2005.042.004144-6.

Summary of Proceedings: The objective of the current collective civil action is to force the company to issue billing documents with two bar codes, one for the amount of the electricity supply service and the other for the tax public lighting. We oppose the suits that object to this tax, not only because they include us as Defendants but also because the city government uses the tax money to finance the lighting and electricity consumed by everybody.

Process status: Due to the Petrópolis trial having declared itself incompetent, this trial has been linked to Collective Civil Action N°.2005.001.069542-2 (see below). This trial is suspended for judgement of the pleas filed by Ampla and by Light.

**Amount: Undeterminable**

**Plaintiff** : Secretary of Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Niteról / Rio de Janeiro Federal "Receita" (IRS) Commissariat  
**Case/Identification** : Administrative Trial N°.1073000.4053-2005 - Infraction proceeding N°.0710200/00112/05

Summary of Proceedings: The IRS sued Ampla for having proceeded to compensate itself for the totality of tax damages in order to adjust the taxable income for the purpose of the IRPJ, as would appear

warranted judging by the decisions handed down in trials numbers 98.02.07129-3 and 98.02.02033-89 (items 45, 46 cited above). The lawsuit was launched by plaintiff to avoid decadence (Ampla's right to claim tax credits even if the court decision is unfavourable to Ampla).

Process status: Once it learned of the Infraction Proceeding, Ampla presented the opposing argument on September 14, 2005, with the aim of securing the reduction of the Infraction Proceeding by the portion related to the profit from the Worker - PAT feeding program, which currently is pending judgement.

**Amount: US\$ 41,886,978.**

**Plaintiff** : Secretary of Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Niteról / Rio de Janeiro Federal "Receita" (IRS) Commissariat  
**Case/Identification** : Administrative Trial N°.0710200/00112/05

Summary of Proceedings: The IRS sued Ampla for having proceeded to compensate itself for tax credits on a negative tax base, to adjust taxable income for the purpose of the CSLL, as would appear warranted judging by the decisions handed down in trials numbers 98.02.07129-3 and 98.02.02033-89. The lawsuit was launched by plaintiff to avoid decadence (Ampla's right to claim tax credits even if the court decision is unfavourable to Ampla).

Process status: Once it learned of the Infraction Proceeding, Ampla presented the opposing argument that the amount was correctly adjusted solely to avoid the decadence.

**Amount: US\$ 9,023,282.91.**

**Plaintiff** : Ampla  
**Defendant** : State of Rio de Janeiro  
**Court** : Superior Court of Justice  
**Case/Identification** : Trial N°.2002.001.110494-9

Summary of Proceedings: Security Mandate with the aim that the local authority refrain from taking any action that would make the collection of the ICMS established by Decree N°.31.632/02.

Process status: On December 15, 2005, the decision of the judge João Otávio de Noronha to disallow Ampla's petition that the plea

be examined urgently, because he saw no need to treat the case as an emergency.

**Amount: US\$ 22,324,513.34**

**Plaintiff** : State Finance Ministry  
**Defendant** : Ampla  
**Court** : Commissariat of State Finance Ministry  
**Case/Identification** : Infraction Proceeding N°.03.177555-4

Summary of Proceedings: Ampla was sued for having collected the ICMS spontaneously and outside of the allowed time period without the respective legal surcharges. The terms supposedly not respected were those prescribed in State Decree N°.31.632/02, which is challenged in trial N°.2002.001.110494.

Process status: We learned of the Infraction Proceeding on September 26, 2005.

**Amount: US\$ 18,813,703.06**

**Plaintiff** : Union of Workers in the Niteról Electrical Energy Industry representing a class action suit by 2841 employees  
**Defendant** : Ampla  
**Court** : 1st Niteról Work Chamber  
**Case/Identification** : Labour Complaint 884/1989

Summary of Proceedings: In April 1989, the Niteról 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 "Summer Plan".

Process status: The Company presented its arguments on the plea by the plaintiff and then filed its own plea which as annexed to the former. Judgement is awaited.

**Amount: US\$12,783,588.85**

**Plaintiff** : Secretary of the Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Commissariat of the Federal Receta Court  
**Case/Identification** : Infraction Proceeding 00218 and Administrative Trial 10730.002007/99-24

Summary of Proceedings: Tax infraction for supposed unpaid difference in tax called CSL.

Process status: On June 7, 1999, Ampla presented its opposition to the Infraction Proceeding, which was accepted by the Commissariat of the Federal Receta (IRS) Court. As a result of this, Ampla tabled a voluntary action, which was partially recognised by the 3rd Chamber of the 2nd Council of taxpayers of the Ministry of Finance, at least to exclude the interest charged on arrears by the Commissariat of the Federal Receta (IRS) Court. Currently the proceedings are in the Commissariat of the Federal Receta Court of Niterói.

**Amount: US\$ 8,112,457.43**

**Plaintiff** : Selma de Souza and 122 other plaintiffs  
**Defendant** : Ampla  
**Court** : 2nd Employment Chamber of Niterói  
**Case/Identification** : Work Complaint N°.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 recognised.

Process status: Deemed acceptable the embargoes of declaration that the Company filed against the plaintiffs, finding that the proceedings must be returned to the Regional Work Court for judgement of the ordinary plea. At the same time, we were partially successful in the Unnamed Incidental Precautionary Action, with the order decreeing the termination of all the workers reinstated in the Company, carried out December 7, 2005.

**Amount: US\$ 21,501,706.48**

**Plaintiff** : Secretary of Federal "Receita" (Brazilian IRS)  
**Defendant** : Ampla  
**Court** : Commissariat of the Niterói Federal "Receita"  
**Case/Identification** : Infraction Proceeding 0710200/00112/05 and Administrative Trial 10730.003110/2005-55

Summary of Proceedings: Infraction proceeding prepared by the IRS on July 1, 2005 despite the supposed lack of withholding and collection by IR payable on the remittance of moneys abroad.

The SRF put together the above Proceeding because it understood that the contracts signed by Ampla and Cerj Overseas constitute a

simulation of what in fact is to be a payment (amortisation) of the Fixed Rate Notes - FRNs. With this understanding, the SRF concluded that the average time period required by the law of 96 months for the application of the Income Tax quota - IR O, was not fulfilled, and Ampla is thus obliged to withhold and collect the Income Tax payable on the remittances of employees abroad as an amortisation of FRNs.

Process status: Infraction Proceeding prepared July 1, 2005. We are awaiting judgement of the opposing arguments presented by Ampla .

**Amount: US\$ 210,000,000**

### Coelce S.A.

**Plaintiff** : Inácio Nunes Arruda & Others.  
**Defendant** : Coelce.  
**Court** : 2a Vara da Fazenda Pública - Ceará  
**Case/Identification** : 2002.02.38915-4

Summary of proceedings: People's action for the annulment of the Coelce sale process.

Process status: The process has been suspended for more than a year, and it may be soon dismissed. Court yet to dismiss the case.

**Amount: Undeterminable.**

**Plaintiff** : Federal General Attorney - Ceara State  
**Defendant** : Cgtf, Coelce and Aneel.  
**Court** : 7a Vara da Sección Judiciaria Federal de Ceará  
**Case/Identification** : 2005.8100016335-6

Summary of proceedings: The General Attorney seeks to annul the Aneel Resolutions which authorized an increase in the Coelce rate in excess of the inflation recorded for the period, and is seeking also the nullification of the Energy Supply Contract entered into by and between Cgtf and Coelce, which would be increasing the energy rates in the state of Ceará. Also, an injunction was filed seeking the suspension of the effects of the Aneel Resolutions, so that the Coelce energy rates match the Brazilian inflation.

Process status: The injunction was granted, but the Federal Regional Court suspended it, upholding the Energy Supply Contract and its effects. The "Superior Tribunal de Justica" is sought to declare the final cassation of the injunction.

**Amount: Undeterminable.**

**Compañía de Interconexión Energética S.A. (CIEN)**

**Plaintiff** : CIEN - Companhia de Interconexao Energética  
**Defendant** : Secretaria de Comércio Exterior – SECEX  
**Court** : Ministro de Desarrollo, Industria y Comercio Exterior  
**Case/Identification** : None

Summary of proceedings: Brazilian customs authorities are challenging tax benefit known as drawback, granted in 1998, and consisting in suspending the Import Tax (II) and the Tax on Industrialized Products (IPI), and subsequently granting exemption from them after verifying that the statutory requirements have been met. Also, the drawback is the basis for suspending the Tax on Circulation of Merchandise and Services (ICMS or VAT).

Process status: Considering the recourse filed by Cien on August 8, 2005 against the decision issued by the Foreign Trade Secretary, on October 17, 2005 we received the decision of the Minister for Development, Industry and Foreign Trade, denying the suspension requested by Cien, but without analyzing the underlying issue. At the same time, the company has filed a lawsuit against Receita Federal, involving the same issue. This latter trial has entered the second administrative stage.

**Amount involved: US\$77,000,000**

**Plaintiff** : Maximiliano Nagl Garcez y Aldino Beal  
**Defendant** : Companhia Paranaense de Energia (COPEL), Companhia de Interconexao Energética (CIEN), Governor of Paraná: Jaime Lerner, State of Paraná, Agencia Nacional de Energía Eléctrica (ANEEL).  
**Court** : 8ª Vara Federal de Curitiba - PR  
**Case/Identification** : 2001.70.00.039775-7

Summary of proceedings: A civil proceeding.

Process status: The plaintiffs confirmed on October 24, 2005 their request that they be paid fees. The State of Paraná backed the compliant by requesting to be included among the plaintiffs. On November 14, 2005, the trial reached the stage at which the court must issue a sentence. On December 16, 2005 the attorney general requested the extinction of the process.

**Amount involved: US\$79,129, 832.33**

**Centrais Elétricas Cachoeira Dourada S.A.**

**Plaintiff** : Wildson Sebastiao Fraga Guimaraes (shareholder of Centrais Elétricas de Goiás (CELG) and chairman of the "Sindicato dos Trabalhadores nas Industrias Urbanas no Estado de Goiás".  
**Defendant** : State of Goiás, Centrais Elétricas de Goiás (CELG), Centrais Elétricas Cachoeira Dourada S/A (CDSA).  
**Court** : 3º Vara da Fazenda Pública da Comarca de Goiania  
**Case/Identification** : 97009045073

Summary of proceedings: Damages.

Process status: On October 11, 2005, the members of the "Third Civil Chamber" in the court, in a unanimous decision denied a request of one of the parties. On November 4, 2005 this decision was published in the official press.

**Amount involved: US\$191,958,820.02**

**CGTF Central Geradora Termoelectrica Fortaleza S.A.**

**Plaintiff** : Federal General Attorney - Ceara State  
**Defendant** : Cgtf, Coelce and Aneel.  
**Court** : 7a Vara da Sección Judiciaria Federal de Ceará  
**Case/Identification** : 2005.8100016335-6

Summary of proceedings: The General Attorney seeks to annul the Aneel Resolutions which authorized an increase in the Coelce rate in excess of the inflation recorded for the period, and is seeking also the nullification of the Energy Supply Contract entered into by and between Cgtf and Coelce, which would be increasing the energy rates in the state of Ceará. Also, an injunction was filed seeking the suspension of the effects of the Aneel Resolutions, so that the Coelce energy rates match the Brazilian inflation.

Process status: The injunction was granted, but the Federal Regional Court suspended it, upholding the Energy Supply Contract and its effects. The "Superior Tribunal de Justicia" is sought to declare the final cassation of the injunction.

**Amount: Undeterminable.**

**Codensa S.A. ESP**

<b>Plaintiff</b>	: <b>Henry Patiño and Others.</b>
<b>Defendant</b>	: <b>Codensa, Bogotá Capital District and Empresa de Energía de Bogotá S.A. ESP (EEB)</b>
<b>Court</b>	: <b>Cundinamarca Administrative Court, Third Section - Sub-section "B".</b>
<b>Case/Identification</b>	: <b>Case file 03-0680.</b>

Summary of proceedings: The plaintiffs want: i) Termination of the agreement because it was entered into without compliance with the legal requirements, as the Capital District did not select the contractor through a public bidding; ii) The rate established by Codensa and the Capital District in January, 2002, is illegal and excessive; iii) The payment agreement on debts corresponding to 1998, 1999, and 2000, entered into in 2002, were at an illegal and harmful rate; iv) Amounts collected from 1998 to today are to be re-invoiced deducting the overcharge, which CODENSA should reimburse to the Capital District; and v) Payment of 15% incentive to the plaintiff (US\$4 million) and from 10 to 159 person's minimum wages (US\$20,000).

Process status: Evidence stage concluded. Now the parties are to submit comments to the evidence produced. The expert appointed by Universidad Nacional issued a favorable report for Codensa S.A. The plaintiff requested a supplementation of the report and Codensa, clarification. The expert supplemented and clarified his report in a way that is favorable for Codensa.

**Amount: US\$25,000,000**

<b>Plaintiff</b>	: <b>Roberto Ramírez Rojas (Class act-like lawsuit).</b>
<b>Defendant</b>	: <b>Codensa, Bogotá Capital District and Alcaldía Zonal de San Cristóbal.</b>
<b>Court</b>	: <b>Cundinamarca Administrative Court, Third Section - Sub-section "B".</b>
<b>Case/Identification</b>	: <b>Case file 03-1473.</b>

Summary of proceedings: The Circo Victoria transmission line I and II was built by Empresa Eléctrica de Bogotá in 1962, when the site in which the towers holding it are located, was not populated. However, when Codensa was born as a legal entity, on October 23, 1997, one of those towers (N°.731) was surrounded by buildings put up after 1983 but prior to 1996. The plaintiff demands protection for the following collective rights: a healthy environment; sanitization, security and prevention of technically foreseeable disasters; that buildings abide by statutory regulations.

Process status: A lower court sentence was issued on November 11, 2005. The lower court did not find any violation, either by Codensa or by Alcaldía Local de San Cristóbal, of the collective rights called to bear by the plaintiff. However, to prevent possible hazards to the security of the people living in the vicinity of the tower, the court ordered Codensa to take all necessary steps to avoid hazards for the community resulting from the transmission of energy, steps such as implementing minimum statutory intervals, acquire or rent the land surrounding the tower, isolating the tower, and any other measure that Codensa might deem necessary. Both the plaintiff and Codensa filed appeals, which were granted. The folder was sent to the State Council.

**Amount: Undeterminable.**

<b>Plaintiff</b>	: <b>Conjunto Residencial Iguazú (Class act-like lawsuit).</b>
<b>Defendant</b>	: <b>Codensa and Soacha City Government.</b>
<b>Court</b>	: <b>Cundinamarca Administrative Court, Fourth Section - Sub-section "B".</b>
<b>Case/Identification</b>	: <b>03-01342.</b>

Summary of proceedings: Codensa S.A. ESP was providing the service of public lighting to the Soacha district since the inception of the company (on October 23, 1997). The public lighting infrastructure in the Soacha district is mostly owned by Codensa, through a contribution from Empresa Eléctrica de Bogotá (together with other assets).

Soacha district called on bidders for the service of public lighting, the winner being "Soacha Ciudad Luz", a temporary entity with which district representatives entered into concession contract N°.004 on January 19, 1999. Codensa did not take part in the concession contract. However, after that contract had been executed, Sociluz hired Codensa to supply electricity, and rented the Codensa infrastructure, billing and collection systems. These are the conditions under which Codensa is related to the rendering of public lighting services in Soacha.

Process status: A lower court sentence was issued on September 26, 2005. The court decided to protect the collective rights to administrative morality, the public wealth, the access to public services and the fact that they be provided timely and efficiently. As a result, the court ordered: (a) the termination of the concession contract and its liquidation; (b) Socieluz to refund to the city government

the amounts received in exchange for the concession contract since February 11, 2005, after deducting the services actually rendered which must be properly substantiated at the time of the liquidation; c) that after the costs incurred in rendering the service have been deducted, which must be duly substantiated, the resulting amount be offset by Codensa to users on the bills; and (d) that the defendants pay the plaintiff an incentive consisting in 30 statutory minimum salaries distributed pro rata among the city government, Sociluz and Codensa. Appeals were filed by all defendants, which were granted. The folder was sent to the State Council.

**Amount: Undeterminable.**

**Plaintiff** : Users of the public lighting service in La Calera Municipality.  
**Defendant** : Codensa and La Calera Municipality.  
**Court** : Cundinamarca Administrative Court, Second Section - Sub-section "A".  
**Case/Identification** : Case file 02-1012.

Summary of proceedings: Codensa provides public lighting service to La Calera Municipality and another 90 municipalities in the Cundinamarca Province. With some of them, there is no written contract or authorization from the corresponding agency (Municipal Council and Mayor). The plaintiffs argue that there is no written contract for the service provision and, therefore, they demand reimbursement of the amounts collected. They also argue that the service to rural areas is invoiced although these areas have no public lighting.

Process status: Lower court issued sentence, which was not appealed against and became final. Sentence was favorable in that it released Codensa and condemned the city government, although it ordered stopping the collection of the public lighting service from users, there being no contract between the city government and Codensa.

**Amount: Undeterminable.**

#### Edelnor S.A.

**Plaintiff** : Edelnor S.A.A.  
**Defendant** : Superintendencia Nacional de Administración Tributaria -SUNAT-  
**Court** : Supreme Court First Room Specialized in Administrative Procedures  
**Case/Identification** : Case file 426-2004

Summary of proceedings: Legal procedure requesting partial annulment of Resolution 00100-5-2004 and recognition of the legality

of the assets re-evaluation operation carried out by the company in accordance with Law 26283.

Process status: Ruling is pending in the administrative proceeding under the lack of exhaustion exception filed by the Fiscal Court. The court room considered that there are still stages to go in the administrative proceeding and that, as a result, Edelnor may not yet file a lawsuit with a court of law to challenge administrative decisions. An appeal has been filed against this resolution. In the Supreme Court, the case has been distributed to the Transitory Civil Room (Exp. APEL-461-2005) which has decided to send the folder to the Attorney General to speed up the ruling. The Supreme Civil Attorney General estimates that the resolution appealed against is to be upheld.

**Amount: US\$60,623,123**

**Plaintiff** : Edelnor S.A.A.  
**Defendant** : Superintendencia Nacional de Administración Tributaria -SUNAT-  
**Court** : Fiscal Court  
**Case/Identification** : 0150340004956

Summary of proceedings: Controversy surrounding investigation conducted by SUNAT into business years 1995-1999 and 2000-2001.

Process status: Currently filed with Fiscal Court. On October 13, 2005, SUNAT issued resolution N°.40004183, declaring that the complaint filed by Edelnor on July 18, 2005 is in part founded. Therefore, it annulled resolutions Nos. 012-003-0007067, 012-003-0007068 and 012-003-0007069, as well as resolution N°.012-002-0006964 which imposed a fine.

**Amount involved: US\$23,188,405.79**

#### Endesa Chile

**Plaintiff** : Sociedad Punta de Lobos S.A.  
**Defendant** : Endesa, Celta and Terminal Marítimo Puerto Patache S.A.  
**Court** : Eight Civil Court of Santiago  
**Case/Identification** : 129-2003

Summary of proceedings: Plaintiff requested from the defendants mandatory fulfillment of the so-called "Bidding Contract" called by Celta and in which the latter, Terminal Marítimo Puerto Patache S.A., and Punta de Lobos S.A. participated. The plaintiff argues that the contract was not fulfilled. As a result, the plaintiff asked the court to annul the act through which all the offers made to Celta in the

bidding for Patache harbor were rejected; the nullification of the Promise Contract and the Sales Agreement, dated November 30, 2001, entered into by Celta and , as would-be sellers, and Terminal Marítimo Puerto Patache S.A. as would-be buyer; and, lastly, that the court declares that the will manifested by the bidders and Celta in the Promise Contract and the Sales Agreement dated November 30, 2001, entered into with Terminal Marítimo Puerto Patache S.A., was a tacit acceptance of the offer made by Punta de Lobos S.A. in the bidding for Patache harbor, filed exceptions and defenses. The court issued ruling banning any contract on Patache harbor.

Process status: The sentence rejected the demand. Appeal filed by the plaintiff is pending at the Santiago Court of Appeal. The preventive action prohibiting actions or contracts on Puerto Patache is effective.

**Amount: Undeterminable.**

**Plaintiff** : Sociedad Punta de Lobos S.A.  
**Defendant** : Treasury of Chile (Endesa is third party involved)  
**Court** : 21st Civil Court of Santiago  
**Case/Identification** : 553-2003

Summary of proceedings: The plaintiff demanded annulment of Supreme Decree 139 of 2002, issued by the Ministry of Defense, Navy Department, on the grounds that the said Decree was issued in contradiction to the legal provisions regarding its issuance. According to this Decree, the expansion of the maritime lease was extended for the loading of salt through Patache harbor, in the First Region. Endesa entered the lawsuit as third party in favor of the Chilean Treasury. Endesa filed the adequate exceptions and defenses. Court issued ruling suspending any effect of Supreme Decree 139 of 2002, which is still in force.

Process status: The evidence term has expired, and the parties are waiting to be summoned for sentence. Regarding the preventive actions suspending any application of Supreme Decree 139 of 2002, of the Navy Department, ruling on the appeal against the resolution that prevented its annually is pending.

**Amount: Undeterminable.**

**Plaintiff** : Sociedad Punta de Lobos S.A.  
**Defendant** : Endesa, Celta and the Treasury of Chile  
**Court** : 30th Civil Court of Santiago  
**Case/Identification** : 4061-2002

Summary of proceedings: The plaintiff demands absolute annulment of any assignment and transfer or of any other legal transaction by to Celta regarding real estate forming the maritime lease granted to in the Punta Patache area, First Region, and the declaration of expiration of that maritime lease by the Court. filed adequate exceptions and defenses. Court issued ruling banning any contract on the maritime lease granted to and on the real estate making it up, which is still in force.

Process status: The parties were summoned for the sentence.

**Amount: Undeterminable.**

**Plaintiff** : María Elena Teresa Sola Ruedi  
**Defendant** : Endesa, Minister of Economy, and Superintendent of Electricity and Fuels.  
**Court** : Santa Barbara Court of First Instance  
**Case/Identification** : 4340-2004

Summary of proceedings: The demand is to change the easement regime for expropriation, and payment for a larger flooded surface. Regarding subsidy, re-assessment of the indemnity amount paid for the easement is demanded.

Amount: Undeterminable.

Process status: Summons took place, and the plaintiffs - and the Treasury- alleged the Court to be incompetent. The Court ordered suspension of the proceedings and accepted the incident on trial. The Treasury filed petitions and was granted appeal regarding the refund. To this date, deducted incidents are pending for ruling.

**Amount: Undeterminable.**

**Plaintiff** : Jaime Arrieta Correa and others  
**Defendant** : Treasury of Chile, General Direction of Water and S.A.  
**Court** : First Civil Court of Valdivia  
**Case/Identification** : 198-2005

Summary of proceedings: The annulment by operation of public law is requested of the resolution N°.134, of March 22, 2000, issued by the General Direction of Water, which constitutes in favour of a right to



use water to carry out the Neltume Power Plant project, with payment of damages. As secondary lawsuit, plaintiffs request payment of damages supposedly caused to them, namely the fact that their properties no longer are located on the shores of Lake Pirehueico and the deterioration of their value.

Process status: The exception of incompetence alleged by having been accepted, the case was allocated to the Ninth Civil Court of Santiago, has not been notified to date of the lawsuit filed.

**Amount: Undeterminable**

**Plaintiff** : Inversiones M.D. Ltda. and others  
**Defendant** : Treasury of Chile, General Direction of Water and S.A.  
**Court** : 24th Civil Court of Santiago  
**Case/Identification** : 7957-2005

Summary of proceedings: The annulment by operation of public law is requested of the resolution N°.134, of March 22, 2000, issued by the General Direction of Water, which constitutes in favour of a right to use water to carry out the Neltume Power Plant project, with payment of damages. As secondary lawsuit, plaintiffs request payment of damages supposedly caused to them, namely the fact that their properties no longer are located on the shores of Lake Pirehueico and the deterioration of their value.

Process status: Government gave up its request for a declaration of the court's incompetence. The Defendants requested the proceedings to be combined into one case pursued in the 10th Civil Court of Santiago "Jordan and others with the Government and others", number 1608-05. This request is currently awaiting resolution. Court issued ruling banning any contract on's water rights.

**Amount: Undeterminable**

**Plaintiff** : José Manuel Jordán Barahona and others  
**Defendant** : Treasury of Chile, General Direction of Water and S.A.  
**Court** : 10th Civil Court of Santiago  
**Case/Identification** : 1608-2005

Summary of proceedings: The annulment by operation of public law is requested of the resolution N°.134, of March 22, 2000, issued by the General Direction of Water, which constitutes in favour of a right to use water to carry out the Neltume Power Plant project, with payment of damages. As secondary lawsuit, plaintiffs request payment of

damages supposedly caused to them, namely the fact that their properties no longer are located on the shores of Lake Pirehueico and the deterioration of their value.

Process status: The complaint and the answer have been filed, and the parties are now waiting for the court to call on them to the reconciliation audience.

**Amount: Undeterminable**

**Plaintiff** : Endesa Pangué S.A. and Pehuenche S.A.  
**Defendant** : Treasury of Chile  
**Court** : Ninth Civil Court of Santiago  
**Case/Identification** : 13084-04

Origin / Matter: The annulment by operation of public law is requested of ministerial resolution N°.35, dated June 15, 2004, issued by the Minister of Economy, Incentive and Reconstruction, in which the latter authority pronounces on an issue that was originally not contentious, that of instructing CDEC-SIC to determine the times of day with the highest probability of loss of electric current.

Process status : Waiting for the court to summon the parties to hear the judgement.

**Amount: Undeterminable**

**Plaintiff** : Luis Danús Covian and other fifteen people  
**Defendant** : Endesa and Pangué S.A.  
**Court** : Santa Bárbara lower court  
**Case/Identification** : 4563

Summary of proceedings: A lawsuit was filed calling on the court to declare that over Fundo Ralco (Ralco Ranch) there is a commonwealth of which plaintiffs and defendants are members and on which they all have co-owners' rights.

Process status: Court accepted plaintiffs' petition that Pangué and be responsible for notifying the lawsuit to the other interested parties, a court resolution against which the defendants filed recourses.

**Amount involved: Undeterminable.**

**Compañía Eléctrica de Tarapacá S.A. (CELTA)**

**Plaintiff** : Sociedad Punta de Lobos S.A.  
**Defendant** : Endesa, Celta, Minera Puerto Patache S.A. Sea Terminal  
**Court** : Eighth Civil Court of Santiago  
**Case/Identification** : 129-2003

Summary of proceedings: The plaintiff demanded the defendants be ordered to mandatorily fulfill the so-called "Bidding Contract" called by Celta and in which the latter, Terminal Marítimo Puerto Patache S.A., and Punta de Lobos S.A. participated. The plaintiff argues that the contract was not fulfilled. As a result, the plaintiff asked the court to annul the act through which all the offers made to Celta in the bidding for Patache harbor were rejected; the nullification of the Promise Contract and the Sales Agreement, dated November 30, 2001, entered into by Celta and , as would-be sellers, and Terminal Marítimo Puerto Patache S.A. as would-be buyer; and, lastly, that the court declares that the will manifested by the bidders and Celta in the Promise Contract and the Sales Agreement dated November 30, 2001, entered into with Terminal Marítimo Puerto Patache S.A., was a tacit acceptance of the offer made by Punta de Lobos S.A. in the bidding for Patache harbor, filed exceptions and defenses. The court issued ruling banning any contract on Patache harbor.

Process status: Sentence rejected the demand. Jurisdiction on the appeal filed by the plaintiff to the Santiago Court of Appeal pending. The preventive action prohibiting entering into actions or contracts on Puerto Patache continues in effect.

**Amount: Undeterminable.**

**Plaintiff** : Sociedad Punta de Lobos S.A.  
**Defendant** : Endesa, Celta and the Treasury of Chile  
**Court** : 30th Civil Court of Santiago  
**Case/Identification** : 4061-2002

Summary of proceedings: The plaintiff demands absolute annulment of assignment and transfer of any other legal transaction by to Celta regarding real estate forming the maritime lease granted to in the Punta Patache area, First Region, and its declaration of expiration by the Court.

Process status: The parties were summoned for sentence.

**Amount: Undeterminable.**

**Plaintiff** : Celta  
**Defendant** : Empresa Constructora Belfi S.A.  
**Court** : Arbitration Court (Raúl Varela Morgan)

Summary of proceedings: The legal action resulted from differences regarding construction of the Puerto Patache dock, whose concrete is contaminated with chloride.

Process status: Summons took place, and proceedings were lodged. The petition has not been filed yet.

**Amount: Undeterminable.**

**Pangue S.A.**

**Plaintiff** : Endesa, Pangue S.A. and Pehuenche S.A.  
**Defendant** : Treasury of Chile  
**Court** : Ninth Civil Court of Santiago  
**Case/Identification** : 13084-04

Origin / Matter: The annulment by operation of public law is requested of ministerial resolution N°.35, dated June 15, 2004, issued by the Minister of Economy, Incentive and Reconstruction, in which the latter authority pronounces on an issue that was originally not contentious, that of instructing CDEC-SIC to determine the times of day with the highest probability of loss of electric current.

Process status: Waiting for the court to summon the parties to hear the judgement.

**Amount: Undeterminable**

**Plaintiff** : Luis Danús Covian and other fifteen people  
**Defendant** : Endesa and Pangue S.A.  
**Court** : Santa Bárbara lower court  
**Case/Identification** : 4563

Summary of proceedings: A lawsuit was filed calling on the court to declare that over Fundo Ralco (Ralco Ranch) there is a commonwealth of which plaintiffs and defendants are members and on which they all have co-owners' rights.

Process status: Court accepted plaintiffs' petition that Pangue and be responsible for notifying the lawsuit to the other interested parties, a court resolution against which the defendants filed recourses.

**Amount involved: Undeterminable.**

**Pehuenche S.A.**

**Plaintiff** : Endesa, Pangué S.A. and Pehuenche S.A.  
**Defendant** : Treasury of Chile  
**Court** : Ninth Civil Court of Santiago  
**Case/Identification** : 13084-04

Origin / Matter: The annulment by operation of public law is requested of ministerial resolution N°.35, dated June 15, 2004, issued by the Minister of Economy, Incentive and Reconstruction, in which the latter authority pronounces on an issue that was originally not contentious, that of instructing CDEC-SIC to determine the times of day with the highest probability of loss of electric current.

Process status : Waiting for the court to summon the parties to hear the judgement.

**Amount: Undeterminable**

**Central Hidroeléctrica de Betania S.A.**

**Plaintiff** : Fariel San Juan  
**Defendant** : Central Hidroeléctrica de Betania S.A. E.S.P.  
**Court** : 3th and 4th Civil Courts of Neiva Circuit  
**Case/Identification** : Class action motivated by the impact that the construction of the dam will have on the economy of the region.

Summary of proceedings: Construction of system that would allow transit of fish at mating season.

Keeping water at equitable level and ordering Central Hidroeléctrica de Betania S.A. to conduct compensatory development projects, such as a fish processor and packing.

Process status: 3th court scheduled new hearing for January 13, 2006.

In the 4th court, the procedure scheduled for June 1, 2005 did not occur. The judge declared himself to be incompetent and on June 2 the folder was sent to the Administrative Disputes Court, which also declared itself incompetent. As a result, the conflict of competence (between the court judge and the administrative judge) must be settled by the Justice Superior Council. To date this conflict is yet to be settled.

**Amount: Undeterminable.**

**Emgesa S.A.**

**Plaintiff** : Orlando Enrique Guaqueta and Inhabitants of Sibaté  
**Defendant** : Emgesa S.A. ESP. Empresa de Energía de Bogotá S.A. ESP.- EEB- Corporación Autónoma Regional - CAR -  
**Court** : Administrative Court of Cundinamarca - First Section  
**Case/Identification** : Class Action

Summary of proceedings: The claim was filed so that the Entities are severally liable for the damage caused by the pollution in El Muña dam, as a result of the pumping of polluted waters in the river Bogotá by Emgesa S.A. ESP.

Process status: On January 28, 2005 the First Section of the Administrative Court of Cundinamarca sent the file to the fourth section, so that the latter makes a decision on the petition filed by Corporación Autónoma Regional de Cundinamarca - CAR -

In regard to the actions by the Council of State, through an action dated February 10, 2005 the Council of State annulled the appeal filed by Emgesa against the proof action dated May 20, 2004 in the aforementioned decision, the proof requested by Emgesa is provided and the decision of disclaiming the interrogation of the 3,241 plaintiffs, the judicial inspection of the plaintiffs and the City Hall of Sibaté and the display of documents was maintained, as it considered that through the report by a medical, environmental, real estate appraiser, and calculator expert, all the matters that the parties desire to prove, considering the most suitable and convenient expert proof to clarify the claim events.

**Amount: US\$1,200,000,000**

<b>Plaintiff</b>	: <b>Gustavo Moya</b>
<b>Defendant</b>	: <b>Emgesa S.A. ESP, Empresa de Energía de Bogotá S.A. ESP, the Capital District of Bogotá, Empresa de Acueducto y Alcantarillado de Bogotá, the City Hall of Sibaté and other plants and government agencies that presumably contribute to the pollution of the river Bogotá by action or omission.</b>
<b>Court</b>	: <b>Administrative Court of Cundinamarca - Fourth Section</b>
<b>Case/Identification</b>	: <b>Ordinary Action</b>

Summary of proceedings: The claim was filed so that the defendant Entities become liable for the damage caused to the environment as a result of the storage of sewage by the entity in El Muña dam. This action was accumulated with the actions regarding the Pollution of the river Bogotá.

Process status: In regard to the actions at the Administrative Court of Cundinamarca, through an action dated August 26, 2005, the Administrative Court of Cundinamarca decided not to accept the objection by Corporación Autónoma Regional de Cundinamarca - CAR - against the judge Nelly Villamizar from Peñaranda, as it considers that the Court is not qualified for that, as the court decision dated August 25, 2004 is appealed at the Council of State and, therefore, it instructs to send the proceeding to the Council so that this agency resolves it. On the other hand, on December 5 the Monitoring Committee met at Judge Nelly Villamizar's Office in order to inform her about the progress status. The most significant matters are as follows:

1. The CAR through resolution N°.2113 dated November 10, 2005 authorized the performance of the pilot test by means of the use of the herbicide. The application schedule was also presented.
2. Before the application of the Herbicide, Emgesa Group and Empresa de Energía de Bogotá are awaiting the observations by the Social Protection and Health Department in regard to the Herbicide application protocol.

The Judge said that the progress status reports provided to her at her office by Emgesa Group and Empresa de Energía de Bogotá would be remitted to the Council of State, so that they are a compliance proof.

In regard to the actions at the Council of State, on February 25 the claim of replacement filed against the action that accepted the appeal on February 17, 2005 was transferred.

**Amount involved: Undeterminable.**

#### **Edegel S.A.A.**

<b>Plaintiff/Tax</b>	: <b>Sunat</b>
<b>Defendant/Taxpayer</b>	: <b>Edegel</b>
<b>Tribunal</b>	: <b>Sunat</b>
<b>Rol/Identificación</b>	: <b>0150350000212</b>

Summary of proceedings: Tax Note - 1996-1999 Supervision (Income Tax - Price-Level Restatement of Fixed Assets on account of the spin-off in 1996)

Process status: On December 23, 2005 the Sunat, in conformity with the Tax Court Resolution 06686-4-2004, notified Edegel in regard to Intendencia Resolution N°.0150150000603, resolving: (1) To correct Intendencia Resolution N°.015015000002, regarding observations for depreciation of property, plant and equipment, exchange difference for liabilities corresponding to fixed assets, fines in Fine Resolutions 012-02-0004934, 012-02-0004946, 012-02-0004950 and 012-02-0004919 and offset with credits calculated because of the return requests filed; (2) To correct the Calculation Resolution 012-03-0001636; (3) To correct and require, due to the acceptance by the SEAP, the tax debt in Fine Resolution 012-02-0004934; (4) To correct and continue with the updated collection of Calculation Resolutions 012-03-0001631, 012-03-0001638 and 012-03-0001628 and Fine Resolution 012-02-0004946, 012. 012-02-0004950 and 012-02-0004919. The aforementioned resolutions restrain the observations in two points: interest during the construction and other unmeasured items. Edegel has a 15 working day-period to appeal the Intendencia Resolution notified so that it is taken to the Tax Court.

**Amount involved: The total amount of the debt granted by Sunat in calculation and fine resolutions, including capital and interest is S/.118,071,085.0 or its equivalent, US\$34,303,046.19**

<b>Plaintiff/Tax Creditor</b>	: <b>Sunat</b>
<b>Defendant/Taxpayer</b>	: <b>Edegel</b>
<b>Court</b>	: <b>Sunat</b>
<b>Case/Identification</b>	: <b>n/n</b>

**Summary of proceedings: Tax Note - 2000 Supervision - 2000 Fiscal Year Income Tax**

Process status: On December 28, 2005 the Sunat notified Edegel in regard to Calculation and Fine Resolution N°.012-003-0009045 and

012-002-0008723, for which it is noted to Edegel in regard to the higher payment that it should have made on account of the 2000 Income Tax. In regard to this, the supervisors of the SUNAT have said that Edegel made omissions in regard to: unsupported expenses (cause relationship); per diem allowances and travel tickets in service assignment; foreign employees collateral; board of directors' expenses; executives' life insurance; purchase option of Ocoña Power Generation S.A.'s shares (non-discountable expenses); disposal cost of write-off of assets; un-shown non-discountable depreciation related to technical support services by Generandes Peru S.A.; depreciation excess; exchange difference and financial interest due to loans in foreign currency for the re-purchase of shares.

Edegel's external consultants are evaluating the Claim that will be filed to request nullification of the Calculation Resolutions notified. The period to file the claim matures on January 25, 2006.

**Amount involved: S/ 75,891,494.00 of which S/ 54,200,752.00 correspond to the Calculation Resolution and S/ 21,690,769.00 correspond to the Fine Resolution. The total amount of the debt is US\$22,048,661.82**

#### Hidroeléctrica El Chocón S.A.

**Plaintiff** : Hidroeléctrica El Chocón S.A.  
**Defendant** : AFIP –DGI  
**Court** : National Tax Court  
**Case/Identification** : 19399-I

Summary of proceedings: AFIP informed the Company about the obligation to pay \$1,754,938 (Argentinean pesos) on account of profits/withholdings tax for beneficiaries abroad, as it considers that the Company did not make such withholdings on account of certain payments made abroad due to procedures to obtain a bank loan performed during 1994. The Company did not make such withholdings as it considered that they were tax-free foreign source profits. On February 20, 2001 Hidroeléctrica El Chocón S.A. filed an appeal at the National Tax Court.

Process status: Actions for court decision

**Amount involved: \$5,742,157 (Argentinean pesos) on account of Tax and interest calculated at December 20, 2000; \$1,228,457 (Argentinean pesos) on account of Fine**

**Plaintiff** : Hidroeléctrica El Chocón S.A.  
**Defendant** : AFIP -DGI  
**Court** : National Tax Court  
**Case/Identification** : 19400-I

Summary of proceedings: On December 28, 2000 AFIP notified the Company in regard to: i) the calculation of the Value Added Tax debits and credits for the years between December 1993 and July 1995; ii) the obligation to compensate the amounts to be paid with the amounts on behalf; and iii) the obligation to pay \$794,095 (Argentinean pesos) on account of compensation interest calculated at December 11, 2000. Also, AFIP decided to impose Hidroeléctrica El Chocón S.A. a fine of \$1,002,504 (Argentinean pesos) on account of presumed default of Article 45 of the Law 11,683. AFIP considered as erroneous the time when the Company determined the origin of the taxable event in such periods, applicable in that case, in conformity with Article 18 of the degree of the Value Added Tax Law. On February 20, 2001 Hidroeléctrica El Chocón S.A. filed an appeal at the National Tax Court.

Process status: The resolution of the National Tax Court that revoked the calculation by AFIP, on its own account, was appealed by AFIP at the National Court of Appeal in the Contencioso Administrativo Federal.

**Amount involved: \$1,796,599 (Argentinean pesos).**

**Plaintiff** : Neuquén Province  
**Defendant** : Hidroeléctrica El Chocón S.A.  
**Court** : National Supreme Court  
**Case/Identification** : N 114/99

Summary of proceedings: On June 26, 2000 the Company was notified in regard to a claim for the interest collection on account of royalties presumably credited after the term, filed by Neuquén Province at the National Supreme Court.

Process status: The file is awaiting the resolution.

**Amount involved: The claim includes the initial amount of \$1,574,000 (Argentinean pesos)**

**Plaintiff** : Neuquén Province  
**Defendant** : Hidroeléctrica El Chocón S.A.  
**Court** : National Supreme Court  
**Case/Identification** : N 164/99

Summary of proceedings: On September 27, 2000 the Company was notified in regard to a claim filed by Neuquén Province against the State Government and Comahue hydroelectric power stations, in order to obtain the collection of royalties on funds accumulated in Salex Account. The aforementioned claim does not indicate the claimed amount, but the action would collect each power plant company 12% of the funds that are considered as provided by such power plant companies in the aforementioned account.

Process status: The probatory term has finished as the related defense argument were filed.

**Amount: Undeterminable.**

**Plaintiff** : Hidroeléctrica El Chocón S.A.  
**Defendant** : Dirección Provincial de Rentas de la  
 Provincia de Buenos Aires  
**Court** : Tribunal Fiscal de la Nación  
**Case/Identification** : 2306-17433/96 (1272)

Summary of proceedings: On September 10, 2001 the Internal Revenue Service of Buenos Aires Province notified the Company in regard to the calculation for \$1,732,564 (Argentinien pesos) (excluding interest and fines) on account of the gross income tax for the fiscal periods between January 1995 and December 1998. The claimed tax differences result from: (i) non-payment of tax in Buenos Aires Province between February 1995 and June 1996 for the agreements entered into by Hidroeléctrica El Chocón S.A.; and (ii) the use of an aliquot lower than the applicable aliquot in conformity with the Internal Revenue Service. On October 1, 2001 Hidroeléctrica El Chocón S.A. filed the plea against this resolution. The Company has decided to include the aforementioned debt in the correction system in accordance with Decree N°.2023/01. On December 28, 2001 the internal Revenue Service of Buenos Aires Province notified the Company in regard to Resolution N°.655/01 that (i) determined that the Company paid taxes for \$983,951 (Argentinean pesos) erroneously on account of gross income for the fiscal periods between February and December 1998; and (ii) imposed the Company a fine of 10% of the presumably uncredited amount. On January 22, 2002 the Company filed an appeal reporting that the absence of the calculation of the amount included in the system of easy terms of payments and the reasons for which the aforementioned aliquot is not applicable by the Internal

Revenue Service of Buenos Aires Province. Such appeal was answered by the Internal Revenue Service of Buenos Aires Province and the file was taken to Room 3 of the Court so that it can be dealt with.

Process status: Actions for court decision

**Amount involved: \$1,082,346 (Argentinean pesos)**

#### Hidroinvest S.A.

**Plaintiff** : Hidroinvest S.A.  
**Defendant** : AFIP -DGI  
**Court** : National Tax Court  
**Case/Identification** : 19366-I

Summary of proceedings: AFIP sued the Company for the payment of the profits tax for \$3,898,929 that Hidroinvest S.A. presumably should have credited on the differences between acquisition and transfer prices of bonds given to the State Government, as it had obtained profits in such transaction. The Company filed an appeal at the National Tax Court against the aforementioned resolution. On May 26, 2004 the National Tax Court pass judgment and confirmed the resolution of AFIP in regard to the tax and related interest, and charged the costs to Hidroinvest, but it revoked the fine equivalent to 70% of the unpaid tax. In order to avoid the tax execution of the presumed credit calculated by AFIP-DGI and confirmed by the National Tax Court, on July 30, 2004 the Company credited Th\$3,898,929 (Argentinean pesos) on account of capital and \$13,645,159 (Argentinean pesos) on account of interest, and gave evidence that the payment was made in non conformity and awaiting the limited review and appeal filed against the decision of the National Tax Court.

Process status: Against the decision of the National Tax Court, the Company and the Tax Authorities filed an appeal at the Cámara Nacional en Lo Contencioso Administrativo Federal.

**Amount involved: Th\$17,544,088 (Argentinean pesos)**

#### Endesa Costanera S.A.

On July 25, 1990 the Italian Government authorized Banco Medio Crédito Centrale to grant the Argentinean Government a loan up to US\$93,995,562 intended for financing the acquisition of assets and the rendering of Italian source services, used in the reconditioning of four groups of the steam-electric powerplant owned by Servicios Eléctricos del Gran Buenos Aires ("SEGBA"). Such loan financed the acquisition of assets and services indicated in the Work Order N°.4322 (the Order) issued by SEGBA on behalf of a trust leaded

by Ansaldo S.p.A., an Italian company. In virtue of the terms in the "Agreement regarding the Work Order N°.4322": i) SEGBA granted Endesa Costanera S.A. a mandate through which administered the rendering of then services included in the Order and performed the work and services that corresponded to SEGBA, in conformity with the Order; and ii) Endesa Costanera S.A. was obliged to pay the Energy Department the capital installments and interest related to the loan granted by Medio Crédito Centrale, at a 1.75% annual rate (the Agreement). To guarantee the compliance with the financial obligations assumed by Costanera S.A., the buyers (holders of class "A" shares of Endesa Costanera S.A.) pledged all their own class "A" shares. In the event of non-compliance resulting in executing the guarantee, the Energy Department could immediately sell the pledged shares through public bidding and could exercise the political rights applicable to pledged shares. In accordance with Law N°.25,561, decree N°.214/02 and regulatory provisions, the payment obligation of Endesa Costanera S.A. as a result of the Agreement has become "pesified" to the peso exchange rate equivalent to one US dollar, plus the application of the reference stabilization coefficient and maintaining the original interest rate of the obligation. On January 10, 2003 the National Executive issued decree N°.53/03, which modified decree 410/02 and added subsection j) in Article 1. In conformity with this regulation, the "pesification" is not applied to the obligation of the provincial states, city halls, private and public companies of giving sums of foreign money to the National Government as a result of subsidiary or other loans and guarantees, originally financed by multilateral credit entities, or as a result of liabilities assumed by the National Treasury and refinanced by other external creditors. Endesa Costanera S.A. considers that the loan resulting from the Agreement does not agree with any of the assumptions include in Decree N°.53/03 and even though in the assumption that it agrees, there are strong arguments that determine the unconstitutionality of Decree N°.53/03. It also violates the principle of equality and the right of property established by the National Constitution. The most significant contingency that could result, if the aforementioned assumption becomes real at December 31, 2004, would be a shareholders' equity decrease, net of tax effects, of approximately US\$22 million. To date the Energy Department has not filed a claim for the "pesified" payments made by Endesa Costanera S.A. In virtue of the above, the Company's Management believes that the aforementioned situation will not result in a significant adverse impact on the Company's equity position and results. At September 30, 2005, Costanera S.A.'s debt in regard to the Agreement on account of the principal and interest is US\$21,252,410.

Energis S.A. and its Subsidiaries are the plaintiffs or defendants in other minor suits with the risk of eventual or reasonably possible loss, whose individual effects, in the event of an adverse resolution, are not significant in these consolidated financial statements.

#### c. Restrictions:

##### Energis S.A.

The Company's loan agreements establish an obligation to comply with the following financial ratios, on a consolidated level:

- Energis's ratio of debt and cash flow for four quarters and of its Chilean subsidiaries does not exceed 7.0 in 2005, ending at 6.00 in 2008;
- The ratio of consolidated debt to EBITDA for four consolidated quarters, does not exceed 5.0 in 2005, ending at 3.00 in 2008;
- The ratio of Energis and its Chilean subsidiaries cash flow to financial expenses for four quarters, not less than 1.60 in 2005, ending at 2.20 in 2008;
- The consolidated debt to shareholders' equity plus minority interest does not exceed 80% in 2005, ending at 70% in 2008;
- No less than 50% of the total consolidated assets of Energis S.A., steadily until 2008, should belong to companies whose business is regulated;
- Minimum shareholders' equity at least equal to U.F.27 million

As of December 31, 2005 all these obligations have been met.

##### Chilectra S.A.

The Company did not have any management restrictions or financial covenants during the years ended December 31, 2005 and 2004.

##### Endesa Chile

On a consolidated level, Endesa must comply with financial covenants and requirements derived from loan agreements with financial institutions, among which are the following:

- Endesa's ratio between debt and cash flow for four quarters and that of its Chilean subsidiaries did not exceed 9.4x in 2005, which evolves up to 7.5X in 2010;
- The ratio of consolidated debt to EBITDA for four consolidated quarters, not exceeding 6.40x in 2005, which evolves up to 4.2X in 2010;

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- The ratio of Endesa Chile and its Chilean subsidiaries cash flow to financial expenses for four quarters, not less than 1.5x in 2005, which evolves up to 2.00X in 2010;
- The ratio of consolidated debt to shareholders' equity plus minority interest not exceeding 112.50% in 2005, which evolves up to 100% in 2010;
- Assets corresponding to companies whose business is regulated, is not to be less than 50% of the total consolidated assets;
- Minimum shareholders' equity at least equal to U.F.45 million.

As of December 31, 2005 all these obligations have been met.

### Pehuenche S.A.

The Chase Manhattan Bank N.A., in relation to loans granted to the Company, place obligations and restrictions on Pehuenche S.A., some of which are of a financial nature, such as: long-term financial liabilities not exceeding 1.5 times the shareholders' equity, and a minimum company equity of UF9,500,000.

As of December 31, 2005 all these obligations have been met.

### Endesa Costanera S.A.

In virtue of the arrangement in Annex VI-A of the "Concurso Público Internacional para la Venta de las Acciones de Central Costanera Sociedad Anónima" (International Public Tender for the Sale of shares of Central Costanera Sociedad Anonima), the domain of Central 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 year, its domain shall be considered revoked due to this cause, and return of such title will be effective immediately, and as a matter of law, to SEGBA S.A. or, as applicable, to the National State.

The most demanding requirements in respect to financial coefficients are those contained in the Syndicated loan, as amended at September 30, 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 may not exceed US\$215 million (excluding short-term debt, commercial debt, inter-company loans and balance of debt with MedioCrédito Italiano); the debt for less than 180 days may not exceed US\$10 million. There are, also, clauses restricting the

change of control of the company and clauses that restrict payments to shareholders, including subjecting the related debt to meeting certain financial indicators.

As of December 31, 2005 these obligations have been met.

### Edegel S.A.

Financial indicators originated by credit contracts, Bonds Program and Short-term instruments:

- Debt ratio no greater than 0.75

As of December 31, 2005 these obligations have been met.

### Hidroeléctrica Betania S.A.

Covenants include limitations on the payment of related debt and limitations on change in control and the following financial ratios:

- EBITDA/Senior Financial Debt no less than 1.3
- Cash Flows plus Dividend Payments/Senior Financial Debt no less than 1.4
- Shareholders' Equity/Senior Debt no less than 2.5.

At December 31, 2005 these covenants have been fully met.

### Other restrictions

As a common and habitual practice for some bank loan debts and also in capital markets, a substantial portion of Enersis S.A.'s financial indebtedness is subject to cross-failure provisions. Some failures of relevant subsidiaries, if not corrected in time (as to those specific provisions allowing a year of time to correct the problem), might result in the cross-failure at the Endesa Chile and Enersis S.A. level., and, in this case, a significant percent of Enersis S.A.'s consolidated liabilities might eventually become due on demand.

Non-payment, after any applicable grace period, of these companies' debts or of those corresponding to some of their most relevant subsidiaries for an individual amount exceeding the equivalent of 30 million dollars, would cause advanced payment of syndicated credits contracted in 2004. Also, non-payment, after any applicable grace period, of these companies' debts or of those corresponding to any of their subsidiaries for individual amounts exceeding the equivalent of 30 million dollars, would cause advanced payment of Yankee bonds. In addition, some credit agreements contain provisions according to which certain events different from non-payment in these companies or in any of their most relevant subsidiaries, such as bankruptcy, insolvency, adverse executed legal sentences for amounts larger



than US\$ 50 million, and expropriation of assets, may cause those credit acceleration clauses to be in effect.

There are no clauses in the credit agreements through which changes in these companies corporate or debt classification by risk classification agencies may cause an obligation to make debt prepayments. However, according to the Standard & Poor (S&P) risk classification agency, a variation in the foreign currency debt risk classification produces a change in the applicable margin of syndicated credits contracted in 2004.

### NOTE 30. SURETIES OBTAINED FROM THIRD PARTIES

#### Enersis S.A.

The Company has received certificates of deposit for ThCh\$105,854 at December 31 2005 (ThCh\$251,741 in 2004).

#### Chilectra S.A.

The Company presents among its current liabilities, deposits received in cash for the use of temporary connections by customers of the company for ThCh\$33,831 and ThCh\$29,254 at December 31, 2005 and 2004, respectively.

#### Inmobiliaria Manso de Velasco Limitada

The Company has received guarantees from third parties to guarantee obligations incurred in the acquisition of assets of ThCh\$571,804 as of December 31, 2005 (ThCh\$1,800,799 in 2004).

#### Compañía Americana de Mulservicios Limitada

The Company has delivered certificated of deposits for ThCh\$8,345,197 (ThCh\$4,869,680 in 2004) and has received certificated of deposits for ThCh\$720,600 (ThCh\$2,388,707 in 2004).

#### Endesa Chile

The Company has received certificated of deposits from contractors and third parties to guarantee jobs and construction (mainly the Ralco Project), for ThCh\$5,238,781 as of December 31, 2005 (ThCh\$13,205,096 in 2004).

#### Compañía Eléctrica de Tarapacá S.A.

The Company has received guarantee documents for ThCh\$0 as of December 31, 2005 (ThCh\$231,901 in 2004).

#### Enigesa S.A.

The Company has received guarantee documents amounting to ThCh\$ 55,073 as of December 31, 2005 (ThCh\$ 20,720 in 2004).

#### Pangue S.A.

The Company has received guarantee documents for ThCh\$0 as of December 31, 2005 (ThCh\$5,373 in 2004).

## 31. FOREIGN CURRENCIES

As of December 31, 2005 and 2004, foreign currency denominated assets and liabilities are as follows:

## a. Current assets

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 ThCh\$	2004 ThCh\$
Cash	\$ no Reaj.	2,699,476	3,263,653
	US\$	1,443,057	6,817,770
	Yen	583	-
	\$ Col.	14,467,742	28,000,141
	Soles	3,071,765	1,389,667
	\$ Arg.	1,967,451	2,475,234
	Reales	47,724,794	16,581,749
Time deposits	US\$	43,042,448	242,803,744
	\$ Col.	37,204,288	184,179,406
	Soles	6,543,389	1,134,537
	\$ Arg.	25,669,647	6,066,096
	Reales	147,434,610	32,786,856
Marketable securities	\$ no Reaj.	3,821	5,173
	US\$	2,326,557	4,855,455
	\$ Col.	3,776	961,208
	Soles	1,867,167	-
	\$ Arg.	1,109,157	6,943,276
Accounts receivable, net	\$ Reaj.	2,101,368	3,667,242
	\$ no Reaj.	147,100,070	120,249,229
	US\$	5,823,785	7,543,886
	Euro	4,842	-
	\$ Col.	130,941,036	113,669,598
	Soles	33,788,824	34,606,445
	\$ Arg.	56,604,556	51,748,414
	Reales	264,053,444	216,289,960
Notes receivable	\$ Reaj.	-	-
	\$ no Reaj.	866,713	923,302
	US\$	63,568	241,519
	Soles	17,275	-
	\$ Arg.	19,236	22,075
	Reales	2,602,220	1,742,927
Other receivables	\$ Reaj.	654,668	3,092,917
	\$ no Reaj.	23,370,376	29,453,465
	US\$	5,042,301	1,018,860
	Euro	4,476	-
	\$ Col.	12,989,143	11,861,488
	Soles	4,731,686	5,103,402
	\$ Arg.	690,692	1,326,083
	Reales	15,384,951	7,661,696

## a. Current assets, continued

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 ThCh\$	2004 ThCh\$
Amounts due from related companies	\$ no Reaj.	569,056	2,248,732
	US\$	1,047,602	110,834,705
	\$ Col.	-	-
	Soles	353,854	120,547
	\$ Arg.	3,745,128	3,515,932
	Reales	-	1,783,734
Inventories, net	\$ no Reaj.	47,019,039	34,428,514
	\$ Col.	8,891,363	5,371,307
	Soles	9,239,057	9,335,689
	\$ Arg.	3,053,901	2,423,028
	Reales	2,412,067	1,258,104
Income taxes recoverable	\$ no Reaj.	30,611,222	72,932,846
	\$ Col.	194,303	164,688
	Soles	76,067	639,001
	\$ Arg.	4,942,764	2,638,673
	Reales	14,896,181	7,600,522
Prepaid expenses and other	\$ Reaj.	25,146	-
	\$ no Reaj.	821,598	690,592
	US\$	600,721	1,571,459
	\$ Col.	832,747	1,177,114
	Soles	1,119,145	1,046,693
	\$ Arg.	632,629	845,673
	Reales	32,506,356	40,786,242
Deferred income taxes	\$ no Reaj.	48,959,644	51,083,845
	\$ Col.	457,663	983,978
	\$ Arg.	4,572,997	9,918,030
	Reales	-	180,068
Other current assets	\$ Reaj.	1,496,879	670,761
	\$ no Reaj.	28,142,629	31,076,396
	US\$	-	1,132,914
	\$ Col.	1,025	-
	Soles	247,559	1,456,594
	\$ Arg.	157,106	333,097
	Reales	10,423,958	5,024,188
<b>TOTAL CURRENT ASSETS</b>		<b>1,301,484,364</b>	<b>1,551,760,139</b>

## b. Property, plant and equipment

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 ThCh\$	2004 ThCh\$
Land	\$ no Reaj.	53.169.757	54.222.524
	\$ Col.	24.464.365	27.485.921
	Soles	7.317.788	8.237.986
	\$ Arg.	7.102.474	8.002.810
	Reales	31.045.604	29.071.605
Building, infrastructure and work in progress	\$ no Reaj.	3.852.380.071	3.754.703.738
	\$ Col.	2.353.924.090	2.628.783.835
	Soles	885.791.523	986.176.115
	\$ Arg.	1.288.303.222	1.369.773.987
	Reales	1.704.081.634	1.480.687.476
Machinery and equipment	\$ no Reaj.	61.443.429	88.393.893
	\$ Col.	28.100.692	23.290.984
	Soles	333.954.238	370.299.140
	\$ Arg.	589.497.209	645.995.474
	Reales	611.876.501	655.101.101
Other plant and equipment	\$ no Reaj.	142.180.736	138.844.255
	\$ Col.	15.854.699	17.906.876
	Soles	38.373.953	33.769.257
	\$ Arg.	88.882.185	112.050.945
	Reales	144.257.415	110.491.522
Technical appraisal	\$ no Reaj.	30.766.318	30.867.182
	\$ Col.	52.351.875	58.988.193
	Soles	360.863.123	406.607.470
	Reales	96.516.050	108.750.783
Accumulated depreciation	\$ no Reaj.	(1.839.809.731)	(1.746.121.248)
	\$ Col.	(724.793.714)	(737.034.827)
	Soles	(787.347.137)	(851.606.569)
	\$ Arg.	(964.359.298)	(998.445.429)
	Reales	(840.064.148)	(853.819.468)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>7.646.124.923</b>	<b>7.961.475.531</b>

## c. Other assets

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 ThCh\$	2004 ThCh\$
Investments in related companies	\$ no Reaj.	95,156,919	111,559,408
	US\$	3,695,518	86,798,396
	\$ Arg.	38,950	-
Investments in other companies	\$ no Reaj.	2,466,019	2,463,663
	US\$	21,556,915	28,193,122
	\$ Col.	16,588,601	21,043,453
	Soles	7,108	8,009
	Reales	38,950	84,246
Goodwill, net	\$ no Reaj.	677,000,243	730,123,393
	US\$	10,764,128	13,153,871
	\$ Col.	13,638,138	16,665,103
Negative goodwill, net	\$ no Reaj.	(9,411,990)	(13,405,675)
	US\$	(2,132,360)	(8,396,129)
	\$ Col.	(2,180,688)	(2,662,120)
	Soles	(22,965,058)	(34,314,379)
Long-term accounts receivable	\$ Reaj.	1,035,637	1,542,319
	\$ no Reaj.	1,011,302	1,319,416
	US\$	2,052,250	3,635,961
	\$ Col.	4,497,136	6,928,203
	Soles	419,693	2,295,787
	\$ Arg.	26,791,230	6,720,558
	Reales	105,841,563	120,800,388
Amounts due from related companies	\$ no Reaj.	-	346,124
	US\$	89,826,992	126,508
	Reales	-	39
Other assets	\$ Reaj.	572,414	-
	\$ no Reaj.	43,343,159	54,358,310
	US\$	48,573	23,901,908
	\$ Col.	57,014,837	47,788,767
	Soles	2,802,855	2,930,348
	\$ Arg.	20,717,318	28,500,113
	Reales	145,746,661	102,874,158
<b>TOTAL OTHER ASSETS</b>		<b>1,305,983,013</b>	<b>1,355,383,268</b>
Total assets by currency	\$ Reaj.	5,886,112	8,973,239
	\$ no Reaj.	3,439,859,876	3,554,030,730
	US\$	185,202,055	524,233,948
	Euro	9,318	-
	Yen	583	-
	\$ Col.	2,045,443,117	2,455,553,315
	Soles	880,273,874	979,235,740
	\$ Arg.	1,160,138,554	1,260,854,070
Reales	2,536,778,811	2,085,737,896	
<b>TOTAL ASSETS BY CURRENCY</b>		<b>10,253,592,300</b>	<b>10,868,618,938</b>

## d. Current liabilities

ACCOUNT	CURRENCY	WITHIN 90 DAYS				91 DAY TO 1 YEAR			
		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004	
		AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE
Short-term debt due to banks and financial institutions	\$ Reaj.	125	3.00%	-	-	-	-	-	-
	\$ no Reaj.	23,730	-	2,522,501	3.00%	-	-	-	-
	US\$	69,485,688	4.62%	56,822,597	3.92%	3,434,501	6.10%	442,280	5.87%
	Euro	-	-	941,495	3.00%	-	-	-	-
	\$ Col.	12,297,795	6.85%	50,832,082	7.31%	-	-	-	-
	Soles	20,648,518	4.87%	24,211,232	5.85%	-	-	-	-
	\$ Arg.	7,030	7.23%	6,372,489	8.99%	2,072,549	9.50%	2,682,612	9.25%
	Reales	2,137,084	5.51%	54,005,074	16.76%	-	-	-	-
Others	-	-	-	-	-	-	-	-	
Current portion of long-term debt due to banks and financial institutions	\$ no Reaj.	348	4.41%	-	-	-	-	-	-
	\$ Reaj.	1,788,047	9.00%	-	-	-	-	1,761,618	9.00%
	US\$	12,700,874	9.38%	5,359,259	5.60%	38,307,414	6.09%	69,778,217	7.05%
	Euro	-	-	-	-	713,533	3.45%	129,909	3.00%
	Yen	-	-	-	-	-	-	427,679	0.90%
	Soles	6,828	4.41%	-	-	-	-	-	-
	\$ Arg.	2,745,864	6.86%	20,921	9.70%	5,794,550	8.22%	2,492,168	3.79%
	\$ Col.	-	-	-	-	13,762,063	12.17%	15,061,760	12.45%
	Reales	19,942,582	12.99%	4,886,544	15.81%	21,812,765	18.28%	10,442,461	14.93%
Others	-	-	-	-	-	-	430,284	5.88%	
Current portion of bonds payable	\$ Reaj.	922,925	5.75%	157,243	5.80%	112,904,405	6.19%	7,947,002	6.00%
	US\$	16,322,283	7.00%	23,040,941	8.10%	269,838,007	7.34%	33,916,561	8.00%
	\$ Arg.	5,560	7.50%	5,951	7.00%	8,812,724	8.12%	158,980	8.50%
	\$ Col.	43,621,013	11.15%	6,236,702	11.16%	-	-	-	-
	Soles	53,171,406	6.98%	19,272,558	6.23%	-	-	-	-
	Reales	9,924,933	19.93%	20,203,136	20.31%	-	-	-	-
	US\$	13,200,462	7.42%	6,803,447	-	14,503,751	7.42%	18,828,292	-
Reales	2,396,932	5.00%	2,080,910	-	-	-	-	-	
Dividends payable	\$ no Reaj.	1,586,414	-	748,947	-	5,083	-	-	-
	\$ Col.	3,555,367	-	2	-	-	-	-	-
	Soles	71,223	-	18,833	-	-	-	-	-
	\$ Arg.	1,418	-	1,622	-	-	-	-	-
	Reales	1,561,522	-	2,752,479	-	10,719,963	-	-	-
Accounts payable	\$ Reaj.	26,816	-	-	-	-	-	-	-
	\$ no Reaj.	62,076,237	-	87,348,719	-	-	-	-	-
	US\$	8,448,268	-	4,507,825	-	-	-	1,713	-
	Euro	907,220	-	267,654	-	-	-	-	-
	\$ Col.	37,275,350	-	32,366,437	-	-	-	-	-
	Soles	20,551,531	-	20,290,419	-	-	-	-	-
	\$ Arg.	51,118,372	-	47,430,883	-	-	-	-	-
	Reales	103,109,325	-	59,491,359	-	-	-	-	-
Others	20,350	-	-	-	-	-	-	-	
Short-term notes payables	\$ no Reaj.	-	-	579	-	-	-	-	-
	US\$	2,862,033	-	-	-	2,847,222	-	6,451,592	-
	Reales	8,653,870	-	7,439,724	-	-	-	-	-
Miscellaneous payables	\$ no Reaj.	8,899,879	-	2,975,226	-	-	-	6,161,835	-
	US\$	349,575	-	993,909	-	8,840,879	-	747,860	-
	\$ Col.	11,209,531	-	10,243,223	-	-	-	-	-
	Soles	9,065,757	-	4,840,590	-	-	-	2,153,262	-
	\$ Arg.	102	-	3,631	-	-	-	-	-
	Reales	46,365,671	-	11,876,801	-	-	-	-	-

## d. Current liabilities, continued

ACCOUNT	CURRENCY	WITHIN 90 DAYS				91 DAY TO 1 YEAR			
		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004	
		AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE	AMOUNT ThCh\$	AVERAGE RATE
Amounts payable to related companies	\$ no Reaj.	225,831	-	498,141	-	-	-	-	-
	US\$	31,811,142	-	58,767,186	-	-	-	-	-
	\$ Col.	-	-	-	-	-	-	-	-
	Soles	419,452	-	493,681	-	-	-	-	-
	\$ Arg.	15,011,043	-	544,377	-	-	-	-	-
	Reales	1,025	-	24,139,603	-	-	-	-	-
Accrued expenses	\$ Reaj.	1,564	-	72,020	-	78,928	-	78,498	-
	\$ no Reaj.	12,408,694	-	11,179,555	-	19,322,766	-	12,364,691	-
	US\$	1,985,847	-	-	-	262,022	-	186,896	-
	\$ Col.	6,567,679	-	7,851,679	-	-	-	-	-
	Soles	2,183,174	-	2,975,524	-	1,545,242	-	-	-
	\$ Arg.	3,796,997	-	3,294,361	-	-	-	-	-
	Reales	25,827,302	-	15,692,007	-	2,273	-	-	-
Withholdings	\$ no Reaj.	8,667,787	-	11,181,614	-	-	-	-	-
	\$ Col.	2,591,594	-	2,852,968	-	-	-	-	-
	Soles	5,170,198	-	6,325,643	-	-	-	-	-
	\$ Arg.	11,538,673	-	12,943,737	-	2,992	-	53,168	-
	Reales	34,131,181	-	18,183,371	-	-	-	-	-
	Others	4,466	-	-	-	-	-	-	-
Income tax payable	\$ no Reaj.	187,405	-	408,492	-	-	-	496,499	-
	\$ Col.	29,208,014	-	27,813,590	-	-	-	-	-
	Soles	7,840,180	-	1,848,295	-	-	-	-	-
	\$ Arg.	1,630,094	-	1,229,963	-	-	-	-	-
	Reales	27,835,201	-	7,403,911	-	-	-	-	-
Deferred income	\$ Reaj.	-	-	8,971	-	-	-	-	-
	\$ no Reaj.	3,382,193	-	5,047,941	-	671,304	-	1,681,953	-
	\$ Col.	18,311	-	-	-	-	-	-	-
	\$ Reaj.	1,280	-	1,161	-	3,839	-	3,484	-
	\$ no Reaj.	7,922	-	10,283	-	1,694,843	-	2,212,243	-
Other current liabilities	\$ Reaj.	-	-	-	-	12,989,960	-	390,041	-
	\$ no Reaj.	103,578	-	470,788	-	128,646	-	2,339,725	-
	US\$	1,094,038	-	101,552	-	12	-	775,707	-
	\$ Col.	3,603,796	-	2,616,400	-	-	-	-	-
	Soles	43,556	-	48,555	-	-	-	-	-
	\$ Arg.	9,229,217	-	24,987,406	-	-	-	-	-
	Reales	19,974,677	-	10,921,561	-	-	-	-	-
Total current liabilities by currency	\$ Reaj.	2,740,757	-	239,395	-	125,977,132	-	10,177,157	-
	\$ no Reaj.	97,570,018	-	122,392,787	-	21,822,642	-	23,044,703	-
	US\$	158,620,210	-	156,396,716	-	338,063,808	-	131,129,117	-
	Euro	907,220	-	1,209,149	-	713,533	-	129,909	-
	Yen	-	-	-	-	-	-	427,679	-
	\$ Col.	149,948,450	-	140,813,083	-	13,762,063	-	15,061,760	-
	Soles	119,171,823	-	80,325,330	-	1,545,242	-	2,153,262	-
	Reales	301,861,305	-	239,076,479	-	32,535,001	-	10,442,461	-
	\$ Arg.	95,084,370	-	96,835,341	-	16,682,815	-	5,386,928	-
	Others	24,816	-	-	-	-	-	430,284	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>925,928,969</b>		<b>837,288,280</b>		<b>551,102,236</b>		<b>198,383,260</b>	

## e. Long-term liabilities as of December 31, 2005

ACCOUNT	CURRENCY	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
Due to banks and financial institutions	\$ Reaj.	951,856	9.00%	-	-	-	-	-	-
	US\$	161,245,297	6.61%	72,556,472	7.51%	120,274,638	5.89%	-	-
	Euro	710,950	3.06%	-	-	-	-	-	-
	\$ Arg.	4,756,929	3.11%	3,573,912	1.75%	893,301	1.75%	-	-
	\$ Col.	195,356	7.25%	13,088,002	12.10%	-	-	-	-
	Soles	15,012,023	5.51%	-	-	-	-	-	-
	Reales	64,196,407	16.67%	76,119,461	13.84%	20,250,712	17.38%	-	-
Bonds payable	\$ Reaj.	71,899,240	6.20%	72,332,299	4.80%	-	-	61,061,676	5.95%
	US\$	235,750,000	7.86%	215,250,000	8.39%	497,125,000	7.96%	367,405,612	7.56%
	\$ Col.	-	9.31%	81,883,768	10.76%	215,390,884	10.91%	-	-
	Soles	28,130,319	5.65%	24,649,217	7.25%	18,938,454	7.83%	-	-
	\$ Arg.	10,140,148	7.00%	-	-	-	-	-	-
	Reales	24,208,912	20.64%	63,495,963	18.02%	14,537,346	23.16%	-	-
Long-term notes payable	US\$	43,531,750	7.42%	-	-	9,158,375	7.42%	-	-
	Reales	37,286,772	10.61%	6,488,019	10.61%	8,925,647	10.61%	208,491	10.61%
Miscellaneous payable	\$ Reaj.	-	-	-	-	-	-	107,460	-
	\$ no Reaj.	180,631	-	-	-	-	-	-	-
	US\$	7,019,086	-	1,757,885	-	5,497,426	-	14,910,775	-
	Reales	11,868,442	-	-	-	-	-	-	-
Amounts payable to related companies	US\$	13,241,975	-	-	-	-	-	-	-
Accrued expenses	\$ Reaj.	125,715	-	-	-	-	-	-	-
	\$ no Reaj.	3,352,843	-	3,047,724	-	7,401,751	-	15,140,484	-
	\$ Col.	67,780,256	-	299,300	-	-	-	-	-
	Reales	304,212,494	-	1,059,216	-	3,177,649	-	1,198,832	-
Deferred income taxes	\$ no Reaj.	26,969,261	-	3,895,638	-	16,535,927	-	38,234,040	-
Reimbursement contributions	\$ Reaj.	11,826	-	6,815	-	-	-	-	-
	\$ no Reaj.	1,532,860	-	708,332	-	504,003	-	11,667	-
	Soles	682,872	-	44,603	-	491,775	-	-	-
Other long-term liabilities	\$ Reaj.	1,814,599	-	217,282	-	-	-	-	-
	\$ no Reaj.	-	-	134,856	-	-	-	120,188,071	-
	\$ Arg.	17,084,108	-	9,770,137	-	6,422,516	-	595,553	-
	Reales	10,978,942	-	810,263	-	-	-	-	-
Total long-term liabilities by currency	\$ Reaj.	74,803,236	-	72,556,396	-	-	-	61,169,136	-
	\$ no Reaj.	32,035,595	-	7,786,550	-	24,441,681	-	173,574,262	-
	US\$	460,788,108	-	289,564,357	-	632,055,439	-	382,316,387	-
	Euro	710,950	-	-	-	-	-	-	-
	\$ Col.	67,975,612	-	95,271,070	-	215,390,884	-	-	-
	Soles	43,825,214	-	24,693,820	-	19,430,229	-	-	-
	\$ Arg.	31,981,185	-	13,344,049	-	7,315,817	-	595,553	-
	Reales	452,751,969	-	147,972,922	-	46,891,354	-	1,407,323	-
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>1,164,871,869</b>		<b>651,189,164</b>		<b>945,525,404</b>		<b>619,062,661</b>	



## f. Long-term liabilities as of December 31, 2004

ACCOUNT	CURRENCY	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
Due to banks and financial institutions	\$ Reaj.	1,759,654	9.00%	1,044,889	9.00%	-	-	-	-
	US\$	95,071,396	6.95%	369,941,922	3.65%	26,300,559	8.59%	944,776	5.78%
	Euro	1,873,497	3.00%	-	-	-	-	-	-
	\$ Arg.	5,719,719	3.96%	3,663,919	1.75%	2,747,941	1.75%	-	-
	\$ Col.	325,029	9.00%	28,191,911	12.45%	-	-	-	-
	Reales	64,276,829	15.22%	7,841,763	16.77%	38,948,508	16.47%	-	-
Bonds payable	\$ Reaj.	107,642,783	6.20%	72,426,977	6.19%	87,797,060	5.17%	61,625,493	5.95%
	US\$	311,831,856	7.27%	473,522,448	8.03%	433,099,800	7.90%	529,472,590	7.79%
	\$ Col.	40,958,355	15.53%	87,894,432	10.60%	181,232,179	12.13%	-	-
	Soles	70,843,218	7.58%	17,592,274	6.97%	18,630,703	8.83%	-	-
	\$ Arg.	23,273,206	7.50%	-	-	-	-	-	-
	Reales	47,970,170	20.64%	-	-	17,452,569	16.00%	-	-
Long-term notes payable	US\$	49,679,817	7.22%	33,159,138	7.28%	20,643,338	7.42%	-	-
	Reales	34,896,007	10.92%	7,324,066	10.92%	13,086,608	10.92%	27,824	10.92%
Miscellaneous payable	\$ Reaj.	-	-	-	-	-	-	173,290	-
	\$ no Reaj.	753,383	-	-	-	-	-	-	-
	US\$	15,581,693	4.14%	1,859,831	6.50%	5,816,246	6.50%	15,200,804	6.50%
	Reales	13,019,476	-	-	-	-	-	-	-
Accrued expenses	\$ Reaj.	125,484	-	-	-	-	-	-	-
	\$ no Reaj.	3,566,190	-	3,079,029	-	7,579,924	-	14,173,164	-
	\$ Col.	72,601,525	-	-	-	-	-	-	-
	Reales	206,811,071	-	1,199,319	-	5,320,355	-	-	-
Deferred income taxes	\$ no Reaj.	16,881,839	-	2,535,391	-	3,011,720	-	15,223,595	-
	Soles	28,170,635	-	-	-	-	-	-	-
Other long-term liabilities	\$ Reaj.	69,094,177	-	12,985	-	-	-	-	-
	\$ no Reaj.	15,732,752	-	1,410,106	-	1,630,324	-	13,689	-
	US\$	2,066,781	-	-	-	-	-	-	-
	Soles	958,907	-	662,845	-	1,192,992	-	-	-
	\$ Arg.	8,256,492	-	-	-	-	-	-	-
	Reales	19,292,888	-	-	-	-	-	-	-
Total long-term liabilities by currency	\$ Reaj.	178,622,098	-	73,484,851	-	87,797,060	-	61,798,783	-
	\$ no Reaj.	36,934,164	-	7,024,526	-	12,221,968	-	29,410,448	-
	US\$	474,231,543	-	878,483,339	-	485,859,943	-	545,618,170	-
	Euro	1,873,497	-	-	-	-	-	-	-
	\$ Col.	113,884,909	-	116,086,343	-	181,232,179	-	-	-
	Soles	99,972,760	-	18,255,119	-	19,823,695	-	-	-
	\$ Arg.	37,249,417	-	3,663,919	-	2,747,941	-	-	-
	Reales	386,266,441	-	16,365,148	-	74,808,040	-	27,824	-
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>1,329,034,829</b>		<b>1,113,363,245</b>		<b>864,490,826</b>		<b>636,855,225</b>	

**NOTE 32. SANCTIONS****Chilectra S.A.**

On April 27, 2004, through Exempt resolution 814, the Superintendence of Electricity and Fuel (S.E.C.) penalized the Company for a total amount of 1,830 UTA (ThCh\$665,564), as a result of the blackout which occurred on January 13, 2003, that affected the area between Tal Tal and Santiago. On May 7, 2004, the Company filed an appeal whose jurisdiction and solution belongs to the Superintendency of Electricity and Fuel (S.E.C.). The S.E.C. rejected the appeal and a claim petition was filed with the Santiago Court of Appeals.

The resolution issued by the Santiago Court of Appeal can be appealed against in the Supreme Court.

To this date, the Company cannot exactly forecast the effects the final resolution will have on its financial statements.

**Elesur S.A.****1. Fine levied by the Superintendency of Securities and Insurance (SVS)**

Through exempt resolution No 337, of October 31, 1997, the SVS fined Elesur S.A. a total of UF 100,000 for supposedly using insider information contained in the sixth clause of the Strategic Alliance Agreement reached on August 2, 1997. This information was not disclosed to the market and supposedly was capable of influencing the price of the stock quote of Series A shares of the Chispas companies, which were the object of a public offer to acquire shares formulated by Elesur S.A. in the month of August 1997.

In accordance with the terms of Decree Law 3538 (Internal Rules of the SVS), Elesur S.A. launched a suit against the SVS with the aim of overturning the fine levied by the SVS. By sentence of November 17, 2000, the lower court accepted Elesur's claim and annulled the fine. The judgement basically holds that the information was not insider ("privileged") because it was known by the parties to the contract. The SVS appealed against the form and content of this judgement and now the case is in the hands of the Santiago Court of Appeal (number 82-2001). Company management considers that it is likely that this court's judgement will also favour the Company.

**2. Fines levied by Chilean Tax Authority (SII)**

The fines levied by the SII arise from sanctions prescribed in Articles 53 and 97 of the Tax Code for late payment of taxes. As of December

2005, sanctions of ThCh\$ 475,595 were paid, due to a tax assessment rendered by the SII on differences in paid taxes on share sales carried out in 2002. As of December 2004, sanctions of ThCh\$ 88,404 were paid, due to tax differences applied by the SII to stock sale operations carried out in 1997.

The Company and the Board of Directors have not been the target of any other sanctions by the SVS or by any other administrative authorities.

**NOTE 33. ENVIRONMENT****Chilectra S.A.**

The Company has made disbursements during the year of ThCh\$1,293,940 (ThCh\$1,528,543 in 2004), mainly for the following items:

**Investments:**

- Implementation of Environmental Management System, ISO Standard 14.001
- Reforestation
- Pre-assembling.

**Expenses:**

- Pruning
- Cutting.

**Endesa S.A.**

During the year from January 1 to December 31, 2005, the Company and its subsidiaries have made disbursements for a value of ThCh\$1,774,838, which mainly correspond to:

**Operation expenses:** They correspond to laboratory studies, monitoring, follow-up and analysis, which were treated as fiscal year expenses of ThCh\$ 1,605,568. Environmental protection at Costanera (cleaning of hydrocarbon separator chambers, measurement of gas emissions, Nitrogen oxide and sulphur dioxide, ISO 9001, 14001 and 18001) equivalent to ThCh\$ 46,638.

Update of audit standards ISO 14001 and ELMA for Hidroeléctrica el Chocón for ThCh\$9,372.

Investments related to the following projects, which have been capitalized in the amount of ThCh\$113,260:

- Ralco Power Plant: Design and implementation of environmental management system.

- Bocamina Power Plant: Design and implementation of environmental management system.
- El Toro Power Plant: Recovery of environmental liabilities Notro 1 and Notro 2.
- Tal Tal: Works consistent with environmental management system.
- Tarapacá: Repair and modification of zone for acids and “sosa” reservoirs, and modification of system for neutralization of water plant.
- Diego de Almagro: Construction of buckets for spills and warehouse for hazardous supplies.

#### NOTE 34. SUBSEQUENT EVENTS

##### Endesa S.A.

On January 17, 2006, the General Shareholders’ Meeting of Edegel agreed to approve the merger of Edegel S.A.A. with the energy company Termolétrica Ventanilla S.A., Etevensa (a related company), in which Edegel effectively will take over Etevensa.

The share swap agreement under the merger has been determined by the Board of Directors and the management of Edegel and Etevensa, based on valuations performed by investment banks; it has been established that the shareholders of Edegel and Etevensa will hold approximately 87.1% and 12.9% of the capital of the new company, respectively.



JUAN CARLO WIECZOREK  
Deputy Chief Accounting Officer

The merger is subject to the fulfilment of the following conditions:

- That no more than 4% of the shareholders of Etevensa and no more than 2.2% of the shareholders of Edegel shall exercise the right of separation. However, if circumstances warrant, the Boards of Directors of Edegel and Etevensa may agree to carry out the merger even if the dissident shareholders exceed the above percentages.
- Within five months of the project being approved by the general meeting of shareholders of Edegel and Etevensa, the National Institution for the Defense of Competition and Intellectual Property, and any other relevant entity, states in writing that the merger is not subject to government authorisation or, in the event that it is subject to such authorisation, grants the appropriate permission.
- That the companies or entities that, in accordance with obligations assumed by Edegel or Etevensa, must give their consent for the purposes of carrying out the merger, consent to the merger or do not object to it.

In the period between January 1, 2006, and to the date of issue of these financial statements, no other significant facts have occurred that may affect their submission.



MARIO VALCARCE DURAN  
Chief Executive Officer

## APPENDIX U.S. GAAP

## 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) Inflation accounting

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three-year period ended December 31, 2005 was approximately 7.1%. Pursuant to Chilean GAAP, the Company's financial statements recognize certain effects of inflation. As allowed pursuant to Item 17 c (iv) of Form 20-F the reconciliation included herein of consolidated net income, comprehensive income and shareholders' equity, as determined in accordance with U.S. GAAP, excludes adjustments attributable to the effect of differences between the accounting for inflation under Chilean GAAP versus U.S. 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. 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 prohibited under U.S. GAAP. The effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation expense are included in paragraph (gg) below.

## (c) Depreciation of property, plant and equipment

Under Chilean GAAP, certain costs related to the acquisition of Edesur S.A., at the time of the acquisitions in 1992 and 1994 by Distrielec Inversora S.A., were charged to earnings as incurred. Under U.S. GAAP, these costs have been included in the purchase price and allocated to the net assets acquired based upon fair values. For purposes of the reconciliation to U.S. GAAP, these costs were considered to be of part of property, plant, and equipment, the primary assets of Edesur S.A.

As discussed in paragraph (i), under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchase price over the carrying value is recorded as goodwill. Under U.S. 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 is recorded as goodwill. As part of the purchase of the majority ownership interest in Endesa-Chile, under U.S. GAAP, the cost of the purchase price would have been allocated to the fair value of property, plant and equipment.

The effect on shareholders' equity and net income for the years presented is included in paragraph (gg) below.

YEAR	AMORTIZATION THCH\$
2006	4,689,244
2007	4,339,313
2008	2,737,110
2009	1,417,583
2010	1,999,679

The company has considered the factors which could be considered changes in circumstances which would trigger an impairment review and, in accordance with SFAS N<sup>o</sup>. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" beginning in 2002, 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. These standards require 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. Impairment is recorded based on the excess carrying amounts of long-lived assets (or asset group) over fair value. There were no impairment charges recorded under Chilean GAAP and U.S. GAAP.

#### (d) Intangibles

Under Chilean GAAP, the intangible assets correspond mainly to rights of way. Additionally the Company has recorded an intangible asset relating to the transfer of revalued assets which originate in the predecessor company, "Compañía Chilena de Distribución Eléctrica S.A." at the time of the Company's formation. Under U.S. GAAP, the balance of this intangible asset would have been recorded at the Predecessor Company's carrying value which was zero. In 2004, this intangible asset was charged to income under Chile GAAP thereby zeroing out the GAAP difference for this item.

The estimated amortization expense for the intangible assets which, mainly consist of rights of way, for US GAAP purposes (which is equivalent under Chile GAAP) for each of the five succeeding fiscal years is as follows:

The effects of adjusting shareholders' equity for this intangible asset net of accumulated amortization, inclusive of accumulated price-level restatement, and net income for the annual amortization expense and the write-off of the intangible asset in 2004 are included in paragraph (gg) below.

#### (e) 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 N° 60 of 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 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 N° 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. 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 (gg) below.

#### (f) Severance indemnity

As described in Note 2 n, under the Company's employment contracts, it has committed to provide a lump sum payment to each employee in its

Chilean entities at the end of their employment, whether due to death, termination, resignation or retirement. Until December 31, 2003, those obligations are 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 its Chilean subsidiaries used a discount rate of 9.5% until December 31, 2003. As described in Note 3, starting January 1, 2004 the Company changed certain of its underlying assumptions related to its severance indemnities changing the discount rate of 6.5% and modifying the turnover rate.

Under US GAAP, this arrangement is considered to be a termination indemnity plan and should therefore be accounted for in accordance with SFAS N° 87, "Employers' Accounting for Pensions". The liability would be measured at the actuarial present value of all benefits attributed by the severance indemnity benefit formula to employee service rendered through the balance sheet date. The vested benefit obligation is measured using assumptions as to future compensation levels. For U.S. GAAP purposes, the discount rate has to be reassessed every year, to the relevant discount rate for the period between the date and the expected date of payment. In 2003, the Company, for US GAAP purposes, used a 6.5% discount rate in accordance with the above guidance. The impact of using the appropriate discount rates under US GAAP for 2003 would not have resulted in a material difference from the obligation recorded at the rate in use in accordance with Chilean GAAP.

Therefore, in 2004 and 2005, the accounting assumptions underlying the calculation of the obligation for staff severance indemnities were the same under Chile GAAP and US GAAP.

The Company recognizes actuarial gains and losses immediately for severance indemnity plans for both Chilean GAAP and U.S. GAAP.

The effects of accounting for severance indemnity benefits under US GAAP have been presented in paragraph (gg).

### (g) Pension and post-retirement benefits accounting

The Company has obligations related to post-retirement benefits as stipulated in collective bargaining agreements and pension obligations as stipulated by contract for its subsidiaries in Brazil, Colombia and Chile under U.S. GAAP, post-retirement benefits are accounted for under SFAS 106 and pension obligations are accounted for under SFAS 87 which results in the following differences:

- In 2000, the Company recorded its obligation for post-retirement benefits at our consolidated subsidiaries, Ampla (formerly Cerj) and Coelce under Chilean GAAP. Technical Bulletin 8 allows the Company to record a transition asset for post-retirement benefits and pension obligations, as calculated under Chilean GAAP, and to amortize the amount, on a straight-line basis, for up to five years. The Company is amortizing this amount over a period of three years. Ampla and Coelce had adopted U.S. GAAP for external reporting purposes prior to 2000 and there was no remaining unamortized transition obligation. Therefore, the amortization that is appropriately being recorded under Chilean GAAP for the transition asset related to post-retirement benefits and pensions is reversed in our reconciliation to U.S. GAAP.
- Under both Chilean GAAP and US GAAP, actuarial gains/losses are deferred over the average remaining service period when the cumulative amount of deferred actuarial gains and losses are less than 10% of the higher of the projected benefit obligation or fair value of plan assets.

Chilean GAAP recognizes an additional minimum liability, similar to that defined under SFAS 87, through the income statement. Under US GAAP, if the amount of the additional minimum liability required to be recognized exceeds the unrecognized prior service costs, the excess shall be reported as a separate component within other comprehensive income net of any tax benefits; if no excess exists, the additional minimum liability is recorded against an offsetting intangible asset.

- The changes effected for the discount rate in Chile GAAP and US GAAP and their timing as described in (f) were also instituted for post-retirement benefits.

The effects of accounting for post-retirement benefits under US GAAP have been presented in paragraph (gg).

### (h) 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. The goodwill is to be amortized to 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 N° 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 recording the differential between the cost and the fair value as goodwill/negative goodwill as well as prospectively designating all investments of 20% to 50% as having significant influence rather than the 10% to 50% level previously defined as having significant influence in Chilean GAAP. No retroactive changes or cumulative effects of changes in accounting principles were required under Technical Bulletin N° 72.

Under US GAAP, in accordance with Accounting Principles Board Opinion N° 18, "the Equity Method for Accounting for Investment in Common Stock" ("APB N° 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.

The Company's equity share of the effect of the adjustments from Chilean GAAP to U.S. GAAP for equity method investees is included in paragraph (gg) below. The principal U.S. GAAP adjustments affecting the Company's equity investees are as follows:

- (i) Reversal of capitalized foreign currency exchange differences related to capitalized interest.
- (ii) Reversal of complementary accounts (asset or liability) recorded as a transitional provision in connection with the adoption of Technical Bulletin N°60 as of January 1, 2000.
- (iii) Organizational costs deferred under Chilean GAAP that, under U.S. GAAP, should have been included in income.
- (iv) The recording of derivative instruments in accordance with SFAS N° 133.
- (v) The deferred income tax effects of adjustments (i), (iii) and (iv).

#### (i) Goodwill

- (i) Under Chilean GAAP, for acquisitions completed through December 31, 2003 assets acquired and liabilities assumed are recorded at their

carrying value, and the excess of the purchase price over the carrying value are recorded as goodwill. Circular N° 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 U.S. 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. Up until December 31, 2001, the Company amortized goodwill on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years. Goodwill acquired after June 30, 2001 is not amortized. In accordance with SFAS N° 142, the Company discontinued amortizing goodwill on January 1, 2002. The effects of recording the different amortization periods and reversing the amortization of goodwill are included in paragraph (gg) below.

Technical Bulletin N° 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 allocation of purchase consideration over assets acquired and liabilities assumed between Chilean GAAP and US GAAP no longer exists.

- (ii) Under Chilean GAAP, the Company evaluates the carrying amount of goodwill for impairment. 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, 2004 and 2005.

The following effects are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (gg) below:

- (i) differences in the amount of the impairment 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.

### (j) Negative Goodwill

Under Chilean GAAP, until December 31, 2004, the excess of the carrying value of the assets assumed in a business combination over the purchase price is recorded as negative goodwill. Circular N°. 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 N°. 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.

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 N°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 (gg) below.

### (k) 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 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 (gg) below.

### (l) Accumulated deficit during the development stage

Under Chilean GAAP, the losses incurred during the development stage of subsidiary companies are recorded directly in the parent company's equity.

Under U.S. GAAP, such costs must be charged to income as incurred. As of December 31, 2004 and 2005, no company was classified as development stage company. For the year ended December 31, 2003, the effect of the adjustment is included in paragraph (gg) below.

### (m) 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. 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 was made in the reconciliation in paragraph (gg) below to reflect the unrecorded dividend liability for 2004 and 2005.

### (n) 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 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 is 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 (gg).

### (o) Involuntary employee termination benefits

Under Chilean GAAP, the Argentine subsidiaries, Central Costanera and Hidroelectricidad, recorded an accrual of certain involuntary employee termination benefits related to the restructuring plan announced in 1997. Since that date employees have continued to be made redundant pursuant to this plan. Additionally, during 2003 the Company increased the amount of the accrual recorded under Chilean GAAP. Under U.S. GAAP, the criteria for liability recognition in connection with restructuring plans initiated on or prior to December 31, 2002 is set forth in EITF 94-7. Such criteria includes the requirement that the benefit arrangement is communicated to employees in sufficient detail to enable employees to determine the type and amount



of benefits they will receive if they are terminated. As of December 31, 2003, 2004 and 2005, this requirement had not been met.

The net effect of eliminating the accrued liability recognized under Chile GAAP is presented in paragraph (gg) below.

#### (p) Revenue recognition in Edesur

During 2005, Edesur reached final agreement with the relevant Argentinean authorities regarding an increase in tariffs related to electricity distribution services. This increase is currently pending ratification via formal decree by the executive power of the Argentinean government (PEN). The Company believes it is probable that the economic benefits associated with the tariff increase will flow to the enterprise, and that all other revenue recognition criteria established by Chilean GAAP have been met. Accordingly, the effects of the rate increase have been included in revenues under Chilean GAAP. However, the effects of the increase in tariffs have not been included in revenues under U.S. GAAP, because management believes that the persuasive evidence of an arrangement criterion under SAB Topic 13 is not met until the agreement is formally ratified by the PEN.

The effect on shareholders' equity and net income for the years presented is included in (gg) below.

#### (q) 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 (gg) below.

#### (r) Organizational and start-up costs

Certain costs related to the organization and creation of certain subsidiaries of the Company are deferred and capitalized under Chilean GAAP and amortized.

Under U.S. GAAP, such organizational and start-up costs may not be deferred and must be included in income as incurred.

The effects of the difference are included in paragraph (gg) below.

#### (s) 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, Perú, Brazil, and Colombia all meet the criteria of foreign subsidiaries that operate in countries exposed to significant risks under BT 64, and are remeasured into US dollars. The Company has remeasured 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".

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 ThCh\$(71,690,649), ThCh\$(58,997,728) and ThCh\$(24,869,689) for the years ended December 31, 2003, 2004 and 2005, respectively (See Note 23).

Company's Management believes that, foreign currency translation procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by 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 U.S. GAAP as permitted by Form 20-F.

**(t) Derivative instruments**

The Company engages in derivative activity for hedging certain risks. 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 SFAS 133, to qualify for hedge accounting strict requirements need to be met, including hedge documentation and effectiveness tests. As of December 31, 2004, certain cross-currency swaps had by Enersis with a fair value of ThCh\$(52,126,860) as of that date, qualified for hedge accounting under SFAS 133 since all the documentation and hedge effectiveness requirements were fulfilled. All foreign currency and interest rate hedging instruments entered into during 2005 (total estimated fair value of ThCh\$(99,264,019) as of December 31, 2005) fulfill the documentation and hedge effectiveness requirements to qualify for hedge accounting.

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 133.

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, 2003, 2004 and 2005 are included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (gg) below.

**(u) Fair value of long-term debt assumed**

As discussed in paragraph (i), under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchase price over the carrying value is recorded as goodwill. Under U.S. 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 is recorded as goodwill. As part of the purchase of the majority ownership interest in Endesa-Chile, under U.S. GAAP, a portion of the purchase price would have been allocated to the fair value of long-term debt.

The effect on shareholders' equity and net income for the years presented is included in paragraph (gg) below.

**(v) Effects on US GAAP of sale of subsidiary Río Maipo**

The adjustment of the net gain obtained from the sale of the subsidiary Compañía Eléctrica del Río Maipo S.A results from the reversal of the accumulated U.S. GAAP adjustments at the date of sale. As explained in Note 11f), this subsidiary was sold in April 2003. The reversal of these adjustment increased by ThCh\$519,644 the gain obtained from the sale of this subsidiary. The effect on shareholders' equity and net income for the years presented is included in (gg) below.

The operating income generated by Río Maipo until disposal date amounted to ThCh\$2,930,162 (sales of ThCh\$15,357,867 less cost of sales of ThCh\$11,487,135 and administrative and selling expenses of ThCh\$940,570) was reclassified from non-operating income to operating income in accordance with U.S. GAAP (see Note 36 II (k)).

**(w) 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 (gg) below.

**(x) Regulated assets and deferred costs**

The electricity sector in Chile and other 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 N°. 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 rate set by the regulator. The deferred regulatory asset is eliminated when the Company collects the related 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 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 (gg) below.

#### (y) Reorganization of subsidiaries

This adjustment corresponds to the reorganization of the Company's subsidiaries Central Costanera S.A. and Central Buenos Aires (CBA) during 2001, in which Central Costanera acquired the minority interest in CBA from third parties and exchanged shares with Endesa Argentina S.A. Under Chilean GAAP, the Company recorded the transactions under the pooling method, using the book values of the net assets acquired under merger accounting.

Under U.S. GAAP the exchange of shares between entities under common control is recorded at book values. However, to the extent that shares in CBA 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 subsidiary Central Costanera S.A. The difference in property, plant and equipment basis between Chilean GAAP and U.S. GAAP results in a greater depreciation expense to be recorded under U.S. GAAP over the remaining estimated useful life of 20 years.

The effect of this adjustment is included in the net income and shareholders' equity reconciliation to US GAAP under paragraph (gg) below.

#### (z) Assets held for sale

Under Chilean GAAP the Company records divestitures of investments or assets in the year in which they occur. Under U.S. GAAP, in accordance with SFAS N°. 144, long-lived assets for which there is a plan to sell the assets within the following year, shall be disclosed separately from the Company's other assets, provided certain criteria are met. Additionally, long-lived assets classified as held for sale must be measured at the lower of their carrying amount or fair value less cost to sell. Long-lived assets shall not be depreciated while they are classified as held for sale, while interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be accrued.

The Company's Board of Directors approved a plan to sell a number of the Company's assets during October 2002. The following assets to be sold meet the definition of reporting units or long-lived assets held for sale:

- Compañía Eléctrica del Río Maipo S.A.
- Central Canutillar power plant
- Gas Atacama transmission lines

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- CELTA transmission lines
- Infraestructura 2000 S.A.

The Company evaluated the carrying values of all assets held for sale, recording a loss to the extent that one of the assets' fair values less cost to sell was lower than the carrying value of those assets. Additionally, the Company ceased recording depreciation expense once the assets met the qualification criteria of held for sale, which occurred over various dates from October to December 2002.

During 2003, all of the designated assets had been sold therefore eliminating this difference in 2003.

The effect of these adjustments is included in the net income and shareholders' equity reconciliation to U.S. GAAP under paragraph (gg) below.

### (aa) Elimination of discontinued operations

Under Chilean GAAP, no restatement to the financial statement information presented in previous years is required after a divestiture has occurred. Under US GAAP, in accordance with SFAS N<sup>o</sup>. 144, the discontinued operations of a component must be retroactively separated from the continuing operations of an entity, when the operations and cash flows of a component which will be eliminated from the ongoing operations of an entity as a result of a disposal transaction will not have any significant continuing involvement in the operations of a component after the disposal transaction.

The Company evaluated whether any of the assets held for sale met either criteria, noting that the transmission lines and power plant are not components, as they are included as a part of larger cash flow generating groups, and the operations of these assets cannot be separated from their respective groups. Additionally, Endesa-Chile plans to continue generating revenues from Canutillar through a purchase power agreement, management agreement, and a transmission leasing arrangement with the future buyer. Infraestructura 2000 S.A. met the conditions for being classified as a discontinued operation, because it has distinct and separable financial results from operations and cash flows. As a result of the disposal, the results of operations of the reporting unit have been eliminated from the ongoing operations of Enersis, as Enersis will not have any continuing involvement in the operations of Infraestructura 2000 S.A. after its was sold. The Rio Maipo facility was classified as "held for sale" on December 31, 2002. In April, 2003, the Company sold the facility. In accordance with SFAS 144, the Company determined that the Rio Maipo did not meet the criteria to be classified as a discontinued operations as Enersis will have a

significant continuing involvement through continuing sales to Rio Maipo' through its subsidiary Endesa - Chile.

The effect of reclassifying discontinued operations is included in the net income reconciliation to U.S. GAAP under paragraph (gg) below.

### (bb) 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 footnote 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 (gg) below.

### (cc) Negative Goodwill AMPLA (ex-CERJ)

In January 2003, AMPLA, one of our Brazilian subsidiaries approved a capital increase as a result of which our ownership interest in AMPLA increased, as certain minority shareholders, including certain wholly owned subsidiaries of Endesa-Spain, Enersis' ultimate parent company did not participate.

Under Chile GAAP in accordance with BT No 42 and SVS Circular 368, the Company recognized the value of the difference between the amount contributed and the underlying net book value in the company as negative goodwill, to be amortized over a 20 year period. In accordance with the appropriate guidance, Enersis is allowed to fully amortize into income the amount of any negative goodwill, if during the first year subsequent to the capital increase the amount of the losses incurred by the subsidiary is in excess of the amount of negative goodwill. During 2003, AMPLA incurred losses, and, consequently Enersis fully amortized into income the negative goodwill originally recognized.

Under US GAAP, the transaction would be considered a transaction between entities under common control in which the minority interest did not participate, consequently in accordance with guidance in SFAS N<sup>o</sup>141, the transaction is accounted for as a capital transaction. Consequently the amount of the negative goodwill amortized into income in Chile GAAP is recorded directly as an increase to consolidated equity under US GAAP.

The effects in net income of the US GAAP adjustment are presented in note (gg) below.

#### (dd) Extinguishment of debt

In March 2003, certain bondholders were granted an option to exchange between November 1, and 15, 2003, their bonds for shares of the Company at a fixed price of Ch\$60.4202. Under Chilean GAAP the transaction was accounted for as an exchange of debt for equity with the difference between the carrying amount of the debt and the strike price of the conversion recognized directly in equity as share premium.

Under US GAAP the transaction should be recognized as an extinguishment of debt in accordance with APB N°. 14, using as reacquisition price of the extinguished debt the value of the common shares issued or the value of the debt whichever is more clearly evident. As Enersis stock is publicly traded the fair value of the shares is considered to be more clearly evident. The average conversion price during November 2003, the conversion period was Ch\$78 per share.

The effects in net income and shareholders' equity of the US GAAP adjustment are presented in note (gg) below.

#### (ee) Asset retirement obligations

Under Chilean GAAP, there is no requirement to record obligations associated with the retirement of tangible long-lived assets. Under U.S. GAAP, the Company adopted SFAS N°. 143, "Accounting for Asset Retirement Obligations" effective January 1, 2003. Previously, the Company had not been recognizing amounts related to asset retirement obligations under U.S. GAAP.

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. That amount 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 asset retirement obligation 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 accumulated effect of adopting SFAS 143 as of January 1, 2003 is presented in paragraph (gg) below, net of taxes of ThCh\$297,852 and minority interest of ThCh\$159,935. At December 31, 2003, 2004 and 2005, the adjustment to US GAAP income from continuing operations represents the accreted interest expense and depreciation of the costs capitalized for the asset retirement obligations.

In Peru, where we have eight hydroelectric plants and one thermoelectric plant, existing legislation includes the requirement for entities with electrical assets to conduct retirement activities when operations cease. In Chile, under certain concession decrees governing four distribution lines, we are similarly required to conduct retirement activities upon cessation of operations.

The effects of this U.S. GAAP adjustment on net income and shareholders' equity are presented in note (gg) below.

#### (ff) Creation of Endesa Brasil

On September 30, 2005, certain Brazilian affiliates under common control were reorganized under a newly created holding company, Endesa Brasil S.A. In connection with this reorganization, Enersis transferred its interest in certain investees to Endesa Brasil in exchange for a 53.61% direct and indirect interest therein (see Note 11). The Company began accounting for Endesa Brasil as a consolidated subsidiary as of that date. The difference between the Company's U.S. GAAP basis carrying amount in net assets contributed, and U.S. GAAP basis carrying amount in the net assets received generated a charge to equity of ThCh\$7,492,089. Although the Chilean GAAP accounting treatment for the reorganization is identical to that of U.S. GAAP, the amount of corresponding charge to equity in the Chilean GAAP financial statements differed from the U.S. GAAP amount, due to the differences in the bases of assets and liabilities contributed and received.

**(gg) Effect of conforming to U.S. GAAP**

The reconciliation of reported net income required to conform with U.S. GAAP is as follows:

	AS OF DECEMBER 31,		
	2003 THCH\$	2004 THCH\$	2005 THCH\$
<b>NET INCOME IN ACCORDANCE WITH CHILEAN GAAP</b>	<b>13,239,624</b>	<b>45,902,669</b>	<b>68,016,865</b>
Reversal of amortization of revaluation of property, plant and equipment (paragraph b)	1,712,729	1,915,061	1,100,513
Depreciation of property, plant and equipment and difference in fixed assets value at acquisition date (paragraph c)	(2,553,951)	(2,275,442)	(1,069,529)
Amortization of intangibles (paragraph d)	130,675	1,045,406	-
Deferred income taxes (paragraph e)	9,750,021	12,353,168	3,434,878
Pension and post-retirement benefits (paragraph g)	12,590,135	(5,618,717)	1,501
Investments in related companies (paragraph h)	29,094,941	1,517	(33,127,512)
Amortization and impairment of goodwill (paragraph i)	54,303,631	55,712,089	54,611,098
Amortization of negative goodwill (paragraph j)	(14,157,667)	1,240,945	881,502
Capitalized interest (paragraph k)	11,005,470	8,177,237	11,289,637
Depreciation capitalized interest (paragraph k)	(3,199,181)	(2,245,319)	(1,654,273)
Difference foreign exchange capitalized (paragraph k)	31,081,812	(6,055,010)	6,522
Depreciation difference foreign exchange capitalized (paragraph k)	73,577	256,046	483,447
Accumulated deficit during the development stage (paragraph l)	(1,383,302)	-	-
Capitalized general and administrative expenses (paragraph n)	(2,391,552)	2,892,378	(2,933,568)
Involuntary employee termination benefits (paragraph o)	12,611	(1,733)	(16,913)
Revenue recognition Edesur (paragraph p)	-	-	(3,901,150)
Elimination of amortization of capitalized legal reserve (paragraph q)	552,998	507,690	449,975
Amortization of organizational and start-up costs (paragraph r)	3,702,627	479,483	3,619,621
Derivative instruments operating income (paragraph t)	(173,832,082)	(6,969,366)	32,999,048
Derivative instruments non operating income (paragraph t)	25,851,342	16,366,856	(1,880,057)
Fair value of long-term debt assumed (paragraph u)	(68,686)	(143,223)	(958,124)
Sale of subsidiaries (paragraph v)	519,644	-	-
Deferred income (paragraph w)	127,133	237,768	125,702
Regulated assets (paragraph x)	61,078,338	11,808,446	12,066,813
Reorganization of subsidiaries (paragraph y)	(280,599)	(256,973)	(228,063)
Asset held for sale (paragraph z)	951,583	-	-
Reclassification of discontinued operations (paragraph aa)	(314,397)	-	-
Effects of minority interest on the U.S. GAAP adjustments (paragraph bb)	23,119,561	22,893,855	(6,844,430)
Deferred tax effects on the U.S. GAAP adjustments	5,903,706	(695,853)	(14,207,391)
Extinguishment of debt (paragraph dd)	(18,799,512)	-	-
Reversal amortization of negative goodwill Ampla (paragraph cc)	(36,653,699)	-	-
Staff severance indemnities (paragraph f)	185,180	(185,180)	-
Asset retirement cost - (paragraph ee)	(1,543)	554,479	(63,143)
Asset retirement obligations - liabilities (paragraph ee)	(46,075)	(660,240)	145,367
Net income in accordance with U.S. GAAP before effect of discontinued operations, and cumulative effect of change in accounting principle	31,305,092	157,238,037	122,348,336
Income from discontinued operations net of taxes and minority interest (paragraph aa)	73,385	-	-
Net income in accordance with U.S. GAAP before effect of cumulative effect of change in accounting principle	31,378,477	157,238,037	122,348,336
Cumulative effect of change in accounting principle, net of the tax and minority interest	(297,852)	-	-
<b>NET INCOME IN ACCORDANCE WITH U.S. GAAP</b>	<b>31,080,625</b>	<b>157,238,037</b>	<b>122,348,336</b>
Other comprehensive income (loss):			
Cumulative translation adjustment determined under Chilean GAAP net of minority interest	(77,540,011)	(99,741,436)	(103,528,082)
Cumulative translation adjustment related to U.S GAAP adjustments net of minority interest	54,339,074	12,900,374	20,703,977
Fair value change of hedging instruments used in cash flow hedges	-	-	1,290,400
<b>COMPREHENSIVE INCOME IN ACCORDANCE WITH U.S. GAAP</b>	<b>7,879,688</b>	<b>70,396,975</b>	<b>40,814,631</b>

The reconciliation to conform shareholders' equity amounts to U.S. GAAP is as follows:

	AS OF DECEMBER 31,	
	2004 THCH\$	2005 THCH\$
<b>SHAREHOLDERS' EQUITY IN ACCORDANCE WITH CHILEAN GAAP</b>	<b>2,651,697,054</b>	<b>2,595,871,428</b>
Reversal of revaluation of property, plant and equipment net of accumulated amortization revaluation of property, plant and equipment (paragraph b)	(11,070,775)	(9,970,261)
Depreciation of property, plant and equipment and difference in fixed asset value at acquisition date (paragraph c)	(11,235,988)	(8,801,449)
Intangibles (paragraph d)	-	-
Deferred income taxes (paragraph e)	(313,320,607)	(288,875,452)
Pension and post-retirement benefits liabilities long term (paragraph g)	(18,065,458)	(16,031,549)
Investments in related companies (paragraph h and paragraph z)	30,503,273	(6,803,243)
Goodwill (paragraph i)	365,915,494	413,144,691
Goodwill gross amount (paragraph i)	85,112,432	88,010,090
Negative goodwill (paragraph j)	(386,354,799)	(346,840,789)
Capitalized interest (paragraph k)	64,360,935	66,755,533
Exchange difference (paragraph k)	(20,564,322)	(19,910,705)
Minimum dividend (paragraph m)	(8,453,975)	(15,756,090)
Capitalized general and administrative expenses (paragraph n)	(24,009,837)	(25,700,743)
Reversal of accrual of certain involuntary employee termination benefits (paragraph o)	84,310	57,912
Revenue recognition Edesur (paragraph p)	-	(3,901,150)
Elimination of capitalized legal reserve (paragraph q)	(6,509,105)	(5,326,926)
Amortization organizational and start-up costs (paragraph r)	(15,155,608)	(9,830,945)
Derivative instruments (paragraph t)	(17,089,810)	19,156,543
Fair value of long-term debt assumed (paragraph u)	1,145,775	187,651
Reorganization of subsidiaries (paragraph y)	4,363,914	3,644,900
Deferred income (paragraph w)	(2,407,825)	(2,011,237)
Regulated assets (paragraph x)	(10,289,461)	2,935,088
Effects of minority interest on the U.S. GAAP adjustments (paragraph bb)	231,910,989	200,133,209
Deferred tax effects on the U.S. GAAP adjustments	139,377,836	112,093,511
Asset retirement cost (paragraph ee)	619,845	555,521
Asset retirement obligations - liabilities (paragraph ee)	(1,176,806)	(978,147)
<b>SHAREHOLDERS' EQUITY IN ACCORDANCE WITH U.S. GAAP</b>	<b>2,729,387,481</b>	<b>2,741,807,391</b>

The changes in shareholders' equity in U.S. GAAP as of each year-end are as follows:

	2003 THCH\$	2004 THCH\$	2005 THCH\$
Shareholders equity in accordance with U.S. GAAP - January 1	911,396,045	2,668,046,007	2,729,387,481
Dividends paid during the year	-	-	(13,600,517)
Reversal of dividends payable as of previous balance sheet date	-	-	8,453,975
Minimum dividend payable (paragraph m)	-	(8,453,975)	(15,756,090)
Application of pooling-of-interests method Endesa Brasil (paragraph ff)	-	-	(7,492,089)
Fair value change of hedging instruments used in cash flow hedges	-	-	1,290,400
Negative goodwill Ampla (paragraph cc)	36,653,699	-	-
Extinguishment of debt (paragraph dd)	18,799,512	-	-
Cumulative translation adjustment	(23,200,937)	(86,841,062)	(82,824,105)
Capital increase	1,693,317,063	(601,526)	-
Net income in accordance with U.S. GAAP for the year	31,080,625	157,238,037	122,348,336
<b>SHAREHOLDERS EQUITY IN ACCORDANCE WITH U.S. GAAP - DECEMBER 31</b>	<b>2,668,046,007</b>	<b>2,729,387,481</b>	<b>2,741,807,391</b>

## II. Additional disclosure requirements:

### a. Goodwill and negative goodwill

The following is an analysis of goodwill and negative goodwill, determined on Chilean GAAP basis, as of December 31, 2004 and 2005, respectively:

	AS OF DECEMBER 31,	
	2004 THCH\$	2005 THCH\$
Goodwill	1,772,898,002	1,769,543,808
Less: accumulated amortization	(1,012,955,635)	(1,068,141,299)
<b>Goodwill, net</b>	<b>759,942,367</b>	<b>701,402,509</b>
Negative goodwill	(466,735,386)	(460,143,743)
Less: accumulated amortization	407,957,083	423,453,647
<b>Negative goodwill, net</b>	<b>(58,778,303)</b>	<b>(36,690,096)</b>

Amortization expense under Chile GAAP is disclosed in Note 13.

### b. Basic and diluted earnings per share:

	FOR THE YEAR ENDED DECEMBER 31,		
	2003 CH\$	2004 CH\$	2005 CH\$
Chilean GAAP earnings per share	0.65	1.41	2.08
U.S. GAAP earnings per share:			
U.S. GAAP earnings per share before effect of discontinued operations and cumulative effect of change in accounting principle	1.53	4.82	3.75
Discontinued operations (net of tax)	-	-	-
U.S. GAAP earnings per share before effect of cumulative effect of change in accounting principle	1.53	4.82	3.75
Cumulative effect of change in accounting principle (net of tax)	(0.01)	-	-
Basic and diluted U.S. GAAP earnings per share	1.52	4.82	3.75
Total number of common outstanding shares at December 31,	32,651,166	32,651,166	32,651,166
Weighted average number of common shares outstanding (000's)	20,471,093	32,651,166	32,651,166

- (1) 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 contingent equity securities. Consequently, there are no potentially dilutive effects on the earnings per share of the Company.



## c. Income taxes:

The provision (benefit) for income taxes charged to the results of operations determined in accordance with U.S. GAAP is as follows:

2003	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
<b>INCOME TAX PROVISION UNDER CHILEAN GAAP</b>						
Current income taxes as determined under Chilean GAAP	(30,103,727)	-	(15,555,989)	(9,491,365)	(51,838,718)	(106,989,799)
Deferred income taxes as determined under Chilean GAAP	25,205,178	21,873,191	(16,594,974)	31,720,523	641,937	62,845,855
<b>TOTAL INCOME TAX PROVISION UNDER CHILEAN GAAP</b>	<b>(4,898,549)</b>	<b>21,873,191</b>	<b>(32,150,963)</b>	<b>22,229,158</b>	<b>(51,196,781)</b>	<b>(44,143,944)</b>
<b>U.S. GAAP ADJUSTMENTS:</b>						
Deferred tax effect of applying SFAS N°. 109	6,049,655	(2,007,592)	5,652,768	55,190	-	9,750,021
Deferred tax effect of adjustments to U.S. GAAP	(4,956,601)	61,431,627	(19,692,233)	(27,917,901)	(2,961,187)	5,903,705
U.S. GAAP reclassifications (1)	103,578	-	-	5,291,498	-	5,395,076
<b>TOTAL U.S. GAAP ADJUSTMENTS:</b>	<b>1,196,632</b>	<b>59,424,035</b>	<b>(14,039,465)</b>	<b>(22,571,213)</b>	<b>(2,961,187)</b>	<b>21,048,802</b>
<b>TOTAL INCOME TAX PROVISION UNDER U.S. GAAP</b>	<b>(3,701,917)</b>	<b>81,297,226</b>	<b>(46,190,428)</b>	<b>(342,055)</b>	<b>(54,157,968)</b>	<b>(23,095,142)</b>
<b>2004</b>						
<b>CHILE THCH\$</b>						
<b>ARGENTINA THCH\$</b>						
<b>PERÚ THCH\$</b>						
<b>BRAZIL THCH\$</b>						
<b>COLOMBIA THCH\$</b>						
<b>TOTAL THCH\$</b>						
Income tax provision under Chilean GAAP						
Current income taxes as determined under Chilean GAAP	(1,026,959)	(1,327,897)	(18,374,820)	(5,299,176)	(68,892,025)	(94,920,877)
Deferred income taxes as determined under Chilean GAAP	7,549,971	(22,615,586)	(27,004,144)	(2,398,216)	(2,793,039)	(47,261,014)
<b>TOTAL INCOME TAX PROVISION UNDER CHILEAN GAAP</b>	<b>6,523,012</b>	<b>(23,943,483)</b>	<b>(45,378,964)</b>	<b>(7,697,392)</b>	<b>(71,685,064)</b>	<b>(142,181,891)</b>
<b>U.S. GAAP ADJUSTMENTS:</b>						
Deferred tax effect of applying SFAS N°. 109	1,504,887	8,638,897	2,756,255	(546,870)	-	12,353,169
Deferred tax effect of adjustments to U.S. GAAP	(325,319)	1,538,434	2,960,764	(3,427,635)	(1,442,096)	(695,852)
U.S. GAAP reclassifications (1)	-	-	-	-	(1,912,919)	(1,912,919)
<b>TOTAL U.S. GAAP ADJUSTMENTS:</b>	<b>1,179,568</b>	<b>10,177,331</b>	<b>5,717,019</b>	<b>(3,974,505)</b>	<b>(3,355,015)</b>	<b>9,744,398</b>
<b>TOTAL INCOME TAX PROVISION UNDER U.S. GAAP</b>	<b>7,702,580</b>	<b>(13,766,152)</b>	<b>(39,661,945)</b>	<b>(11,671,897)</b>	<b>(75,040,079)</b>	<b>(132,437,493)</b>
<b>2005</b>						
<b>CHILE THCH\$</b>						
<b>ARGENTINA THCH\$</b>						
<b>PERÚ THCH\$</b>						
<b>BRAZIL THCH\$</b>						
<b>COLOMBIA THCH\$</b>						
<b>TOTAL THCH\$</b>						
<b>INCOME TAX PROVISION UNDER CHILEAN GAAP</b>						
Current income taxes as determined under Chilean GAAP	103,456	(6,260,603)	(24,089,935)	(24,138,728)	(73,538,914)	(127,924,724)
Deferred income taxes as determined under Chilean GAAP	(40,155,701)	(5,631,350)	(2,094,619)	(2,963,662)	463,813	(50,381,519)
<b>TOTAL INCOME TAX PROVISION UNDER CHILEAN GAAP</b>	<b>(40,052,245)</b>	<b>(11,891,953)</b>	<b>(26,184,554)</b>	<b>(27,102,390)</b>	<b>(73,075,101)</b>	<b>(178,306,243)</b>
<b>U.S. GAAP ADJUSTMENTS:</b>						
Deferred tax effect of applying SFAS N°. 109	(405,890)	147,088	5,539,261	(1,845,581)	-	3,434,878
Deferred tax effect of adjustments to U.S. GAAP	(9,554,453)	1,691,344	(1,113,804)	(5,151,255)	(79,223)	(14,207,391)
U.S. GAAP reclassifications (1)	1,766,775	-	443,973	4,521,528	(5,113,717)	1,608,559
<b>TOTAL U.S. GAAP ADJUSTMENTS:</b>	<b>(8,193,568)</b>	<b>1,838,432</b>	<b>4,859,430</b>	<b>(2,475,308)</b>	<b>(5,192,940)</b>	<b>(9,163,954)</b>
<b>TOTAL INCOME TAX PROVISION UNDER U.S. GAAP</b>	<b>(48,245,813)</b>	<b>(10,053,521)</b>	<b>(21,325,124)</b>	<b>(29,577,698)</b>	<b>(78,268,041)</b>	<b>(187,470,197)</b>

(1) Certain tax-related expenses under Chilean GAAP are classified as non-operating, but under US GAAP would be classified as income taxes.

Deferred tax assets (liabilities) as of balance sheet dates are summarized as follows:

	2004			2005		
	SFAS N°. 109 APPLIED TO CHILEAN GAAP BALANCES	SFAS N°. 109 APPLIED TO U.S. GAAP ADJUSTMENTS	TOTAL DEFERRED TAXES UNDER SFAS N°. 109	SFAS N°. 109 APPLIED TO CHILEAN GAAP BALANCES	SFAS N°. 109 APPLIED TO U.S. GAAP ADJUSTMENTS	TOTAL DEFERRED TAXES UNDER SFAS N°. 109
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
<b>DEFERRED INCOME TAX ASSETS:</b>						
Property, plant and equipment	2,997,634	150,134,297	153,131,931	28,305,537	128,613,100	156,918,637
Regulated assets and related deferred cost (companies in Brazil)	-	3,498,418	3,498,418	-	-	-
Allowance for doubtful accounts	30,003,046	-	30,003,046	55,729,456	-	55,729,456
Actuarial deficit (companies in Brazil)	12,461,438	-	12,461,438	11,587,394	-	11,587,394
Deferred income	2,559,911	-	2,559,911	1,973,877	-	1,973,877
Provision real estate projects	2,619,550	-	2,619,550	2,410,198	-	2,410,198
Derivative contracts	1,673,910	3,409,467	5,083,377	-	2,976,094	2,976,094
Vacation accrual	935,248	-	935,248	1,032,170	-	1,032,170
Post retirement benefits	-	6,142,255	6,142,255	-	5,450,727	5,450,727
Tax loss carryforwards (1)	263,748,110	-	263,748,110	238,451,906	-	238,451,906
Contingencies	53,850,081	-	53,850,081	78,355,358	-	78,355,358
Salaries for construction-in progress	3,763,092	-	3,763,092	3,703,826	-	3,703,826
Revenue recognition Edesur	-	-	-	-	1,365,403	1,365,403
Valuation allowance	(137,645,038)	(3,025,111)	(140,670,149)	(174,606,150)	(921,047)	(175,527,197)
Others	6,736,306	1,636,679	8,372,985	12,121,451	787,568	12,909,019
Provision for employee benefits	4,318,272	-	4,318,272	5,900,709	-	5,900,709
<b>TOTAL DEFERRED INCOME TAX ASSETS</b>	<b>248,021,560</b>	<b>161,796,005</b>	<b>409,817,565</b>	<b>264,965,732</b>	<b>138,271,845</b>	<b>403,237,577</b>
<b>DEFERRED INCOME TAX LIABILITIES:</b>						
Property, plant and equipment (2)	400,601,882	108,824,598	509,426,480	391,970,330	97,789,970	489,760,300
Severance indemnities	1,954,571	-	1,954,571	1,725,038	-	1,725,038
Regulated assets	15,186,604	-	15,186,604	28,521,154	997,930	29,519,084
Finance costs	13,449,698	-	13,449,698	12,982,336	-	12,982,336
Derivative contracts	-	-	-	-	6,897,538	6,897,538
Bond discount	1,902,822	-	1,902,822	1,674,134	-	1,674,134
Cost of studies	8,399,073	-	8,399,073	8,323,252	-	8,323,252
Imputed interest on construction	4,447,693	-	4,447,693	4,439,727	-	4,439,727
Materials used	928,167	-	928,167	840,151	-	840,151
Exchange difference	-	-	-	20,388,788	-	20,388,788
Capitalized expenses	576,022	-	576,022	-	-	-
Capitalized interest	1,968,081	21,871,250	23,839,331	-	22,696,881	22,696,881
Others	7,036,676	270,456	7,307,132	12,384,949	31,901	12,416,850
<b>TOTAL DEFERRED INCOME TAX LIABILITIES</b>	<b>456,451,289</b>	<b>130,966,304</b>	<b>587,417,593</b>	<b>483,249,859</b>	<b>128,414,220</b>	<b>611,664,079</b>
<b>NET DEFERRED ASSETS (LIABILITIES)</b>	<b>(208,429,729)</b>	<b>30,829,701</b>	<b>(177,600,028)</b>	<b>(218,284,127)</b>	<b>9,857,624</b>	<b>(208,426,503)</b>
<b>COMPLEMENTARY ACCOUNT</b>	<b>204,772,472</b>	<b>(204,772,472)</b>	<b>-</b>	<b>186,639,565</b>	<b>(186,639,565)</b>	<b>-</b>
<b>NET DEFERRED ASSETS (LIABILITIES)</b>	<b>(3,657,257)</b>	<b>(173,942,771)</b>	<b>(177,600,028)</b>	<b>(31,644,562)</b>	<b>(176,781,941)</b>	<b>(208,426,503)</b>

- (1) Tax loss carryforwards relate primarily to Peruvian, Chilean and Brazilian entities. In accordance with the current enacted tax law in Chile and Brazil, such tax losses may be carried-forward indefinitely, however Peruvian tax carryforwards expire after five years.
- (2) In September 2004, the Peruvian tax court ruled invalid the tax basis of certain assets held by Edegel S.A. Based on this ruling, the Company has increased the long-term deferred tax liability ThCh\$80,429,245, in order to reflect the write-off of the corresponding tax-basis assets held in Peru. As such estimate of future deductible amounts was determined prior to the acquisition of Edegel in connection with the acquisition of Endesa-Chile in 1999, the Company has adjusted goodwill by a corresponding amount in accordance with SFAS N°. 109 "Accounting for Income Taxes" ("SFAS N°. 109") and EITF 93-7 "Uncertainties Related to Income Taxes in a Business Combination".

A reconciliation of the U.S. GAAP Statutory Income Tax rate to the Company's effective tax rate on net income is as follows:

2003	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
Statutory US GAAP tax	(57,988,676)	29,991,226	(13,503,791)	8,696,669	(13,322,805)	(46,127,377)
Effect of higher foreign tax rates	(1,305,082)	33,997,848	(13,900,410)	15,289,085	(17,763,741)	16,317,700
Increase (decrease) in rates resulting from:						
Price-level restatement not accepted for tax purposes	8,279,037	(17,237,266)	(1,483,958)	(2,052,171)	155,244	(12,339,114)
Non-taxable items	23,299,464	37,953,951	5,481,528	(1,231,840)	18,012,737	83,515,840
Non-deductible items (2)	26,922,305	(2,453,645)	(20,820,175)	(25,352,888)	(38,315,314)	(60,019,717)
Prior years income tax	(1,467,236)	-	(377,703)	-	-	(1,844,939)
Other	(1,545,307)	(954,888)	(1,585,919)	(982,407)	(2,924,089)	(7,992,610)
US GAAP reclassifications (1)	103,578	-	-	5,291,497	-	5,395,075
<b>TOTAL INCOME TAX UNDER U.S. GAAP</b>	<b>(3,701,917)</b>	<b>81,297,226</b>	<b>(46,190,428)</b>	<b>(342,055)</b>	<b>(54,157,968)</b>	<b>(23,095,142)</b>
2004	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
Statutory US GAAP tax	(54,826,955)	2,153,492	(19,773,385)	(173,383)	(25,504,224)	(98,124,455)
Effect of higher foreign tax rates	-	3,453,519	(18,986,264)	10,323,481	(31,105,692)	(36,314,956)
Increase (decrease) in rates resulting from:						
Price-level restatement not accepted for tax purposes	(155,460)	(3,193,248)	(8,946,674)	-	(7,638,227)	(19,933,609)
Non-taxable items	34,369,702	(14,369,256)	(8,488,960)	(18,844,779)	(6,240,343)	(13,573,636)
Non-deductible items (2)	26,644,819	1,274,179	1,109,727	(3,277,679)	1,565,707	27,316,753
Prior years income tax	(1,253,785)	-	-	-	-	(1,253,785)
Other	2,924,259	(3,084,838)	15,423,611	300,463	(4,204,381)	11,359,114
US GAAP reclassifications (1)	-	-	-	-	(1,912,919)	(1,912,919)
<b>TOTAL INCOME TAX UNDER U.S. GAAP</b>	<b>7,702,580</b>	<b>(13,766,152)</b>	<b>(39,661,945)</b>	<b>(11,671,897)</b>	<b>(75,040,079)</b>	<b>(132,437,493)</b>
2005	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
Statutory US GAAP tax	(30,209,158)	7,087,359	(13,949,682)	(15,719,501)	(30,132,354)	(82,923,336)
Effect of higher foreign tax rates	-	7,504,263	(13,539,396)	(14,323,818)	(35,582,492)	(55,941,443)
Increase (decrease) in rates resulting from:						
Price-level restatement not accepted for tax purposes	4,464,195	(6,543,472)	-	-	111,877	(1,967,400)
Non-taxable items	13,302,084	1,940,984	9,243,174	12,471,791	8,747,204	45,705,237
Non-deductible items (2)	(36,821,241)	(18,683,590)	(2,282,077)	(16,507,908)	(14,667,130)	(88,961,946)
Effect of change in valuation allowance	(614,315)	-	-	-	1,320,470	706,155
Prior years income tax	764,361	-	-	-	-	764,361
Other	(898,514)	(1,359,065)	(1,231,116)	(19,790)	(2,951,899)	(6,460,384)
US GAAP reclassifications (1)	1,766,775	-	433,973	4,521,528	(5,113,717)	1,608,559
<b>TOTAL INCOME TAX UNDER U.S. GAAP</b>	<b>(48,245,813)</b>	<b>(10,053,521)</b>	<b>(21,325,124)</b>	<b>(29,577,698)</b>	<b>(78,268,041)</b>	<b>(187,470,197)</b>

(1) US GAAP reclassifications are tax related expenses that under Chilean GAAP are classified as non-operating expenses, but under US GAAP would be classified as income taxes.

(2) This represents mainly deductible temporary differences related to investments in subsidiaries that are permanent in nature for which deferred tax asset are not recognized.

#### d. Segment disclosures

The Company is primarily engaged in the distribution and generation of electricity in Chile, Argentina, Brazil, Colombia and Perú. Enersis provides these and other services through four business segments:

- Generation
- Distribution
- Engineering Services and Real Estate
- Corporate and other

Generation involves the generation of electricity primarily through its subsidiary Endesa-Chile. Distribution involves the supply of electricity to regulated and unregulated customers. Engineering Services and Real Estate includes engineering services and real estate development. Corporate and other includes computer-related data processing services and the sale of electricity-related supplies and equipment. 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.

- **Engineering Services and Real Estate**

Revenue is recognized as services are provided, or when projects are sold.

- **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	ENGINEERING SERVICES AND REAL ESTATE	CORPORATE AND OTHER	ELIMINATIONS	CONSOLIDATED
2003	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Sales to unaffiliated customers	669,839,631	-	1,697,533,207	22,347,801	41,615,555	1,560,059	2,432,896,253
Intersegment sales	281,864,894	-	13,165,172	15,229,618	108,466,487	(346,106,909)	72,619,262
<b>TOTAL REVENUES</b>	<b>951,704,525</b>	<b>-</b>	<b>1,710,698,379</b>	<b>37,577,419</b>	<b>150,082,042</b>	<b>(344,546,850)</b>	<b>2,505,515,515</b>
Operating income	357,015,977	-	200,856,790	1,537,228	9,196,754	672,964	569,279,713
Participation in net income of affiliate companies	18,359,030	-	(57,971,115)	92,225	44,938,150	13,182,796	18,601,086
Depreciation and amortization	175,913,080	-	221,060,511	1,759,453	33,514,558	-	432,247,602
Identifiable assets including investment in related companies	5,769,033,986	-	5,510,211,770	128,017,395	4,202,283,031	(4,231,268,738)	11,378,277,444
Capital expenditures	138,979,370	-	134,784,584	278,002	762,524	-	274,804,480

2004	GENERATION	TRANSMISSION	DISTRIBUTION	ENGINEERING SERVICES AND REAL ESTATE	CORPORATE AND OTHER	ELIMINATIONS	CONSOLIDATED
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Sales to unaffiliated customers	765,350,844	-	1,929,443,822	18,606,649	50,095,889	(3,876,164)	2,759,621,040
Intersegment sales	283,397,727	-	15,073,111	13,209,855	105,635,288	(353,335,770)	63,980,211
<b>TOTAL REVENUES</b>	<b>1,048,748,571</b>	<b>-</b>	<b>1,944,516,933</b>	<b>31,816,504</b>	<b>155,731,177</b>	<b>(357,211,934)</b>	<b>2,823,601,251</b>
Operating income	380,724,046	-	284,198,187	1,497,606	1,085,127	5,477,998	672,982,964
Participation in net income of affiliate companies	19,632,267	-	(19,746,621)	270,032	136,612,569	(104,501,113)	32,267,134
Depreciation and amortization	161,804,331	-	217,526,720	1,727,253	56,534,578	-	437,592,882
Identifiable assets including investment in related companies	5,473,732,264	-	5,272,786,345	116,462,847	4,227,580,446	(4,221,942,963)	10,868,618,938
Capital expenditures	99,282,950	-	170,792,560	334,006	5,098,474	-	275,507,990
2005	GENERATION	TRANSMISSION	DISTRIBUTION	ENGINEERING SERVICES AND REAL ESTATE	CORPORATE AND OTHER	ELIMINATIONS	CONSOLIDATED
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Sales to unaffiliated customers	867,378,592	12,819,119	2,208,704,551	20,640,419	63,448,063	377,713	3,173,368,457
Intersegment sales	279,524,901	15,205,808	16,948,911	12,710,391	111,884,010	(393,844,966)	42,429,055
<b>TOTAL REVENUES</b>	<b>1,146,903,493</b>	<b>28,024,927</b>	<b>2,225,653,462</b>	<b>33,350,810</b>	<b>175,332,073</b>	<b>(393,467,253)</b>	<b>3,215,797,512</b>
Operating income	412,939,131	13,064,606	378,036,175	3,105,612	(461,280)	(1,351,088)	805,333,156
Participation in net income of affiliate companies	13,427,618	-	3,108,276	152,186	150,240,767	(160,183,011)	6,745,836
Depreciation and amortization	160,496,742	2,705,277	193,618,097	2,005,286	56,799,700	-	415,625,102
Identifiable assets including investment in related companies	5,415,428,933	489,601,498	4,738,152,308	106,231,618	4,811,804,066	(5,307,626,123)	10,253,592,300
Capital expenditures	60,048,415	321,717	250,795,080	1,407,669	4,876,291	-	317,449,172

A summary of activities by geographic area is as follows:

2003	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
<b>TOTAL REVENUES</b>	<b>907,311,593</b>	<b>310,438,017</b>	<b>265,186,640</b>	<b>584,685,989</b>	<b>430,320,578</b>	<b>2,497,942,817</b>
Long lived assets (net) (1)	2,268,357,729	1,295,396,657	1,061,143,717	1,695,838,445	2,276,788,678	8,597,525,226
2004	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
<b>TOTAL REVENUES</b>	<b>916,144,260</b>	<b>340,554,975</b>	<b>297,745,149</b>	<b>692,951,640</b>	<b>559,050,634</b>	<b>2,806,446,658</b>
Long lived assets (net) (1)	2,320,941,288	1,137,503,114	953,023,737	1,530,126,748	2,019,880,645	7,961,475,532
2005	CHILE THCH\$	ARGENTINA THCH\$	PERÚ THCH\$	BRAZIL THCH\$	COLOMBIA THCH\$	TOTAL THCH\$
<b>TOTAL REVENUES</b>	<b>1,061,101,352</b>	<b>399,423,716</b>	<b>292,918,478</b>	<b>882,588,994</b>	<b>579,764,972</b>	<b>3,215,797,512</b>
Long lived assets (net) (1)	2,305,341,116	975,035,454	838,354,551	1,778,736,511	1,748,657,291	7,646,124,923

(1) Long-lived assets include property, plant and equipment.

**e. 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 Latin America, 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, 2003, 2004 and 2005.

**f. Schedule of debt maturity:**

Following is a schedule of debt maturity in each of the next five years and thereafter:

	THCH\$
2006	772,519,975
2007	215,253,853
2008	434,960,796
2009	446,012,713
2010	381,180,731
Thereafter	1,185,391,429
<b>TOTAL</b>	<b>3,435,319,497</b>

**g. Disclosure regarding interest capitalization:**

	YEAR ENDED DECEMBER 31,		
	2003 THCH\$	2004 THCH\$	2005 THCH\$
Interest expense incurred	446,457,408	373,105,271	353,343,976
Interest capitalized under Chilean GAAP	11,128,026	7,463,017	-
Interest capitalized under U.S. GAAP	22,133,497	15,640,254	11,289,637

**h. Cash flow information:**

(i) The statement of cash flows under Chile GAAP differs in certain respects from the presentation of a statement of cash flow under U.S. GAAP as follows:

	YEAR ENDED DECEMBER 31,		
	2003 THCH\$	2004 THCH\$	2005 THCH\$
Cash provided by operating activities under Chilean GAAP	610,037,097	640,253,704	893,599,254
Cash provided by operating activities under U.S. GAAP	610,037,097	640,253,704	893,599,254
Cash used in financing activities under Chilean GAAP	(462,730,968)	(195,932,720)	(748,541,886)
Cash used in financing activities under U.S. GAAP	(462,730,968)	(195,932,720)	(748,541,886)
Cash provided by (used in) investing activities under Chilean GAAP	93,845,836	(200,886,176)	(330,721,915)
Cash provided by (used in) investing activities under U.S. GAAP	93,845,836	(200,886,176)	(330,721,915)

(ii) Cash and cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less:

	YEAR ENDED DECEMBER 31,		
	2003 THCH\$	2004 THCH\$	2005 THCH\$
Cash	28,002,550	58,528,213	71,374,868
Time deposits	272,116,766	466,970,638	259,894,382
Marketable securities	11,846,282	12,765,112	5,310,478
Other current assets	39,524,183	28,673,919	23,727,718
<b>TOTAL CASH AND CASH EQUIVALENTS UNDER CHILEAN GAAP</b>	<b>351,489,781</b>	<b>566,937,882</b>	<b>360,307,446</b>
<b>TOTAL CASH AND CASH EQUIVALENTS UNDER US GAAP</b>	<b>351,489,781</b>	<b>566,937,882</b>	<b>360,307,446</b>

(iii) Additional disclosures required under U.S. GAAP are as follows:

	YEARS ENDED DECEMBER 31,		
	2003 THCH\$	2004 THCH\$	2005 THCH\$
Interest paid during the year	417,313,562	326,191,759	289,087,070
Income taxes paid during the year	81,971,940	91,193,190	97,966,918
Assets acquired under capital leases	-	28,486,126	-

#### i. 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, 2004 and 2005 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 approximates carrying value due to its relatively short-term nature.

- **Marketable securities**

The fair value of marketable securities is based on quoted market prices of the mutual money market funds held and approximates carrying value.

- **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.

The estimated fair values of the Company's financial instruments compared to Chilean GAAP carrying amounts are as follows:

	2004		2005	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	THCH\$	THCH\$	THCH\$	THCH\$
Cash	58,528,213	58,528,213	71,374,868	71,374,868
Time deposits	466,970,638	466,970,638	259,894,382	259,894,382
Marketable securities	12,765,112	12,765,112	5,310,478	5,310,478
Accounts receivable	547,774,774	547,774,774	640,417,925	640,417,925
Notes receivable, net	2,929,823	2,929,823	3,569,012	3,569,012
Other accounts receivable, net	59,517,911	59,517,911	62,868,293	62,868,293
Amounts due from related companies	118,503,650	118,503,650	5,715,640	5,715,640
Long-term accounts receivable	143,242,632	143,242,632	141,648,811	141,648,811
Accounts payable and other	(255,226,892)	(255,226,892)	(301,034,459)	(301,034,459)
Notes payable	180,198,811	180,198,811	(177,407,876)	(177,407,876)
Long-term debt	(3,839,010,127)	(4,065,746,202)	(3,435,319,497)	(3,660,872,883)
Derivatives instruments	(67,559,563)	(65,656,318)	(123,632,376)	(123,492,797)

#### j. 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 employs policies and procedures to manage its risks associated with these market fluctuation on a global basis through strategic contract selection, fixed-rate and variable-rate portfolio targets, net investment hedges, and financial derivatives. All derivatives that do not qualify for the normal purchase and sales exemption under SFAS N°. 133 are recorded at their fair value. On the date that swaps, futures, forwards or option 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: commodity derivatives, embedded derivatives, and financial derivatives. Certain energy and other contracts for the Company's operations in Chile are denominated in the US dollar. According to SFAS N°. 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, Perú, Brazil, and Colombia, the Company applied BT 64, consistent with the methodology described in Note 36 I paragraph (s), 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.



The following is a summary of the Company's derivative contracts as of December 31, 2004 and 2005.

	2004		
	DISTRIBUTION THCH\$	GENERATION THCH\$	TOTAL THCH\$
Embedded derivatives	2,184,555	(21,177,611)	(18,993,056)
Financial derivatives	(56,271,522)	(9,384,796)	(65,656,318)
Investment in related companies		33,057,767	33,057,767
<b>DERIVATIVE INSTRUMENTS U.S.GAAP SHAREHOLDERS' EQUITY ADJUSTMENT</b>	<b>(54,086,967)</b>	<b>2,495,360</b>	<b>(51,591,607)</b>
	2005		
	DISTRIBUTION THCH\$	GENERATION THCH\$	TOTAL THCH\$
Embedded derivatives	2,299,075	16,717,889	19,016,964
Financial derivatives	(110,367,970)	(13,124,827)	(123,492,797)
Investment in related companies	-	(4,465,986)	(4,465,986)
<b>DERIVATIVE INSTRUMENTS U.S.GAAP SHAREHOLDERS' EQUITY ADJUSTMENT</b>	<b>(108,068,895)</b>	<b>(872,924)</b>	<b>(108,941,819)</b>

The following is the reconciliation of the Company's derivative contracts from Chile GAAP to US GAAP:

	2004		
	CHILE GAAP	ADJUSTMENT	US GAAP
	THCH\$	THCH\$	THCH\$
Embedded derivatives	-	(18,993,055)	(18,993,055)
Financial derivatives	(67,559,563)	1,903,245	(65,656,318)
<b>TOTAL</b>	<b>(67,559,563)</b>	<b>(17,089,810)</b>	<b>(84,649,373)</b>
	2005		
	CHILE GAAP	ADJUSTMENT	US GAAP
	THCH\$	THCH\$	THCH\$
Embedded derivatives	-	19,016,964	19,016,964
Financial derivatives	(123,632,376)	139,579	(123,492,797)
<b>SHAREHOLDERS' EQUITY ADJUSTMENT</b>	<b>(123,632,376)</b>	<b>19,156,543</b>	<b>(104,475,833)</b>

Certain Company's generation and distribution commodity contracts could be seen as contracts that meet the definition of a derivative under SFAS N°. 133 and would be 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.

The Company assessed that its commodity contracts that are requirements contracts do not meet the above definition because the contracts do not have notional amounts, as they only have maximum amounts or no specified amounts, and do not include an implicit or explicit minimum amount in a settlement or a default clause. A requirements contract allows the purchaser to use as many units of power as required to satisfy its actual needs for power during the period of the contract, and the party is not permitted to buy more than its actual needs.

The Company concluded that all of its power is readily convertible to cash as energy is actively traded, or the Company has access, to markets where energy is actively traded. However, only certain electricity generators or distributors have access to the energy markets, thus determination as to whether energy could be considered readily convertible to cash was analyzed on a country by country basis. The Company has also concluded that multiple-delivery long-term power contracts meet the net settlement characteristic. Management believes that multiple-delivery long-term power contracts are readily convertible to cash because the Company operates in countries with active spot markets, that, although they contain varying levels of liquidity, can rapidly absorb the contract's quantities at each delivery date without significantly affecting the price, and thus meet the definition of net settlement, consequently these contracts are accounted for as derivatives that under SFAS No.133.

Because both the purchases and sales interconnection contracts are for periods up to 20 years in complex markets, where no similar term forward market information is available, the Company has estimated such values based on the best information available, including using modeling and other valuation techniques. The Company has recorded the best estimate of fair value, however with different assumptions such as interest rates, inflation rates, exchange rates, electricity rates, and increases in cost trends, materially different fair values could

result. As a result such estimates are highly volatile and dependent upon the assumptions used. The assumption to measure the fair value of these interconnection related contracts using the Argentine market prices may have a significant effect on the Company's net income and shareholders' equity.

### 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 N°. 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.

### Financial Derivatives

Changes in interest rates expose the Company to risk as a result of its portfolio of fixed-rate and variable rate debt. The Company manages interest rate risk exposure on a global basis by limiting its variable rate and fixed-rate exposures to certain variable/fixed mixes set by policy.

The Company manages interest rate risk through the use of interest rate swaps and collars and cross-currency swaps. The Company does not enter into financial instruments for trading or speculative purposes.

The Company also uses short duration forward foreign currency contracts and swaps, and cross-currency swaps, where possible, to manage its risk related to foreign currency fluctuations. These contracts are considered “cover” contracts under Chilean GAAP. In accordance with Chilean GAAP the gain and losses on these contracts are deferred until realized as assets or liabilities.

For US GAAP purposes the Company has met all the requirements for designating all the derivative instruments subscribed during 2005 as “hedges” as well as the cross currency swaps held by Enersis since 2004. These derivative instruments are recorded at fair value in the balance sheet with any gain and/or losses being recorded according to fair value or cash flow hedge accounting as stated in SFAS 133.

### Net Investment Hedges

The Company is also exposed to foreign currency risk arising from long-term debt denominated in foreign currencies, the majority of which is the US dollar. This risk is mitigated, as a substantial portion of the Company’s revenues are either directly or indirectly linked to the US dollar. Additionally, the Company records the foreign exchange gains and losses on liabilities related to net investments in foreign countries which are denominated in the same currency as the functional currency of those foreign investments. Such unrealized gains and losses are included in the cumulative translation adjustment account in shareholders equity, and in this way act as a net investment hedge of the exchange risk affecting the investments (see Note II (c) and Note 22 (f) for further detail).

The accounting treatment for such operations is the same under Chile GAAP and U.S. GAAP.

### k. Reclassification to U.S. 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 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 sales of subsidiaries and related companies
- Gains and losses from disposals of fixed assets
- Taxes, other than income taxes, incurred in Argentina, Brazil, Colombia and Peru
- Pension plan expenses
- Penalties and fines

In addition to the above, recovered taxes included in other non-operating revenues under Chilean GAAP would be recorded as part of income tax expense under U.S. GAAP, and equity in net income or loss of related companies included in non-operating results under Chilean would be presented after income taxes and minority interest under U.S. GAAP.

The following reclassifications included in the column labeled “Reclassifications” disclose amounts using a U.S. GAAP presentation, although the amounts displayed have been determined in accordance with Chilean GAAP:

	2003		
	CHILEAN GAAP	RECLASSIFICATION	U.S. GAAP
	THCH\$	THCH\$	THCH\$
Operating income	581,737,043	(9,859,495)	571,877,548
Non-operating expense, net	(495,524,382)	40,207,338	(455,317,044)
Income taxes	(44,143,943)	5,395,075	(38,748,868)
Minority interest	(83,173,098)	-	(83,173,098)
Equity participation in income of related companies, net	-	18,601,087	18,601,087
Amortization of negative goodwill	54,344,005	(54,344,005)	-
<b>Net income</b>	<b>13,239,625</b>	<b>-</b>	<b>13,239,625</b>

	2004		
	CHILEAN GAAP	RECLASSIFICATION	U.S. GAAP
	THCH\$	THCH\$	THCH\$
Operating income	672,982,964	(63,407,174)	609,575,790
Non-operating expense, net	(397,874,313)	50,775,708	(347,098,605)
Income taxes	(142,181,891)	(1,912,919)	(144,094,810)
Minority interest	(104,746,841)	-	(104,746,841)
Equity participation in income of related companies, net	-	32,267,135	32,267,135
Amortization of negative goodwill	17,722,750	(17,722,750)	-
<b>Net income</b>	<b>45,902,669</b>	<b>-</b>	<b>45,902,669</b>
	2005		
	CHILEAN GAAP	RECLASSIFICATION	U.S. GAAP
	THCH\$	THCH\$	THCH\$
Operating income	805,333,156	(98,434,109)	706,899,047
Non-operating expense, net	(404,993,807)	105,576,278	(299,417,529)
Income taxes	(178,306,243)	1,608,559	(176,697,684)
Minority interest	(169,512,805)	-	(169,512,805)
Equity participation in income of related companies, net	-	6,745,836	6,745,836
Amortization of negative goodwill	15,496,564	(15,496,564)	-
<b>Net income</b>	<b>68,016,865</b>	<b>-</b>	<b>68,016,865</b>

Certain reclassifications would be made to the Chilean GAAP balance sheet in order to present Chilean GAAP amounts in accordance with presentation requirements under 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. Assets and liabilities related to financial derivatives have been recorded in

the balance sheet at their gross amounts for Chilean GAAP purposes, whereas under US GAAP unrealized derivative gains and losses are recorded in earnings or directly to shareholders' equity for qualifying cash flow hedges. Under U.S. GAAP, negative goodwill is allocated to long-lived assets instead of a separate line item in the other assets. These reclassifications exclude consolidation of development stage companies, the effect of which is immaterial.

The effect of the following reclassifications included in the column labeled "Reclassifications" discloses amounts using a U.S. GAAP presentation although the amounts displayed have been determined in accordance with Chilean GAAP:

	2004		
	CHILEAN GAAP THCH\$	RECLASSIFICATION THCH\$	U.S. GAAP THCH\$
Current assets	1,551,760,139	(55,445,284)	1,496,314,855
Property, plant and equipment, net	7,961,475,531	(42,510,093)	7,918,965,438
Other assets	1,355,383,268	83,406,319	1,438,789,587
<b>TOTAL ASSETS</b>	<b>10,868,618,938</b>	<b>(14,549,058)</b>	<b>10,854,069,880</b>
Current liabilities	1,035,671,540	(250,063)	1,035,421,477
Long-term liabilities	3,943,744,126	(14,298,995)	3,929,445,131
Minority interest	3,237,506,218	-	3,237,506,218
Shareholder's equity	2,651,697,054	-	2,651,697,054
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,868,618,938</b>	<b>(14,549,058)</b>	<b>10,854,069,880</b>
	2005		
	CHILEAN GAAP THCH\$	RECLASSIFICATION THCH\$	U.S. GAAP THCH\$
Current assets	1,301,484,364	(43,306,926)	1,258,177,438
Property, plant and equipment, net	7,646,124,923	(36,690,096)	7,609,434,827
Other assets	1,305,983,013	60,451,146	1,366,434,159
<b>TOTAL ASSETS</b>	<b>10,253,592,300</b>	<b>(19,545,876)</b>	<b>10,234,046,424</b>
Current liabilities	1,477,031,205	(1,611,001)	1,475,420,204
Long-term liabilities	3,380,649,098	(17,934,875)	3,362,714,223
Minority interest	2,800,040,569	-	2,800,040,569
Shareholder's equity	2,595,871,428	-	2,595,871,428
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,253,592,300</b>	<b>(19,545,876)</b>	<b>10,234,046,424</b>

## I. Employee Benefit Plans

ENERSIS S.A. 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 expenses" short and long-term is calculated in accordance with the policy set forth in Note 2 (n), using the current salary levels of all employees covered under the severance indemnities agreement,

an assumed discount rate of 9.5% for the year ended December 31, 2003 and 6.5% for the years ended December 31, 2004 and 2005, 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 Enersis 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 Enersis. These electric rate subsidies result in the eligible retired employees paying a percentage of their total monthly electricity costs, with Enersis 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 Enersis. This benefit expires at the time of death of the pensioner.

**iii) Supplementary pension benefits**

Eligible employees are able 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 Enersis employee, however, continues to cover the surviving-spouse in the case of employees of the subsidiary Endesa-Chile.

**iv) 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 N°. 87 and SFAS N°. 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 (gg), above. The following data represents Chile GAAP amounts presented under FAS N°132 Revised 2003 Employers' Disclosures about Pensions and other Postretirement Benefits, for Company's post-retirement benefit plans.

Following is a schedule of estimated pay-out of pension benefits in each of the next five years:

	AS OF DECEMBER 31,	
	2005	
	THCH\$	
2006	26,219,085	
2007	26,808,411	
2008	27,290,191	
2009	27,434,481	
2010	27,971,527	
Thereafter	109,938,370	
<b>TOTAL</b>	<b>245,662,065</b>	

	AT DECEMBER 31, 2004			
	PENSION BENEFITS			OTHER BENEFITS
	NON CONTRIBUTORY	CONTRIBUTORY	TOTAL	TOTAL
	THCH\$	THCH\$	THCH\$	THCH\$
Assets and obligations				
Accumulated benefit obligation	(59,051,463)	(199,406,385)	(258,457,848)	(45,798,198)
Plan assets at fair value	-	132,699,357	132,699,357	-
Unfunded accumulated benefit	(59,051,463)	(66,707,028)	(125,758,491)	(45,798,198)
Changes in benefit (obligations)				
Benefit (obligations) at January 1	(62,331,603)	(65,035,568)	(127,367,171)	(43,555,403)
Price-level restatement	(958,042)	2,022,256	1,064,214	(491,034)
Foreign exchange effect	8,476,434	1,976,950	10,453,384	(294,466)
Net periodic expense	(2,899,838)	(17,386,358)	(20,286,196)	(5,592,270)
Benefits paid	1,233,135	16,852,675	18,085,810	5,692,143
Company contributions	-	(42,733)	(42,733)	(8,324,046)
Benefit (obligations) at December 31	(56,479,914)	(61,612,778)	(118,092,692)	(52,565,076)
Funded Status of the Plans				
Projected benefits obligation	(58,565,931)	(187,378,607)	(245,944,538)	(51,520,882)
Fair value of the plans assets	-	132,699,357	132,699,357	-
Funded Status	(58,565,931)	(54,679,250)	(113,245,181)	(51,520,882)
Unrecognized loss (gain)	-	(17,964,867)	(17,964,867)	9,504,384
Unrecognized net prior service cost	2,086,017	11,031,339	13,117,356	(10,548,579)
Net liability recorded under U.S. GAAP	(56,479,914)	(61,612,778)	(118,092,692)	(52,565,077)
Change in the plan assets				
Fair value of plans assets, beginning	-	126,467,184	126,467,184	-
Foreign exchange effect	-	(13,196,084)	(13,196,084)	-
Actual return on the plan assets	-	13,055,059	13,055,059	-
Employer contributions	-	7,639,381	7,639,381	-
Plan participant contributions	-	2,718,875	2,718,875	-
Benefits paid	-	(3,985,058)	(3,985,058)	-
Fair value of plans assets, ending	-	132,699,357	132,699,357	-
Service cost	(661,715)	(1,445,673)	(2,107,388)	(1,677,799)
Interest cost	(7,458,482)	(19,206,505)	(26,664,987)	(1,723,946)
Expected return on assets	-	27,393,269	27,393,269	(1,244,896)
Amortization gain (loss)	5,220,359	(15,967,362)	(10,747,003)	(945,629)
Amortization of transition asset	-	(8,160,085)	(8,160,085)	-
Net periodic expenses	(2,899,838)	(17,386,356)	(20,286,194)	(5,592,270)

ASSUMPTIONS AS OF DECEMBER 31, 2004	PENSION BENEFITS			OTHER BENEFITS		
	CHILE	COLOMBIA	BRAZIL	CHILE	COLOMBIA	BRAZIL
Weighted - discount rate (1)	6.5%	12.0%	10.2%	6.5%	12.0%	10.2%
Weighted - salary increase	4.0%	6.9%	5.2%	4.0%	6.9%	5.2%
Weighted - return on plan assets (1)	-	-	10.2%	-	-	-
Weighted - long term inflation (2)	2.5%	6.9%	4.0%	2.5%	6.9%	4.0%

(1) Includes fixed long term inflation assumption detail in (2)

## 15 CONSOLIDATED FINANCIAL STATEMENTS

	AT DECEMBER 31, 2005			
	PENSION BENEFITS			OTHER BENEFITS
	NON CONTRIBUTORY	CONTRIBUTORY	TOTAL	TOTAL
	THCH\$	THCH\$	THCH\$	THCH\$
<b>Assets and obligations</b>				
Accumulated benefit obligation	(56,870,812)	(213,363,540)	(270,234,352)	(50,028,205)
Plan assets at fair value	-	178,274,548	178,274,548	-
Unfunded accumulated benefit	(56,870,812)	(35,088,992)	(91,959,804)	(50,028,205)
<b>Changes in benefit (obligations)</b>				
Benefit (obligations) at January 1	(56,479,914)	(61,612,778)	(118,092,692)	(52,565,076)
Price-level restatement	1,414,184	2,140,985	726,009	(149,919)
Foreign exchange effect	3,557,496	4,255,555	7,813,051	2,611,879
Net periodic expense	(7,771,768)	(2,668,215)	(10,439,983)	(4,532,574)
Benefits paid	5,238,358	(6,097,145)	(858,787)	3,414,140
Company contributions	-	16,961,774	16,961,774	(1,208,988)
Effect of exchange adjustment	-	(4,722,175)	(4,722,175)	1,371,961
Benefit (obligations) at December 31	(56,870,812)	(51,741,999)	(108,612,811)	(50,763,739)
<b>Funded Status of the Plans</b>				
Projected benefits obligation	(56,870,812)	(204,975,505)	(261,846,317)	(53,113,039)
Fair value of the plans assets	-	178,274,548	178,274,548	-
Funded Status	(56,870,812)	(26,700,957)	(83,571,769)	(53,113,039)
Unrecognized loss (gain)	-	-	-	8,705,325
Unrecognized net prior service cost	-	(25,041,042)	(25,041,042)	(6,356,025)
Net liability recorded under U.S. GAAP	(56,870,812)	(51,741,999)	(108,612,811)	(50,763,739)
<b>Change in the plan assets</b>				
Fair value of plans assets, beginning	-	134,746,542	134,746,542	-
Foreign exchange effect	-	11,812,728	11,812,728	-
Actual return on the plan assets	-	30,456,214	30,456,214	-
Employer contributions	-	14,089,089	14,089,089	-
Plan participant contributions	-	2,892,896	2,892,896	-
Benefits paid	-	(15,722,920)	(15,722,920)	-
Fair value of plans assets, ending	-	178,274,549	178,274,549	-
<b>Service cost</b>				
Service cost	(580,377)	841,539	261,162	(133,321)
Interest cost	(6,244,849)	(3,893,082)	(10,137,931)	(4,182,679)
Expected return on assets	-	1,251,136	1,251,136	-
Amortization gain (loss)	(946,542)	469,151	(477,391)	(216,574)
Amortization of transition asset	-	(1,336,959)	(1,336,959)	-
Net periodic expenses	(7,771,768)	(2,668,215)	(10,439,983)	(4,532,574)

ASSUMPTIONS AS OF DECEMBER 31, 2005	PENSION BENEFITS			OTHER BENEFITS		
	CHILE	COLOMBIA	BRAZIL	CHILE	COLOMBIA	BRAZIL
Weighted - discount rate (1)	6.5%	11.2%	10.2%	6.5%	11.2%	10.2%
Weighted - salary increase	4.0%	6.1%	4.0%	4.0%	-	-
Weighted - return on plan assets (1)	-	-	10.2%	-	-	-
Weighted - long term inflation (2)	2.5%	6.1%	4.0%	2.5%	6.1%	4.0%

(1) Includes fixed long term inflation assumption detail in (2)



### m. Comprehensive income (loss)

In accordance with U.S. 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, 2003, 2004 and 2005 (in thousands of constant Chilean pesos as of December 31, 2005).

	2003		
	CHILEAN GAAP CUMULATIVE TRANSLATION ADJUSTMENT	EFFECT OF U.S. GAAP ADJUSTMENTS ON CUMULATIVE COMPREHENSIVE TRANSLATION ADJUSTMENT	ACCUMULATED OTHER INCOME (LOSS)
	THCH\$	THCH\$	THCH\$
Beginning balance	53,462,893	(15,332,178)	38,130,715
Credit (charge) for the period	(77,540,011)	54,339,074	(23,200,937)
<b>ENDING BALANCE</b>	<b>(24,077,118)</b>	<b>39,006,896</b>	<b>14,929,778</b>
	2004		
	CHILEAN GAAP CUMULATIVE TRANSLATION ADJUSTMENT	EFFECT OF U.S. GAAP ADJUSTMENTS ON CUMULATIVE COMPREHENSIVE TRANSLATION ADJUSTMENT	ACCUMULATED OTHER INCOME (LOSS)
	THCH\$	THCH\$	THCH\$
Beginning balance	(24,077,118)	39,006,896	14,929,778
Credit (charge) for the period	(99,741,436)	12,900,374	(86,841,062)
<b>ENDING BALANCE</b>	<b>(123,818,554)</b>	<b>51,907,270</b>	<b>(71,911,284)</b>
	2005		
	CHILEAN GAAP CUMULATIVE TRANSLATION ADJUSTMENT	EFFECT OF U.S. GAAP ADJUSTMENTS ON CUMULATIVE COMPREHENSIVE TRANSLATION ADJUSTMENT	ACCUMULATED OTHER INCOME (LOSS)
	THCH\$	THCH\$	THCH\$
Beginning balance	(123,818,554)	51,907,270	(71,911,284)
Credit (charge) for the period	(103,528,082)	21,994,377	(81,533,705)
<b>ENDING BALANCE</b>	<b>(227,346,636)</b>	<b>73,901,647</b>	<b>(153,444,989)</b>

The Company does not recognize deferred tax assets associated with cumulative translation adjustment as the investment they are associated with are permanent in nature.

### n. Goodwill and intangible assets

As discussed in Note 36 paragraph (i), ENERSIS S.A. adopted SFAS 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS 142, effective

January 1, 2002 and annually thereafter. Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The Company's reporting units are at the operating subsidiary level. This methodology differs from Enersis's previous policy, as provided under accounting standards existing at that time of using undiscounted cash flows on an enterprise-wide basis to determine if goodwill was recoverable. Subsequent to adoption in 2002 of SFAS N°. 142, due to changes in circumstances, the Company recognized a non-cash charge of ThCh\$637,543,535 to reduce the carrying value of goodwill.

## 15 CONSOLIDATED FINANCIAL STATEMENTS

In calculating the impairment charge, the fair value of the impaired reporting units underlying the segments were estimated using discounted cash flow methodology. The ThCh\$637,543,535 goodwill impairment is associated entirely with goodwill associated with investments in Argentina and Brazil. The impairment reflects the decline in the Company's revenues and forecasted cash flows in their Argentina and Brazilian subsidiaries and the increase in inflation and interest rates and decreasing expectations of the currencies in

Argentina and Brazil. Prior to performing the review for impairment, SFAS 142 required that all goodwill deemed to be related to the entity as a whole be assigned to all of the Company's reporting units, including the reporting units of the acquirer.

A summary of the changes in the Company's goodwill under U.S. GAAP during the year ended December 31, 2004 and 2005, by country of operation and segment is as follows:

GOODWILL BY COUNTRY	2004				
	JANUARY 1,	ACQUISITIONS (DISPOSALS)	TRANSLATION ADJUSTMENT	IMPAIRMENT	DECEMBER 31,
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Chile	1,060,862,014	80,429,245	-	-	1,141,291,259
Colombia	60,799,578	(12,476,478)	(4,068,700)	-	44,254,400
Perú	18,693,403	-	(1,573,895)	-	17,119,508
<b>TOTAL</b>	<b>1,140,354,995</b>	<b>67,952,767</b>	<b>(5,642,595)</b>	<b>-</b>	<b>1,202,665,167</b>
GOODWILL BY SEGMENT	2004				
	JANUARY 1,	ACQUISITIONS (DISPOSALS)	TRANSLATION ADJUSTMENT	IMPAIRMENT	DECEMBER 31,
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Generation	972,890,677	80,429,245	(3,710,558)	-	1,049,609,364
Distribution	167,397,145	(12,476,478)	(1,932,037)	-	152,988,630
Other	67,173	-	-	-	67,173
<b>TOTAL</b>	<b>1,140,354,995</b>	<b>67,952,767</b>	<b>(5,642,595)</b>	<b>-</b>	<b>1,202,665,167</b>
GOODWILL BY COUNTRY	2005				
	JANUARY 1,	ACQUISITIONS (DISPOSALS)	TRANSLATION ADJUSTMENT	IMPAIRMENT	DECEMBER 31,
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Chile	1,141,291,259	-	-	-	1,141,291,259
Colombia	44,254,400	-	(4,978,730)	-	39,275,670
Perú	17,119,508	-	(1,925,987)	-	15,193,521
<b>TOTAL</b>	<b>1,202,665,167</b>	<b>-</b>	<b>(6,904,717)</b>	<b>-</b>	<b>1,195,760,450</b>
GOODWILL BY SEGMENT	2005				
	JANUARY 1,	ACQUISITIONS (DISPOSALS)	TRANSLATION ADJUSTMENT	IMPAIRMENT	DECEMBER 31,
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Generation	1,049,609,364	-	(4,540,500)	-	1,045,068,864
Distribution	152,988,630	-	(2,364,217)	-	150,624,413
Other	67,173	-	-	-	67,173
<b>TOTAL</b>	<b>1,202,665,167</b>	<b>-</b>	<b>(6,904,717)</b>	<b>-</b>	<b>1,195,760,450</b>

The Company's intangible assets were ThCh\$83,614,327 and ThCh\$81,815,595 and related accumulated amortization were ThCh\$45,598,343 and ThCh\$48,423,446 as of December 31, 2004 and 2005, respectively. There is no difference between Chilean and U.S. GAAP in the amortization of intangible assets because all of the Company's intangible assets are subject to amortization, since they relate to finite contracts or concessions.

#### o. Asset retirement obligations

As discussed in Note 36 paragraph (gg), the Company adopted SFAS N°. 143 effective January 1, 2003. The following table describes all changes to the Company's U.S. GAAP asset retirement obligation during the year ended December 31, 2004 and 2005:

	AS OF DECEMBER 31,	
	2004 THCH\$	2005 THCH\$
Balance as of January 1,	(557,026)	(1,176,806)
Cumulative Translation Adjustment	40,460	53,292
Liabilities incurred in the period	-	-
Accretion expense	(660,240)	145,367
<b>BALANCE AS OF DECEMBER 31,</b>	<b>(1,176,806)</b>	<b>(978,147)</b>

#### p. Recent accounting pronouncements

The following new accounting standards have been adopted by the Company during the year-ended December 31, 2005 and the impact of such adoption, if applicable, has been presented in the accompanying consolidated financial statements.

i) In December 2004, the FASB issued Statement N°. 153, Exchanges of Nonmonetary Assets - an amendment of APB Opinion N°. 29 or SFAS N°. 153, which amends APB Opinion N°. 29, Accounting for Nonmonetary Transactions to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS N°. 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not anticipate that the adoption of this statement will have a material effect on its financial position, results of operations or cash flows.

ii) In May 2005, the FASB issued Statement N°. 154, Accounting Changes and Error Corrections – a replacement of APB Opinion N°. 20 and FASB Statement N°. 3 (“SFAS N°. 154”). SFAS N°. 154 requires retrospective application to prior periods' financial statements of changes in accounting principles, unless impracticable. The statement defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used and redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS N°. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. The new standard is effective for accounting changes made in fiscal years beginning after December 15, 2005. The Company does not anticipate that the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

iii) On November 2, 2005, the FASB issued Financial Staff Position (“FSP”) FAS 115-1 and FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which nullifies certain requirements of Emerging Issues Task Force Issue (“EITF”) N°. 03-1, The Meaning of Other-Than Temporary Impairment and Its Application to Certain Investments” and supersedes EITF Abstracts Topic N°. D-44, Recognition of Other-Than-Temporary Impairment Upon the Planned Sale of a Security whose Cost Exceeds Fair Value. The guidance in this FSP shall be applied to reporting periods beginning after December 15, 2005. The Company does not expect the adoption of this guidance will have a material effect on its financial position, results of operations or cash flows.

iv) At the June 15 and 16 EITF meeting, and further modified at the September 15, 2005 meeting, the EITF discussed Issue 05-6, Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination, (“EITF 05-6”), and concluded on the appropriate amortization periods for leasehold improvements either acquired in a business combination or which were not preexisting and were placed in service significantly after, and not contemplated at, the beginning of the lease term. This Issue is effective for leasehold improvements (that are within the scope of this Issue) that are purchased or acquired in reporting periods beginning after June 29, 2005. The Company does not anticipate the adoption of EITF 05-6 will have a material effect on its financial position, results of operations or cash flows.

## 15 CONSOLIDATED FINANCIAL STATEMENTS

v) In February 2006 The FASB has issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements N°. 133 and 140." The new statement:

- a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;
- b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities";
- c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;

d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and

- e) amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

SFAS 155 generally is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after 15 September 2006. The Company does not anticipate that the adoption of this statement will have a material effect on its financial position, results of operations or cash flows.

## BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005 and thousands of US dollars)

ASSETS	AS OF DECEMBER 31,		
	2004 THCH\$	2005 THCH\$	2005 THUS\$
<b>CURRENT ASSETS</b>			
Cash	85,229	118,620	231
Time deposits	9,506,497	-	-
Notes receivable, net	764	737	1
Other accounts receivable, net	2,307,821	18,969,659	37,014
Amounts due from related companies	27,841,759	25,417,921	49,596
Income taxes recoverable	-	7,604,854	14,839
Prepaid expenses	-	620	1
Deferred income taxes	44,343,155	44,043,143	85,938
Other current assets	18,789,888	5,800,833	11,319
<b>TOTAL CURRENT ASSETS</b>	<b>102,875,113</b>	<b>101,956,387</b>	<b>198,939</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and infrastructure	22,085,587	22,090,135	43,103
Machinery and equipment	2,275,664	2,622,234	5,117
Other assets	1,199,891	1,023,716	1,997
Technical appraisal	35,212	35,189	69
Accumulated depreciation	(12,981,702)	(13,791,626)	(26,910)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>12,614,652</b>	<b>11,979,648</b>	<b>23,376</b>
<b>OTHER ASSETS</b>			
Investments in related companies	2,331,231,246	2,213,992,672	4,319,986
Investments in other companies	16,066,467	13,669,829	26,673
Goodwill, net	731,784,702	677,727,706	1,322,396
Negative goodwill, net	(658,300)	(566,419)	(1,105)
Long-term receivables	-	-	-
Amounts due from related companies	449,673,246	352,006,629	686,842
Intangibles	1,526,936	1,526,936	2,979
Accumulated amortization	(526,330)	(602,822)	(1,176)
Other assets	12,771,463	7,299,646	14,243
<b>TOTAL OTHER ASSETS</b>	<b>3,541,869,430</b>	<b>3,265,054,177</b>	<b>6,370,838</b>
<b>TOTAL ASSETS</b>	<b>3,657,359,195</b>	<b>3,378,990,212</b>	<b>6,593,153</b>

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

## CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005 and thousands of US dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	AS OF DECEMBER 31,		
	2004 THCH\$	2005 THCH\$	2005 THUS\$
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt due to banks and financial institutions	32,983	12,222	24
Current portion of bonds payable	9,388,703	162,728,801	317,520
Dividends payable	55,433	54,918	107
Accounts payable	193,999	362,803	708
Miscellaneous payables	98,010	43,357	85
Amounts payable to related companies	78,863,341	33,921,630	66,189
Accrued expenses	18,660,530	21,609,381	42,165
Withholdings	200,464	108,776	212
Unearned income	32,509	-	-
Other current liabilities	563,645	1,170,255	2,283
<b>TOTAL CURRENT LIABILITIES</b>	<b>108,089,617</b>	<b>220,012,143</b>	<b>429,293</b>
<b>LONG-TERM LIABILITIES:</b>			
Due to banks and financial institutions	202,113,240	43,562,500	85,000
Bonds payable	613,341,785	393,722,245	768,239
Accrued expenses	2,657,414	2,746,895	5,360
Deferred income taxes	3,647,496	2,886,930	5,633
Other long-term liabilities	75,812,589	120,188,071	234,513
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>897,572,524</b>	<b>563,106,641</b>	<b>1,098,745</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Paid-in capital, no par value	2,365,606,672	2,365,606,672	4,615,818
Additional paid-in capital	168,583,951	168,583,951	328,944
Other reserves	(127,002,198)	(236,727,352)	(461,907)
Retained earnings	201,375,876	230,391,292	449,544
Net income for the year	45,902,669	68,016,865	132,716
Deficit of subsidiaries in development stage	(2,769,916)	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,651,697,054</b>	<b>2,595,871,428</b>	<b>5,065,115</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,657,359,195</b>	<b>3,378,990,212</b>	<b>6,593,153</b>

## INCOME STATEMENT

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005 and thousands of US dollars)

	AS OF DECEMBER 31,			
	2003 THCH\$	2004 THCH\$	2005 THCH\$	2005 THUS\$
<b>OPERATING INCOME:</b>				
SALES	4,600,167	4,592,497	4,588,089	8,952
COST OF SALES	(1,200,256)	(1,141,125)	(1,144,354)	(2,233)
<b>GROSS PROFIT</b>	<b>3,399,911</b>	<b>3,451,372</b>	<b>3,443,735</b>	<b>6,719</b>
<b>ADMINISTRATIVE AND SELLING EXPENSES</b>	<b>(18,071,719)</b>	<b>(17,938,213)</b>	<b>(17,047,977)</b>	<b>(33,264)</b>
<b>OPERATING INCOME</b>	<b>(14,671,808)</b>	<b>(14,486,841)</b>	<b>(13,604,242)</b>	<b>(26,545)</b>
NON-OPERATING INCOME AND EXPENSE:				
Interest income	42,080,749	31,613,396	25,368,255	49,499
Equity in income of related companies	120,774,424	163,201,598	173,283,190	338,114
Other non-operating income	105,906,241	10,354,841	12,313,919	24,027
Equity in loss of related companies	(76,084,324)	(21,603,514)	(23,057,042)	(44,989)
Amortization of goodwill	(52,950,110)	(53,110,052)	(53,238,181)	(103,879)
Interest expense	(151,391,769)	(74,201,437)	(56,543,014)	(110,328)
Other non-operating expenses	(24,539,447)	(16,534,569)	(2,860,200)	(5,581)
Price-level restatement, net	(4,700,179)	(2,208,664)	(1,619,338)	(3,160)
Exchange difference, net	32,423,148	5,280,312	(6,538,456)	(12,759)
<b>NON-OPERATING EXPENSE, NET</b>	<b>(8,481,267)</b>	<b>42,791,911</b>	<b>67,109,133</b>	<b>130,944</b>
<b>INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>(23,153,075)</b>	<b>28,305,070</b>	<b>53,504,891</b>	<b>104,399</b>
<b>INCOME TAXES</b>	<b>13,418,066</b>	<b>17,555,871</b>	<b>14,473,093</b>	<b>28,240</b>
<b>INCOME BEFORE AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>(9,735,009)</b>	<b>45,860,941</b>	<b>67,977,984</b>	<b>132,639</b>
<b>AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>22,974,632</b>	<b>41,728</b>	<b>38,881</b>	<b>77</b>
<b>NET INCOME FOR THE YEAR</b>	<b>13,239,623</b>	<b>45,902,669</b>	<b>68,016,865</b>	<b>132,716</b>

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

## STATEMENTS OF CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2005 and thousands of US dollars)

	AS OF DECEMBER 31,			
	2003 THCH\$	2004 THCH\$	2005 THCH\$	2005 THUS\$
Net income (loss) for the year	13,239,625	45,902,669	68,016,865	132,716
<b>GAIN (LOSSES) FROM SALES OF ASSETS:</b>				
Gain on sale of investments	(93,263,593)	-	-	-
<b>CHARGES (CREDITS) TO INCOME WHICH DO NOT REPRESENT CASH FLOWS:</b>				
Depreciation	1,152,102	1,092,973	1,095,531	2,138
Amortization of intangibles	76,491	76,491	76,491	149
Equity in income of related companies	(120,774,424)	(163,201,598)	(173,283,190)	(338,114)
Equity in losses of related companies	76,084,324	21,603,514	23,057,042	44,989
Amortization of goodwill	52,950,110	53,110,052	53,238,181	103,879
Amortization of negative goodwill	(22,974,632)	(41,728)	(38,881)	(76)
Price-level restatement, net	4,700,179	2,208,664	1,619,338	3,160
Exchange difference, net	(32,423,148)	(5,280,312)	6,538,456	12,759
Other credits to income which do not represent cash flows	(310,377)	(896,277)	(4,664,529)	(9,102)
Other charges to income which do not represent cash flows	56,476,167	30,037,839	7,162,321	13,975
Changes in assets which affect operating cash flows:				
Decrease in dividends receipts	-	68,869,948	86,042,128	167,887
Decrease (increase) in trade receivables	(471,228)	452,464	-	-
Decrease (increase) in other assets	18,882,503	(9,258,840)	(2,499,084)	(4,876)
Changes in liabilities which affect operating cash flows:				
Increase (decrease) in accounts payable associated with operating results	(6,126,937)	(4,368,687)	(4,306,004)	(8,402)
Increase in interest payable	(29,105,337)	6,022,609	(946,941)	(1,848)
Decrease in income tax payable	(13,418,066)	(18,776,966)	(9,216,116)	(17,983)
Increase in other accounts payable associated with operating results	1,545,313	(20,004,827)	(37,698)	(74)
Net decrease (increase) in value added tax and other similar taxes payable	5,006	39,390	(301,347)	(588)
<b>Net cash flows provided by operating activities</b>	<b>(93,755,924)</b>	<b>7,587,378</b>	<b>51,552,563</b>	<b>100,589</b>



	AS OF DECEMBER 31,			
	2003 THCH\$	2004 THCH\$	2005 THCH\$	2005 THUS\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of shares	580,291,025	-	-	-
Loans obtained	390,248,387	77,972,560	-	-
Proceeds from bond issuances	232,964,204	-	1,154,286	2,252
Loans obtained from related companies	-	87,819,535	25,233,138	49,235
Other sources of financing	18,806,765	13,099,629	444,178	867
Dividends paid	(75,137)	(61,220)	(14,049,201)	(27,413)
Payment of loans	(1,119,997,313)	(172,978,056)	(149,483,004)	(291,674)
Payment of bonds	(90,718,676)	(139,486)	(144,844)	(283)
Payment of loans obtained from related companies	(68,915,379)	(88,317,516)	(38,671,985)	(75,458)
Payment of bond issuance costs	(11,502,133)	(11,853,047)	-	-
Other disbursements for financing	(64,037,353)	(2,810,074)	(5,844,831)	(11,405)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(132,935,610)</b>	<b>(97,267,675)</b>	<b>(181,362,263)</b>	<b>(353,879)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales long-term investment	171,420,748	-	-	-
Proceeds from loans granted to related companies	56,356,495	112,607,167	217,222,481	423,849
Proceeds from other loans granted to related companies	-	101,757,164	-	-
Sales of another investments	-	-	1,083,569	2,114
Long-term investments	-	(356,342)	(24,300,093)	(47,415)
Additions to property, plant and equipment	-	(97,416)	(145,384)	(284)
Other loans granted to related companies	(6,146,443)	(102,971,860)	(144,361,232)	(281,680)
Other receipts from investments	1,736,693	2,198,531	55,921,323	109,114
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>223,367,493</b>	<b>113,137,244</b>	<b>105,420,664</b>	<b>205,699</b>
<b>POSITIVE NET CASH FLOW FOR THE PERIOD</b>	<b>(3,324,041)</b>	<b>23,456,947</b>	<b>(24,389,036)</b>	<b>(47,591)</b>
<b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS</b>	<b>(537,485)</b>	<b>(324,850)</b>	<b>(201,599)</b>	<b>(391)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,861,526)</b>	<b>23,132,097</b>	<b>(24,590,635)</b>	<b>(47,982)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>5,383,054</b>	<b>1,577,158</b>	<b>24,709,255</b>	<b>48,213</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,521,528</b>	<b>24,709,255</b>	<b>118,620</b>	<b>231</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in thousands of historical Chilean pesos, except as stated)

	PAID-IN CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	RETAINED EARNINGS	DEFICIT OF SUBSIDIARIES IN DEVELOPMENT STAGE	NET INCOME (LOSS) FOR THE YEAR	TOTAL
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
As of January 1, 2003	751,208,197	33,370,057	46,879,587	402,807,650	(4,937,110)	(223,748,087)	1,005,580,294
Capital increase	1,471,844,920	125,881,577	-	-	-	-	1,597,726,497
Transfer of prior year loss to retained earnings	-	-	-	(228,581,520)	4,833,433	223,748,087	-
Changes in equity of affiliates	-	-	(11,432,599)	-	-	-	(11,432,599)
Deficit of subsidiaries in the development stage	-	-	-	-	(1,302,667)	-	(1,302,667)
Cumulative translation adjustment	-	-	(61,587,469)	-	-	-	(61,587,469)
Price-level restatement of capital	4,658,223	71,728	468,796	1,790,596	(49,372)	-	6,939,971
Net income for the year	-	-	-	-	-	12,467,863	12,467,863
<b>AS OF DECEMBER 31, 2003</b>	<b>2,227,711,340</b>	<b>159,323,362</b>	<b>(25,671,685)</b>	<b>176,016,726</b>	<b>(1,455,716)</b>	<b>12,467,863</b>	<b>2,548,391,890</b>
<b>AS OF DECEMBER 31, 2003 (1)</b>	<b>2,365,606,672</b>	<b>169,185,478</b>	<b>(27,260,762)</b>	<b>186,912,161</b>	<b>(1,545,825)</b>	<b>13,239,624</b>	<b>2,706,137,348</b>
As of January 1, 2004	2,227,711,340	159,323,362	(25,671,685)	176,016,726	(1,455,716)	12,467,863	2,548,391,890
Capital increase	-	(563,714)	-	-	-	-	(563,714)
Transfer of prior year income to retained earnings	-	-	-	13,629,822	(1,161,959)	(12,467,863)	-
Changes in equity of affiliates	-	-	(4,435,524)	-	-	-	(4,435,524)
Cumulative translation adjustment	-	-	(103,832,123)	-	-	-	(103,832,123)
Reserve Technical Bulletin N°. 72	-	-	11,992,130	-	-	-	11,992,130
Price-level restatement of capital	55,692,784	3,966,173	(641,792)	4,731,711	(55,989)	-	63,692,887
Net income for the year	-	-	-	-	-	44,307,596	44,307,596
<b>AS OF DECEMBER 31, 2004</b>	<b>2,283,404,124</b>	<b>162,725,821</b>	<b>(122,588,994)</b>	<b>194,378,259</b>	<b>(2,673,664)</b>	<b>44,307,596</b>	<b>2,559,553,142</b>
<b>AS OF DECEMBER 31, 2004(1)</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(127,002,198)</b>	<b>201,375,876</b>	<b>(2,769,916)</b>	<b>45,902,669</b>	<b>2,651,697,054</b>
As of January 1, 2005	2,283,404,124	162,725,821	(122,588,994)	194,378,259	(2,673,664)	44,307,596	2,559,553,142
Transfer of prior year income to retained earnings	-	-	-	41,633,932	2,673,664	(44,307,596)	-
Changes in equity of affiliates	-	-	(5,851,418)	-	-	-	(5,851,418)
Dividend paid	-	-	-	(13,600,517)	-	-	(13,600,517)
Cumulative translation adjustment	-	-	(97,676,664)	-	-	-	(97,676,664)
Reserve Technical Bulletin N°. 72	-	-	(6,197,072)	-	-	-	(6,197,072)
Price-level restatement of capital	82,202,548	5,858,130	(4,413,204)	7,979,618	-	-	91,627,092
Net income for the year	-	-	-	-	-	68,016,865	68,016,865
<b>AS OF DECEMBER 31, 2005</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(236,727,352)</b>	<b>230,391,292</b>	<b>-</b>	<b>68,016,865</b>	<b>2,595,871,428</b>
<b>AS OF DECEMBER 31, 2005 (2)</b>	<b>4,615,818</b>	<b>328,944</b>	<b>(461,907)</b>	<b>449,544</b>	<b>-</b>	<b>132,716</b>	<b>5,065,115</b>

(1) Restated in thousands of constant Chilean pesos as of December 31, 2005.

(2) Expressed in thousands of US\$ as of December 31, 2005

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

# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Enersis Group for the year ended December 31, 2005

## ECONOMICAL-FINANCIAL SUMMARY

Net income of the period 2005 increased positively, in 48,2% reaching Ch\$68,017 million. This result is explained, mainly, by the relevant increase of the operating income, an essential aspect of our business, especially related to good economic activity levels.

Actually, the Operating Income of this period showed a relevant growth of 19.7%. This rise is mainly related to the growth of the operating margin in 20.4% as well as firm growth in the demand for energy, in accordance with the real levels of commercial and industrial activity.

Non Operating Income registered a slight change of 1.8% of negative results.

Another important element to take into consideration, is that from October of 2005, Enersis begins to consolidate the Holding Endesa Brazil. This new company encompasses the generation, distribution and transmission assets in Brazil. The Holding is composed for the following companies: Central Generadora Eléctrica Fortaleza (CGTF), Compañía de Interconexao Energética (CIEN), Cachoeira Dourada (CDSA), Compañía Energética do Ceará (Coelce) and Ampla.

As it has been extensively informed, the purpose of creating this new company is to increase the activity and company presence of The Enersis Group in Brazil. The aforementioned with the clear purpose of having a stronger vehicle for investments which could allow us to obtain opportunely the best opportunities of growth, as this country offers to us.

In December 2005, Endesa Brazil reported an Operating Income of Ch\$53,863 million and a Net Income of Ch\$31,785 million.

## ANALISIS BY COUNTRY AND BY BUSINESS LINE

### Generation business

#### 1. Argentina

The operating income of our subsidiaries reached Ch\$12,081 million, compared to \$34,358 million registered the previous year. This

operating income is explained due to \$2,088 million of operational loss of Endesa Costanera and Ch\$14,169 million of operational profit registered by El Chocón.

The lower operating income of Endesa Costanera is explained due to higher costs of generating, using fuel oil to export to Brazil.

#### 2. Brazil

In Brazil, the operating income of Cachoeira Dourada, corresponding to year 2005 was Ch\$23,405 million, which is favorable compared to \$14,829 million reached throughout the complete year 2004. Among other factors, better hydrology allowed a reduction of the need of physical purchases of energy in 60.5%, equivalent to a lower cost of Ch\$1,920 million.

#### 3. Colombia

In Colombia, the operating income slightly decreased. This lower result is basically explained by the lower hydrology that existed in the year 2005 in the area of Guavio. This situation obliged Emgesa to reduce the hydraulic generation in 4.3% having to increase the thermal generation compared to 2004. On the other hand, Betania increased its production in 13.4%, a situation that allowed it to increase the physical sales and, therefore, its operating incomes. Despite the aforementioned, the operating costs of Betania raised basically, due to higher costs of energy and power sales, a result of a higher average cost of the spot market during the year.

#### 4. Chile

In Chile, the operating income increased 22.2%. An important consideration to explain the better result corresponds to the better node price as a result of the application of the Short Law II from June 13 2005. This positive circumstance was empowered by the favorable hydrology registered since the second half of the year. It is important to highlight the 12.3% of growth in physical sales.

Even though the thermal generation decreased, the costs associated to this type of generation increased importantly as a consequence of the impact of the natural gas restrictions provided by Argentina.

Precisely, considering this actual energetic scenario, our subsidiary

Endesa Chile will continue with the investment plan in the country, which tangible samples will be landed in San Isidro II, with 370 MW of capacity and Palmucho, with a capacity of 32 MW.

In the long term, the studies have been started for building a 2.400 MW in Aysén, in the south of Chile.

### 5. Peru

In Peru, the operating income of Edegel decreased slightly in 0,4%. This reduction is basically explained by lower operating revenues derived from a lower average sale cost of energy. The aforementioned, however, was compensated by lower operating costs related to lower oil costs and energy and energy purchases, due to the dry year in Peru in 2004, and also explained by the use of natural gas provided by Camisea instead of diesel. The physical sales of energy increased 6.3%

## DISTRIBUTION BUSINESS

### 1. Argentina

Edesur improved significantly its operating income. This positive change is basically explained by the improvement of the operating revenues. The number of clients increased by 26 thousand, reaching 2.16 million. Another relevant operational element is the reduction of energy loss.

### 2. Brazil

Our subsidiary Ampla increased its operating income in a considerable 64.9% mainly due to the growth of demand, a better operating margin, and higher sales to free clients.

The aforementioned, however, was partially compensated by a higher operating cost and an increase of selling and administrative expenses.

A positive result of the application of new theft reduction programs, with the energy losses reduced from 22.8% in December 2004 to 22.4% in December 2005. In this context, it is important to mention that throughout 2005, there were 155,120 clients connected with DAT technology, making 249,860 clients up to now.

In the case of our subsidiary Coelce, which serves the city of Fortaleza, the operating income relevantly increased. That is mainly explained by the increase in the tariff and in a higher energy demand.

### 3. Colombia

Our subsidiary Codensa, which serves the city of Bogotá, registered an important increase of 17% in its operating income, which could be explained by higher operating revenues in 4% and in a decrease of the operating costs in 4%.

Codesa serves 2,072,864 clients which represent an increase in its client base of 3%. The physical sales increased 5% at the same time the energy losses decreased from 9.7% to 9.4% throughout the year.

It is important to highlight that in July 2005, Codesa successfully completed a capital reduction by US\$400 million, allowing the delivery fresh resources to its shareholders.

### 4. Chile

Chilectra registered a slight increase of 0.8% in its operating income. The aforementioned can be basically explained by the increase of the physical sales, being compensated by a lower margin of buy –sell, resulting from the last tariff revision carried out in November 2004.

The physical sales of Chilectra increased 4.7%. Another element that shows the efficient step reached by our subsidiary, corresponds to the energy losses, which are at 5,5%, very close to the technical losses. The number of subscribed people was increased to 33,115 new clients.

### 5. Peru

Our subsidiary Edelnor also improved in its operating income. The aforementioned, product of an important increase of 7% of the physical sales, product in part, by the increase of 12,535 new clients. An important consideration over the year 2005 is that the last tariff revision was not modified. The next revision will be carried out in 2009.

**RELEVANT MARKET INFORMATION**

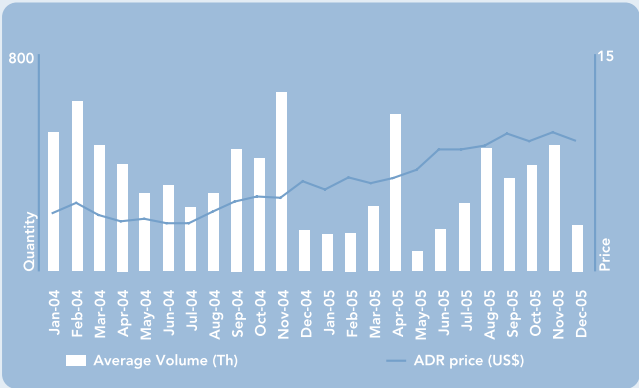
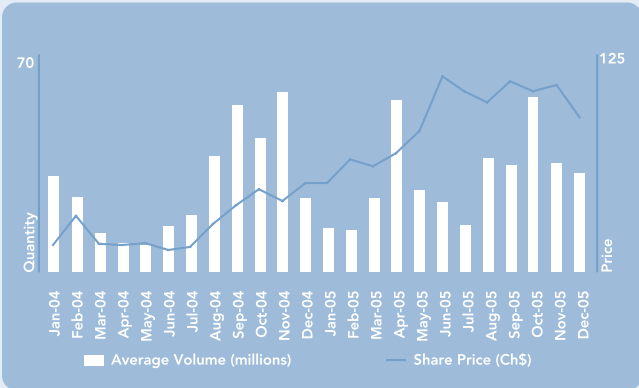
**Share Price:**

The share price increased from Ch\$93.7 to Ch\$111.2, in December 2005, representing a higher value of 18.7%. This better price shows the improvement of our business and the much better structural conditions of Enersis. Likewise, our share is still the most traded share in the local market.

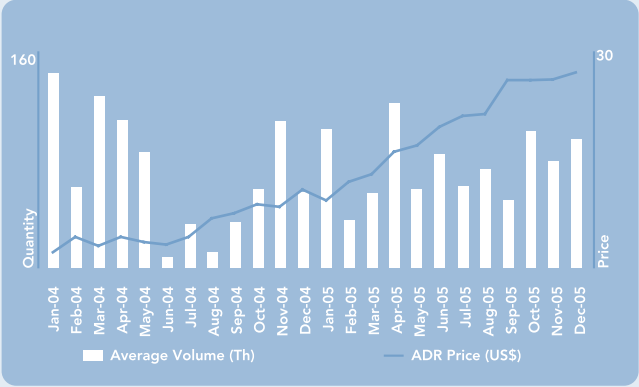
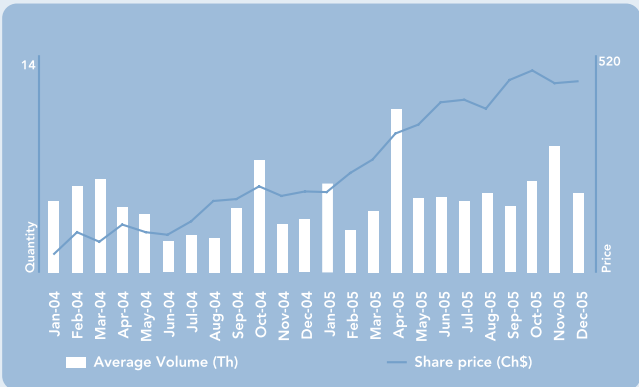
In the other hand, the share value of our subsidiary Endesa Chile has also shown positive trend and an important increase of 55.1% in its price during 2005.

This situation can be perceived in the following graph:

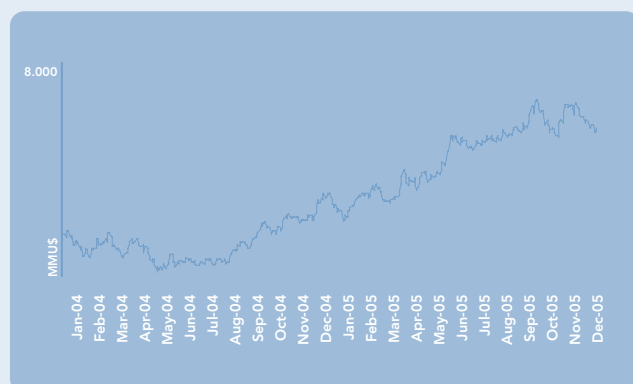
**ENERSIS**



**ENDESA CHILE**



Likewise, we can see that the market capitalization of Enersis has been grow 29.1% closing in US\$7,176 million in December 2005. This trend can be perceived in the following graph:



The macro economic environment in the region has maintained stable during 2005, being characterized by a re-valuation of the local currencies compared to the American dollar. Additionally, and taking as reference the economic consensus, we can find excellent growing projections in the countries we operate with. The aforementioned gives us a solid base to continue growing and improving each of our business lines. In fact, and according to the last Consensus Forecasts, the estimated GDP increase for 2006 is the following:

Chile	5.5%
Brazil	3.4%
Argentina	5.9%
Peru	4.8%
Colombia	4.2%

## RATING AGENCIES

Considering the favorable economic, financial and operational conditions presented by the Enersis Group and its subsidiaries in the region, Standard & Poor's Ratings, improved the qualification of the senior debt of Enersis to 'BBB-' from 'BB+', eliminating one notch difference Enersis' Corporate credit rating and the rating of it's senior secured debt.

This important change implies recognition of the quality of "Investment Grade" of Enersis, as for the debt market, and for the capital. In January 2005, similarly, Moody's Rating Services, improved to Ba1 the international qualification in local and foreign currency of the Enersis Group. Furthermore, in October of the same year, the outlook increased to "positive" for Enersis and for its subsidiary Endesa Chile.

## THE COMPANY'S MARKET

The company activities of Enersis are developed through the subsidiaries companies which operate the different businesses in the countries where the company operates. The most relevant businesses for Enersis are the Electricity Distribution, Generation and Transmission.

The following tables show the evolution of key indicators, in companies in different countries.

### Generation Business

COMAPNY	MARKETS PARTICIPATING	ENERGY SALES GWH		MARKET SHARE	
		DEC-04	DEC-05	DEC-04	DEC-05
Endesa Chile	SIC y SING	18,461	20,731	40.3%	43.7%
Endesa Costanera	SIN	7,973	8,466	9.6%	9.6%
El Chocón	SIN	3,630	4,113	4.4%	4.7%
Edegel	SICN	4,328	4,600	23.3%	23.6%
Emgesa (*)	SIN	12,614	12,358	19.4%	17.9%
Betania	SIN	2,534	2,737	3.9%	4.0%
Cachoeira Dourada	SICN	3,902	3,867	1.2%	0.9%
CGTF (1)	SICN	-	678	n/a	0.1%
CIEN (1)	SICN	-	1,467	n/a	0.3%
<b>TOTAL</b>		<b>53,442</b>	<b>59,017</b>		

(1) Sales of the October-December trimester 2005 are included, the product of which are consolidated from October 2005 through Endesa Brasil

(\*) Includes 18 GWh of inter-company sales.

### Distribution Business

COMPANY	ENERGY SALES (GWH) (* )		ENERGY LOSSES (%)		CUSTOMERS (TH.)		CUSTOMER PER EMPLOYEE	
	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05
Chilectra	11,317	11,851	5.2%	5.5%	1,371	1,404	1,981	1,972
Edesur	13,322	14,018	11.8%	11.4%	2,139	2,165	939	926
Edelnor	4,250	4,530	8.4%	8.6%	912	925	1,680	1,726
Ampla (ex Cerj)	7,628	8,175	22.8%	22.4%	2,115	2,216	1,502	1,671
Coelce	6,141	6,580	13.9%	14.0%	2,334	2,438	1,746	1,848
Codensa	9,656	10,094	9.7%	9.4%	2,015	2,073	2,236	2,239
<b>TOTAL</b>	<b>52,314</b>	<b>55,248</b>	<b>11.9%</b>	<b>11.8%</b>	<b>10,886</b>	<b>11,221</b>	<b>1,521</b>	<b>1,568</b>

(\*) Sales to final clients are included, tolls and inter-company sales.

# 1.- ANALYSIS OF THE FINANCIAL STATEMENTS

## 1.- ANALYSIS OF THE INCOME STATEMENTS

The company results up to December 3, 2005 show a significant increase of a 48.2% compared to the previous year, reaching the Ch\$68.017 million, which are equivalent to a higher profit of Ch\$22.114 million. The aforementioned is mainly due to the excellent operating income that the company got in 2005, which grew in 19.7 % or the equivalent of Ch\$132,350 million, this despite of the adverse effects that the natural gas restrictions produced by Argentina, whose higher gas cuts were registered in April.

It is important to mention that from October 2005, with the creation of Holding Endesa Brasil, in the financial statements of Enersis began the consolidation of the companies Central Geradora Termelétrica Fortaleza (CGTF) and Companhia de Interconexão Energética (CIEN). If we compare homogeneously, that is to say, if we compare the financial statements pro form see note 2 d) where both companies have been added by an equivalent period, the consolidation of Enersis for 2004, the operating income would grow to 17,6%

A comparison of each item of the income statement is presented below:

INCOME STATEMENT (CH\$ MILLION)	DEC-04	DEC-05	VARIATION DEC 04-05	%VARIATION DEC 04-05
Sales	2,823,601	3,215,797	392,196	13.9%
Cost of sales	(1,967,623)	(2,185,190)	(217,567)	(11.1%)
<b>OPERATING MARGIN</b>	<b>855,978</b>	<b>1,030,607</b>	<b>174,629</b>	<b>20.4%</b>
Admin. & selling expenses.	(182,995)	(225,274)	(42,279)	(23.1%)
<b>OPERATING INCOME</b>	<b>672,983</b>	<b>805,333</b>	<b>132,350</b>	<b>19.7%</b>
Income (Loss) Investments in related companies	32,267	6,746	(25,521)	(79.1%)
Non-operating income & expenses, net	(92,327)	(84,833)	7,494	(8.1%)
Net financial margin	(296,819)	(260,534)	36,285	12.2%
Goodwill amortization	(55,116)	(55,186)	(70)	(0.1%)
Price-level restatements	(805)	(4,945)	(4,140)	514.3%
Exchange Differences	14,926	(6,242)	(21,168)	141.8%
<b>NON OPERATING RESULT</b>	<b>(397,874)</b>	<b>(404,994)</b>	<b>(7,120)</b>	<b>1.8%</b>
<b>INCOME BEFORE TAXES</b>	<b>275,109</b>	<b>400,339</b>	<b>125,230</b>	<b>45.5%</b>
Income tax	(142,182)	(178,306)	(36,124)	(25.4%)
Extraordinary Items	-	-	-	-
Minority Interest	(104,747)	(169,513)	(64,766)	61.8%
Amortization negative goodwill	17,723	15,497	(2,226)	(12.6%)
Net income for the year	45,903	68,017	22,114	48.2%
R.A.I.I.D.A.I.E. (*)	1,195,856	1,269,638	73,782	6.2%
Earnings per share \$	1.41	2.08	0.68	48.2%

(\*) Results before taxes, interests, depreciation, amortization and extraordinary items.

### a.- Operating income:

The operating income in December 2005 presents an increase of Ch\$132.350 million compared to the same period in the preceding year, reaching the Ch\$805.333 million, equivalent to an increase of 19.7%. If we make a comparison in homogenous terms of consolidation perimeter, the operating income grows 17, 6% between both years. At the same time, if we add to this comparison the appreciation of the Chilean currency has had against the dollar, which between December 31, 2004 and December 31, 2005 was revalued in 8.1% passing from

Ch\$557.40 to Ch\$512.50 pesos respectively, the operating income will increase in 23.6%.

**The generation and transmission business line** presents an increase of the operating income of Ch\$26.599 million equivalent to 7%. The aforementioned is a consequence mainly of the relevant improvement in the operating income in Chile and Brazil. The physical sales increased 10. 4% passing from 53.442 GWh in December 2004 to 59.017 GWh in December 2005.

### Chile:

In Chile, the operating income of 2005 reached Ch\$186,783 million, 22.2% higher than 2004. The operating revenues increased by 13.6% from Ch\$464,594 million to Ch\$527,682 million, resulting from a node price increase as a consequence of the application of Short Law II from June 13th 2005, plus the favorable hydrology presented in the second half of the year, especially between June-September. The physical sales of energy of the company and subsidiaries in Chile reached 20.731 GWh, equivalent to a 12.3% of growth compared to 2004. The thermal generation in 2005 reached 3,002 GWh, a decrease of 1,333 GWh compared with 2004. Nonetheless the additional costs associated with this type of generation increased significantly as a consequence of the restrictions on natural gas coming from Argentina. This situation worsened in the second trimester due to the late arrival of the rains who just began in June.

### Brazil:

In the operating income of our subsidiary Cachoeira Dourada during 2005 was Ch \$23,405. million which compares favorably with the Ch\$14,829 million reached in 2004, the equivalent to an increase of 57.8%. This is mainly due to an increase in the operating revenues of Ch\$10,610 million for a greater average sales price, for the rate readjustment with CELG in September 2005. Also favorable hydraulic conditions in the southeast-central region during 2005 permitted a proportional production increase in Cachoeira, which meant less need to buy power and energy in 60,5%, allowing to reduce the energy purchase and power in Ch\$ 1,920. million.

From October 2005, with the constitution of the Endesa Brazil Holding, Enersis is consolidating the companies Central Geradora Termelétrica Fortaleza and Companhia de Interconexao Energética.

As of December 31st 2005, the operating income of CGTF reached Ch \$52,908. million, which compared with the Ch\$ 32,059 million obtained in 2004, presents an increase of 65.0%. This increase is mainly due to the better sales margin during 2005 because of less fuel consumption and less toll expenses, partially compensated by the higher energy purchases on the market. The physical sales reached 2,690 GWh, the same amount as in 2004. Enersis recognized an operating income for the period October-December 2005 an amount of Ch 415,363 million coming from CGTF, with sales of 678 GWh.

CIEN showed an operating income of Ch\$33,163. million during 2005, which compared to the same period last year, in which Ch\$60,066. million was reached, reflects a decrease of 44.8%. This

is basically explained by a decrease in physical sales of 14%, given due to a lack of supply from Argentina to Brazil, in December 2005 reaching 6,567 GWh, and a diminishing of the average margin during 2005. Enersis recognized an operating income for October-December 2005 of Ch\$13,064 million coming from CIEN.

### Argentina:

In Argentina, the subsidiaries El Chocón and Endesa Costanera obtained an operating income of Ch\$14,169 million of profit and Ch\$2,088 million of losses respectively. In 2004, both companies obtained results of \$5,666 and Ch\$28,692 million, respectively.

The lower operating income of Endesa Costanera of \$ 30,780. million in 2005 is explained by Ch\$25,667. million in higher costs to generate using fuel oil to export to Brazil, caused by the requirement of interconnection lines in that country at the end of the first semester 2005, product of a delay in rains in the south region of Brazil. The physical sales of energy that Endesa Costanera registered an increase in 6.2% in the year, reaching 8,466 GWh, compared with 7,973 the year before. The Hydroelectric EL Chocón showed an increase in operating income of Ch\$8,503 million, explained mainly by the Ch\$8,831 million increase in operating revenues, the result of greater production in that period thanks to the better hydrology registered in the Comahue zone, added to the increase in the average price of energy sales, a direct effect of the higher price of natural gas in the wholesale energy market, after the authorities recognized this last increase in the pattern of gas prices at the point of extraction. The physical sales of El Chocón reached 4,113 GWh in 2005, an increase of 13.3% compared to the year before in which 3,630 was reached.

### Peru:

In Peru the operating income of Edegel in 2005 reached Ch\$53,823 million, 0.4% less than was reached in 2004. The operating revenues were reduced by Ch\$10,153 million mainly due to a lower average sale price for electricity. This was compensated by a reduction in operating costs of Ch\$10,669 million, product of lower fuel costs, energy and power purchases, given that 2004 was a dry year in Peru, and that the use of natural gas coming from Camisea instead of diesel, allowed the thermal generation increase at a much lower cost. The physical sales increased 6.3% reaching 4,600 GWh, increasing the sales to regulated clients.

### Colombia:

In Colombia the operating income of Emgesa reached Ch\$103,969 million in 2005, Ch\$448 million less that obtained



in 2004. A lower hydrology prevailed in 2005 in the Guavio zone, making Emgesa reduce hydraulic generation in 4.3%, necessitating the increase of thermal energy compared to 2004. The operating revenues diminished by Ch\$3,324 million in 2005 compared with 2004, principally by a 2.0% reduction in physical sales, reaching 12,358 GWh. This effect was compensated by a diminishing of operating costs of Emgesa of Ch\$4,164 million, mainly explained by lower purchase costs of energy and power.

On the other hand, Betania showed an operating income diminished in Ch\$1,724 million compared to the same period the year before, reaching Ch\$16.579 million for the year 2005. Betania has experienced an increase in its production of 13.4% during the year 2005 compared with 2004, which allowed an increase in physical sales in 8.0% reaching 2,737 GWh, increasing its operating revenues in Ch\$1,730 million. On the other hand, operating costs increased in Ch\$3,455 million due mainly to higher costs of power and energy for Ch\$3,725 million due to a higher average price on the spot market during the year.

In Distribution our subsidiaries in the region continue show important increases in physical sales and in the number of clients during this period. In that was the physical sales increased in 2,934 GWh equivalent to a 5.6%, reaching sales of 55,248 GWh as of December 31st 2005. On the other hand, the number of clients increased by 335 thousand, which is an increase of 3.1% reading 11.2 million clients.

#### **Brazil:**

In Brazil our Distribution subsidiary Ampla showed an operating income of Ch\$80.112 million as of December 31, 2005 compared to the same date the year before, showing an increase of 64.9%, or equivalent to Ch\$31.531 million. This increase is explained by various factors such as: an increase in demand which meant a 7.2% rising physical sales, reaching 8.175GWh on December 2005; a greater sales margin during this period, product of tariff revision and higher sales to free clients. This is partially compensated by higher selling and administrative expenses of Ch\$6,984 million, due mainly to the increase of allowances for debtors who cannot be collected from. The number of clients of Ampla increased by 101 thousand clients, reaching 2.22 million and the energy losses decreased from 22.8% to 22.4% by December 2005.

Coelce showed a significant improvement of Ch\$43.111 million in its operating income, reaching Ch\$48.177 by December 2005. This increase in operating income is basically explained by the higher demand for energy which caused physical sales to increase in 7.1% as of December 2005, reaching 6,580 GWh, the higher sales margin

of 2005. The number of clients as of December 2005 reached 2.44 million, representing an increase of 104 thousand clients respect to 2004, equivalent to 4.5%. The losses of energy went from 13.9% in December 2004 to 14% in December 2005.

#### **Argentina:**

In Argentina Edesur shows a greater operating income of Ch\$3,923 million, going from an operating loss of Ch\$262 million registered in December 2004 to a profit of Ch\$3,661 million obtained in the current period. In part this is due to a tariff revision conceded starting in October 2005, and to the increased demand of energy. The physical sales increased in 696 GWh, equivalent to 5.2%, reaching 14,018 GWh in the current period. The number of clients went up in 26 thousand, reaching 2.16 million in December 2005. Energy losses went from 11.8% in December 2004, to 11.4% in December 2005.

#### **Colombia:**

In Colombia, Codensa showed an increase in the operating income of Ch\$14,854 million, which represents a 17% increase in regards to the same period the year before, reaching an operating income of Ch\$102,342 million in December 2005. This increase is mainly due to a better sales margin and the increase in demand which increased the physical sales in 4.5% reaching 10,094 GWh. The number of clients increased by 58 thousand, totaling 2.07 million as of December 2005. Energy losses went from 9.7% in December 2004 to 9.4% in December 2005.

#### **Peru:**

In Peru our subsidiary Edelnor showed an operating income of Ch\$28.315 million which is Ch\$512 million lower than the result obtained on the same date the year before, in which Ch\$28,827 million was reached. This is mainly due to a compensated effects from a greater demand for energy and low unit sales margins. The increase in energy demand caused an increase in physical sales by 6.6% reaching 4,530 GWh in December 2005. Energy losses increased to 8.6% in regards to the 8.4% of 2004.

#### **Chile:**

In Chile our subsidiary Chilectra showed to December 2005 increase in operating income of Ch\$930 million, or the equivalent of 0.8% in regards to the same period the year before, reaching Ch\$115,430 million. This slight increase is due to the increase in physical sales in 4.7%, reaching 11,851 GWh, compensated by a lower operating margin in the current period, product of the tariff revision done in November 2004. The energy losses increased to 5.5% compared to the 5.2% of 2004.

## 15 CONSOLIDATED FINANCIAL STATEMENTS

Operations revenues and costs, as well as selling and administrative expenses of the subsidiaries of the Enersis Group for the fiscal years ending in December 2005 and 2004 are showed as follows:

### OPERATING RESULTS

(Millions of Chilean Pesos)

COMPANY	DECEMBER 2004				DECEMBER 2005			
	SALES	COST OF SALES	ADM. AND SELLING EXPENSES	OPERATING INCOME	SALES	COST OF SALES	ADM. AND SELLING EXPENSES	OPERATING INCOME
Endesa S.A.	1,069,838	(651,842)	(35,686)	382,310	1,123,039	(689,599)	(38,578)	394,862
Cachoeira Dourada (*)	-	-	-	-	12,333	(6,328)	(1,170)	4,835
CGTF (**)	-	-	-	-	30,287	(14,454)	(470)	15,363
Cien (**)	-	-	-	-	28,025	(13,670)	(1,291)	13,064
Chilectra S.A.	519,131	(360,697)	(43,934)	114,500	593,180	(435,646)	(42,104)	115,430
Edesur S.A.	216,506	(187,956)	(28,812)	(262)	234,544	(201,682)	(29,201)	3,661
Edelnor S.A.	188,928	(142,678)	(17,423)	28,827	192,256	(146,156)	(17,785)	28,315
Ampla (ex Cerj)	367,405	(303,698)	(15,126)	48,581	475,799	(373,577)	(22,110)	80,112
Coelce	273,875	(237,942)	(30,867)	5,066	336,426	(237,321)	(50,928)	48,177
Codensa S.A.	378,671	(283,217)	(7,966)	87,488	393,448	(272,727)	(18,379)	102,342
Cam Ltda.	104,039	(87,104)	(7,369)	9,566	125,164	(106,203)	(7,886)	11,075
Inmob. Manso de Velasco Ltda.	10,727	(8,736)	(2,080)	(89)	11,122	(8,026)	(2,060)	1,036
Synapsis Soluc.y Servicios Ltda.	47,083	(34,564)	(6,303)	6,216	45,556	(34,696)	(7,402)	3,458
Holding Enersis y soc. inversión	4,608	(1,141)	(18,164)	(14,697)	4,612	(2,222)	(17,383)	(14,993)
<b>CONSOLIDATION ADJUSTMENTS</b>	<b>(357,210)</b>	<b>331,952</b>	<b>30,735</b>	<b>5,477</b>	<b>(389,994)</b>	<b>357,117</b>	<b>31,473</b>	<b>(1,404)</b>
<b>TOTAL CONSOLIDATED</b>	<b>2,823,601</b>	<b>(1,967,623)</b>	<b>(182,995)</b>	<b>672,983</b>	<b>3,215,797</b>	<b>(2,185,190)</b>	<b>(225,274)</b>	<b>805,333</b>

(\*) Consolidated society by Endesa Chile up to September 30, 2005 and for October 1, 2005 by Enersis through Endesa Brazil. In the year 2004, it was consolidated by Endesa Chile.

(\*\*) Consolidated Societies from October 1, 2005, through Endesa Brazil.

### OPERATING INCOME BY BUSINESS LINE

The operating cost and revenues, divided by business line for the periods finished December 31, 2004-2005 is presented as follows:

BUSINESS	GENERATION AND TRANSMISSION		DISTRIBUTION		ENGINEERING AND REAL STATE		HEAD OFFICE AND OTHER SERVICES		ELIMINATIONS		TOTAL	
	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05
Sales	1,048,748	1,099,977	1,944,516	2,253,678	31,817	33,351	155,732	175,332	(357,212)	(346,541)	2,823,601	3,215,797
Cost of sales	(633,833)	(653,705)	(1,516,188)	(1,680,778)	(26,745)	(26,919)	(122,809)	(143,122)	331,952	319,334	(1,967,623)	(2,185,190)
Operating margin	414,915	446,272	428,328	572,900	5,072	6,432	32,923	32,210	(25,260)	(27,207)	855,978	1,030,607
Admin. and sales Expenses	(34,192)	(38,950)	(144,129)	(181,799)	(3,574)	(3,326)	(31,837)	(32,672)	30,737	31,473	(182,995)	(225,274)
<b>OPERATING INCOME</b>	<b>380,723</b>	<b>407,322</b>	<b>284,199</b>	<b>391,101</b>	<b>1,498</b>	<b>3,106</b>	<b>1,086</b>	<b>(462)</b>	<b>5,477</b>	<b>4,266</b>	<b>672,983</b>	<b>805,333</b>

(1) In 2005 sales are included of the trimester October-December 2005 in the companies CGTF and CIEN.

## b.- Non-operating income

The non-operating income of the company up to December 2005 reached a loss of Ch\$404,994. million, showing a slight increase in losses of 1.8% in regards to 2004, in which the loss was Ch\$397,874. million.

**Net financial expenses of financial income** showed a reduction of Ch\$36,285 million, going from a net expense of Ch\$296.819 million in December 2004 to a net expense of Ch\$260,534 million in the current period, equivalent to a reduction of 12.2%. The reduction of financial expenses is mainly due to fewer penalty fees for refinancing, pre-payments and to higher financial income product of investments using cash.

**Income on investments in related companies** show a reduction of Ch\$25,521 million, going from a net income of Ch\$32,267 million in December 2004 to a net income of Ch\$6,746 million in the current period. This variation is due mainly to lower profits recognized by CIEN by Ch\$14.388 million and in CGTF by Ch\$6,379 million, because from October 2005, we consolidated their financial states, and a lower recognition of profits in Inversiones Eléctricas Quillota by Ch\$3,677 million.

**Amortization of goodwill** does not show important variations and this reached Ch\$55,186 million as of December 31, 2005, with a reduction of Ch\$70 million or the equivalent of 0.1%.

**Other non-operating income and expenses (net)** show an expense reduction of Ch\$7,494 million, going from a net loss of Ch\$92,327 million in December 2004 to a net loss of Ch\$84,833 million in the current period. The main reasons are explained by the variation in results which are detailed below:

- Higher profits of Ch\$34,128 million due from the conversion adjustment of the Chilean norms, a result of the application of Technical Bulletin N° 64, mainly for the subsidiaries in Colombia, Peru and Brazil.
- Increase in compensations received for Ch\$4,573 million.
- Lower obsolescence provision losses and decreases in fixed assets of Ch\$10,646 million.
- Lower losses of restatement of energy and power of Ch\$13,164 million, aforementioned was partially compensated by:
  - Fewer reverses of provisions by Ch\$ 43,148 million.
  - Lower indemnization received in 2004 by Edesur from Alsom-Pirelli for the case of the substation Azopardo for Ch\$7,932 million.
  - Higher tax expense by Pis and cofins in Brazil by Ch\$ 3,047 million.

**Price-level restatements** shows a negative variation of CH\$4,140 million, due principally to the readjustment effect of the U.F. over the debt in bonds in the mentioned currency, and on the SWAP contracts UF/US\$ taken in the second trimester 2004

**Exchange differences** show a net, negative variation of Ch\$21,168 million for December 2005, in regards to the same period the year before, going from a profit of Ch\$14.926 million in December 2004, to a loss of Ch\$6.242 million in the current period. The mentioned variation is mainly explained by the profit there was during the first semester of 2004 due to the liquidation of forwards for Ch\$3,986 million in order to maintain a positive position in the dollar during 2005.

**Income Tax and Deferred Taxes** for December 2005 show an expense increase of Ch\$36.124 million in regards to the same period last year, going from a tax expense of Ch\$142,182 million in December 2004 to an expense of Ch\$178,306 million for the current year.

## INCOME TAX AND DEFERRED TAXES

CONCEPT	DEC-04	DEC-05	CHANGE
	CH\$ MILLION	CH\$ MILLION	CH\$ MILLION
Income tax	(67,684)	(132,015)	(64,331)
Deferred tax	(74,498)	(46,291)	28,207
<b>Total</b>	<b>(142,182)</b>	<b>(178,306)</b>	<b>(36,124)</b>

The increase in Income Tax expenses by CH\$64,331 million is explained mainly by the higher provision of income taxes in our subsidiaries CGTF by Ch\$7,779 million, Edesur in Ch\$5,689 million, Chilectra in Ch\$5,472 million, Coelce in Ch\$5,146 million, Ampla in Ch\$4,970 million, CIEN in Ch\$4,612 million, Codensa in Ch\$4,217 million, Edelnor in Ch\$3,647 million, Elesur in Ch\$3,734 million, and Edegel in Ch\$2,276 million. This is partially compensated by the recovery of taxes in Enersis of Ch\$12,598 million.

## 15 CONSOLIDATED FINANCIAL STATEMENTS

Regarding the deferred taxes, which do not represent cash flows, show a positive variation of Ch\$28,207 million, due to the profit for deferred taxes in Edelnor for Ch\$12,228 million, Endesa Costanera for Ch\$11,785 million, Edegel for Ch\$9,534 million, Edesur for Ch\$7,788 million, CIEN for Ch\$5,488 million, and CGTF for Ch\$2,079 million, partially compensated by the increase in deferred tax expenses of Chilectra for Ch\$19,027 million, and Endesa Chile for Ch\$8,677 million.

**Amortization of negative goodwill** reached Ch\$15,497 million, as of December 31st 2005, which shows a decrease of Ch\$2,226 million, compared to the same period the year before. The lower amortization is produced mainly by the effect of the dollar exchange rate with Chilean peso in foreign subsidiaries controlled in dollars, and which have a negative goodwill.

### EXCHANGE AND INTEREST RATE RISK ANALYSIS.

The company has a relatively high percentage of credits, in dollar due in part to the sales in different markets where there is indexation in this currency. Nonetheless, the markets in Brazil, Colombia and Argentina show a lower dollar indexation to this currency. However, the markets of Brazil, Colombia and Argentina present a lower dollar indexation, which allows the subsidiaries of these countries to look for a higher debt in local currency. In Argentina, there has been a financial replacement in dollars for debt in local currency, as far as the time, and the market rate conditions allow it. Besides, part of the incomes come from the exportation of energy to Brazil which has a dollar indexation, which reduces the exchange risk in this country.

Not affecting this natural coverage to the exchange rate, in a highly volatile scenario, the company has continued its policy of partially

covering its liabilities in dollars, with the aim of diminishing the fluctuations that generate the variations in the results in the exchange rate. Considering the important reduction of accounting mismatch in the last years, reaching prudent levels, the company has modified its dollar-peso coverage policy so as to establish a cash flow coverage policy, and a possible maximum accounting mismatch, where coverage operations will take place.

On December 31, 2005, the company in a consolidated manner, has coverage in Chile, through Swap dollar –UF contracts, an amount of US\$700 million and does not have forwards hired, mainly due to the reduced asset/liability mismatch in dollars, which is placed in the established boundaries by the new coverage policy aforementioned. At the same date of the previous year, the company already had contracted the US\$700 million swap dolar - UF like part of establishment of the new coverage policy mentioned and keeping US\$78 millions in hired forwards.

In relation to the interest rate, the company has, in consolidating terms, a debt proportion in fixed rate and variable rate of 80,7% /19,35 fix, variable to December 31, 2005.

The debt percentage in fixed rate has been relatively constant compared to the relation of 89.3% / 16.1% in the same date in the previous year. This is due to the unchanged risk levels in the coverage levels established by the Group Policy.

The country operating income is presented in the following chart and compares the results as of December 2004 and December 2005.

### COUNTRY OPERATING INCOME

COUNTRY	CHILE		ARGENTINA		BRAZIL (1)		PERU		COLOMBIA		TOTAL	
	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05	DEC-04	DEC-05
Sales	921,109	1,061,101	376,471	399,424	684,463	882,589	289,791	292,918	551,767	579,765	2,823,601	3,215,797
% r / consolidated total	33%	33%	13%	12%	24%	27%	10%	9%	20%	18%		
Cost of sales	(563,991)	(668,815)	(305,245)	(350,178)	(571,441)	(632,062)	(184,856)	(187,111)	(342,090)	(347,024)	(1,967,623)	(2,185,190)
% r / consolidated	29%	31%	16%	16%	29%	29%	9%	9%	17%	16%		
<b>OPERATING MARGIN</b>	<b>357,118</b>	<b>392,286</b>	<b>71,226</b>	<b>49,246</b>	<b>113,022</b>	<b>250,527</b>	<b>104,935</b>	<b>105,807</b>	<b>209,677</b>	<b>232,741</b>	<b>855,978</b>	<b>1,030,607</b>
<b>% R / CONSOLIDATED TOTAL</b>	<b>42%</b>	<b>38%</b>	<b>8%</b>	<b>5%</b>	<b>13%</b>	<b>24%</b>	<b>12%</b>	<b>10%</b>	<b>24%</b>	<b>23%</b>		
Adm. and sales expenses	(73,210)	(66,185)	(30,471)	(33,463)	(44,729)	(77,615)	(22,157)	(23,493)	(12,428)	(24,518)	(182,995)	(225,274)
% r / consolidated	40%	29%	17%	15%	24%	34%	12%	10%	7%	11%		
<b>OPERATING INCOME</b>	<b>283,908</b>	<b>326,101</b>	<b>40,755</b>	<b>15,783</b>	<b>68,293</b>	<b>172,912</b>	<b>82,778</b>	<b>82,314</b>	<b>197,249</b>	<b>208,223</b>	<b>672,983</b>	<b>805,333</b>

## OTHER RISKS

As commonly practiced in bank credits and in capital market operations, part of the financial indebtedness of Enersis and its subsidiary Endesa Chile, is subject to crossed defaults clause. If the relevant subsidiaries do not rectify some non-fulfillments, they could turn into a cross default, at Enersis and Endesa Chile level, in this case, they could possibly become reparable liabilities of these companies.

The nonpayment – after any applicable period of grace- of debts in these companies or any of their most relevant subsidiaries for individual amount that exceeds the equivalent of 30 million dollars, could lead to place an early payment of subscribed syndicated credits subscribed in 2004. Similarly, the nonpayment – after any applicable period of grace – of debts in these companies or any of their subsidiaries for an individual amount that exceeds the equivalent of

30 million dollars, would allow an early payment of the Yankee bonds. Furthermore, some credit agreements have dispositions according to some different nonpayment events, in these companies or in any of their subsidiaries for an amount not higher than US\$50 million, asset expropriations that could cause the accelerated declaration of these credits.

There are no clauses in the credit agreements in which changes in corporate classification or the debt of these companies by the risk rating agencies produce an obligation to make prepayments on the debt. Nonetheless, a variation in the risk classification in the foreign currency debt according to the risk rating agency Standard & Poor's (S&P), produces a change in the applicable margin of the syndicated credits subscribed in 2004.

Liabilities may be exigible in each case of non-fulfillment and the respective creditor subsidiary are detailed below:

## BANK LOANS

Amounts in US\$ millions at December 31 2005

	SINDICATED	TOTAL
Energis	85	85
Endesa Chile	130	130
<b>Total</b>	<b>215</b>	<b>215</b>

Potentially active events of default in subsidiaries that would generate a cross - default to the Parent Company

### Energis

#### Effect on the Parent

**155 MMUS\$**

1. Default Debt > 30 MMUS\$ (1)
2. Bankruptcy or Cessation of Payments
3. Substantial Adverse Effect Defaults
4. Governmental Action (2)

The noted grounds only produce on the parent if occurring in what are called Relevant Subsidiaries. Judgments in other subsidiaries have no effect on the parent. The Relevant Subsidiaries are qualified on the basis of financial statements of the last fiscal year under the U.S. GAAP. are based on financial statements as of December 31, 2004, Relevant Subsidiaries of ENERSIS: Endesa Chile, CERJ, (only while the credit balance is equal or over US\$150 million), CHILECTRA and Cono Sur.

### Endesa

#### Effect on the Parent

**250 MMUS\$**

1. Default Debt > 30 MMUS\$ (1)
2. Bankruptcy or Cessation of Payments
3. Substantial Adverse Effect Defaults
4. Governmental Action (2)

The noted grounds only produce effect on the parent if they occur in what are called Relevant Subsidiaries. Judgments in other subsidiaries have no effect on the parent. The Relevant Subsidiaries are qualified on the basis of financial states of the last fiscal year under the U.S. GAAP. are based on financial statements as of December 31, 2004, Relevant Subsidiaries of ENDESA are: C. E. Cono Sur, Endesa Chile Internacional, Betania, Pehuenche, Pangué, C.E. Tarapacá, Centrais Eletricas Cachoeira Dourada S.A..

Notes:

(1) At an operational level of individual debt.

(2) Nationalization, expropriation, dissolution, etc.

## INTERNATIONAL YANKEE BONDS

Payments US\$ millions as of December 31, 2005

	YANKEE B.
Enersis	901
Endesa Chile	2,016
<b>Total</b>	<b>2,917</b>

Non-fulfillment events potentially active in Subsidiaries. (those which would cause cross default in the parent company)

**Enersis**

- |   |   |
|---|---|
| 1. Default debt > 30 MMUS\$ (1)         | Default on debt of Enersis or one of its Subsidiaries. The Subsidiaries of Enersis which at the date indicated have debts with third parties for over 30 MMUS\$, are: CERJ, Endesa, Betania, Central Costanera, Codensa, Coelce, Edegel, Edelnor, Emgesa, Endesa Chile Internacional. |
| 2. Initiation of the Bankruptcy Process | In Enersis or one of its Significant Subsidiary. On the basis of the financial statements as of, 31.12.2004, are Significant Subsidiaries of Enersis according to the US GAAP, Chilectra, Endesa Chile and Codensa.   |

**Endesa**

- |   |   |
|---|---|
| 1. Default debt > 30 MMUS\$ (1)         | Default on debt of Endesa or one of its Subsidiaries. The Subsidiaries of Endesa at the date indicated have debts with third parties for over 30 MMUS\$, are the following: Betania, Central Costanera, Edegel, Emgesa, Endesa Chile Internacional. |
| 2. Initiation of the Bankruptcy Process | In Endesa or one of its Significant Subsidiary. On the basis of the financial statement as of, 31.12.2004, are Significant Subsidiaries of Endesa according to US GAAP: Cono Sur and Endesa Chile Internacional.                                    |

Notes: (1) Only at the unconsolidated level, of the Issuer or a Subsidiary.

## LOCAL BONDS

Payments in US\$ millions as of December 31, 2005

	LOCAL B
Enersis	69
Endesa Chile	544
<b>Totales</b>	<b>613</b>

The ENERSIS bond has cross default only if its own debt exceeds 3% of its assets.

Non-fulfillment events potentially active in Subsidiaries.  
(those which would cause cross default in the parent company)

	Important Subsidiaries	Subsidiaries
	Cono Sur	Other Subsidiaries
	(in parenthesis costs affected MMUS\$)	
<b>Endesa Chile</b>		
1. Insolvency or unable to pay debts	yes (519)	no
2. Default Debt $\geq$ 2 MMUF	no	no
3. Initiation of the Bankruptcy Process	yes (519)	no



## 2.- BALANCE SHEET ANALYSIS

ASSETS (MILLIONS CH\$)	DEC-04	DEC-05	VARIATION DEC 05-04	%VARIATION DEC 05-04
Current assets	1,551,760	1,301,484	(250,276)	(16,1%)
Fixed Assets	7,961,476	7,646,125	(315,351)	(4,0%)
Other Assets	1,355,383	1,305,983	(49,400)	(3,6%)
<b>TOTAL ASSETS</b>	<b>10,868,619</b>	<b>10,253,592</b>	<b>(615,027)</b>	<b>(5,7%)</b>

A decrease of Fixed Assets for Ch\$315,351 million, equivalent to 4.0%, mainly due to the depreciation corresponding to a year of approximately Ch\$370,000 million, and the effect of the exchange rate in the fixed assets of the foreign companies for Ch\$466,000 million, product of the methodology of carrying non-monetary assets in historic dollars, according to the Technical Bulletin N° 64 in the subsidiaries in unstable countries. This is partially compensated by new incorporations of fixed assets of approximately Ch\$317,000 million in a year, and the incorporation of the consolidation of CGTF and CIEN to their fixed assets for Ch\$388,278 million.

Current assets show a decrease of Ch\$250.276 million due mainly to:

- A decrease in time deposits of Ch\$207.076 million due mainly to the withdrawal of placements to make capital reductions in the companies Codensa for Ch\$199,412 million, and Emgesa for Ch\$74,349 million, withdrawals in Endesa Chile for Ch\$39,548 million, Endesa Costanera in Ch\$14,521 million and Enersis for Ch\$9,506 million. This is partially compensated by greater placements in Coelce for Ch\$25,141 million, Cachoeira Dourada for Ch\$23,852 million, Chocón for Ch\$8,645 million and the effect of the consolidation of CGTF since in October 2005 for Ch\$29,972 million and of CIEN for Ch\$47,263 million.
- A decrease of amount due from related companies in Ch\$112,788 million, mainly explained by refinancing of over a year from the due date of the loan to Atacama Finance for Ch\$109.906 million.
- An increase in accounts receivables of Ch\$92,643 million, mainly due to the increase of billing in the distribution subsidiaries Coelce in Ch\$21,699 million, Chilectra in Ch\$15,928 million, Codensa for Ch\$14,294 million and Endesa Chile Ch\$5,531 million and the consolidation of CIEN for Ch\$19,934 million.

Other long term assets show a decrease of Ch\$49,400 million explained mainly by:

- The decrease of investments to related companies by Ch\$99,466 million, mainly due to of the decrease of investment in CIEN for Ch\$54,731 million and CGTF for Ch\$ 27,964 million, due to the said companies forming part of the perimeter of consolidation since October 2005.
- The decrease of positive goodwill by Ch\$58,540 million which corresponds mainly to the amortization of a year for approximately Ch\$55,000 million. The difference is the product of the exchange rate in Chile, for those lesser values in the subsidiaries controlled in dollars.
- A decrease in Investments in other companies for Ch\$ 11,135 million, basically the investment in the Empresa Eléctrica de Bogotá, product of a capital reduction made in November 2005.
- An increase in amounts due from related companies in Ch\$89,354 million, basically explained by a refinancing of over a year of the loan to Atacama Finance for Ch\$98,827 million.
- A decrease in negative goodwill for Ch\$ 22,088 million corresponding to the amortization for a year for approximately Ch\$15.500 million. The difference is the product of the exchange rate in Chile, for those greater values in the subsidiaries controlled in dollars.

The total assets of the Company show a decrease of Ch\$615,027 million in regards to the same period last year, this is mainly due to:

LIABILITIES (MILLIONS CH \$)	DEC-04	DEC-05	VARIATION DEC 05-04	%VARIATION DEC 05-04
Current liabilities	1,035,672	1,477,031	441,359	42.6%
Long term liability	3,943,744	3,380,649	(563,095)	(14.3%)
Minority Interest	3,237,506	2,800,041	(437,465)	(13.5%)
Shareholders Equity	2,651,697	2,595,871	(55,826)	(2.1%)
<b>TOTAL LIABILITIES</b>	<b>10,868,619</b>	<b>10,253,592</b>	<b>(615,027)</b>	<b>(5.7%)</b>

The current liabilities show an increase of Ch\$441,359 million, equivalent to a 42.6% due mainly to:

- Increase in the short term public obligations by Ch\$404,584 million, by transferring to short terms bonds of ENERSIS of Ch\$154,634 million, Endesa Chile of Ch\$110,593 million, Endesa Internacional of Ch\$78,259 million, Edelnor of Ch\$29,799 million, Emgesa of Ch\$39,348 million and Edegel of Ch\$38,063 million partially compensated by payments in Edegel of Ch\$29,318 million.
- Increase in miscellaneous payables of in Ch\$44,735 million due to the increase in Ampla of Ch\$16,757 million and the incorporation of the consolidation CGTF of Ch\$10,747 million, and CIEN of Ch\$3,354 million.
- Decrease in the short term and long term bank obligations, the short term portion in Ch\$88,335 million, due to payments in advance and refinancing in Emgesa Ch\$67,152 million and Edesur of Ch\$10,803 million. The aforementioned partially compensated by an increase due to the consolidation CGTF for Ch\$66,606 million.
- Decrease of the accounts payable to related companies in Ch\$36,974 million, mainly of Enersis to Endesa Internacional of Ch\$26,956 million, due to the partial payment of the Elesur purchase. Decrease in accounts payable to CGTF and CIEN for Ch\$14,956 and Ch\$9,184 million, respectively, due to the consolidation as of December 2005.

The aforementioned, partially compensated by the increase in accounts payable to CEMSA for Ch\$14,718 million.

The evolution of the main financial indicators is the following:

	INDICATOR	UNIT	DEC-04	DEC-05	VARIATION DEC 05-04	% VARIATION DEC 05-04
Liquidity	Current Ratio	Times	1.50	0.88	(0.62)	(41.3%)
	Acid Test (1)	Times	1.40	0.81	(0.59)	(42.1%)
	Working Capital	MM\$	516,088	(175,547)	(691,635)	(134.0%)
Debt	Debt Ratio	Times	0.85	0.90	0.05	5.9%
	Short Term Debt	%	0.21	0.30	0.09	42.9%
	Long Tern Debt	%	0.79	0.70	(0.09)	(11.4%)
	Financial Expense Coverage (2)	Times	3.21	3.59	0.38	11.8%
Profitability	Return on Equity	%	1.73%	2.62%	0.89%	51.4%
	Return on Assets	%	0.42%	0.66%	0.24%	57.1%

(1) Current asset of net of inventories, and anticipated expenditures.

(2)RAIIDAIE was used, divided by financial expenses.

The long term liabilities decrease in Ch\$563,095 million, equivalent to a 14. 3% basically explained by:

- Decrease in the obligations to the public for Ch\$581,067 million, by transferring to short term of bonds due less than a year, partially compensated by new issuances in Emgesa for Ch\$47,117 million, Ampla for Ch\$63,496 millions, Edegel Ch\$22,875 million and Edelnor for Ch\$8,965 million, taken to prepay bank debt.
- Decrease in the obligations with the banks in Ch\$94,827 million for credit prepayments with cash surplus or through new issues of Bonds.
- Increase of Provisions for Ch\$92,340 millions, explained by the consolidation of CGTF for Ch\$23,853 million and CIEN for Ch\$87,129 million.

The minority interest decreased by Ch\$437,465 million mainly due to the capital reduction effect in Emgesa and Codensa, buying the minority stock of San Isidro added to the equity decreases effect in the foreign subsidiaries controlled in dollars under the Technical Bulletin N°64.

Related to the equity, it is important to mention that it decreased by Ch\$55,826 million compared to December 2004. This variation is mainly explained by the decrease of other reserves in Ch\$109,725 million, caused by the revaluation of the Chilean peso and its effect in the equity by the conversion difference adjustment on the investments which are controlled in dollars, partially compensated by the retained earnings in Ch\$29,015 and the increase for the period in Ch\$22,114 million.

Current ratio at December 2005 was 0.88 times, which represents a decrease of 0.62 times compared to the same date of 2004, mainly due to the short term transfer of bonds that expire in 2006. Despite the aforementioned, the company continues presenting a solid liquidity position, decreasing its obligations with banks with cash surplus.

The debt ratio is placed at 0.90 times as of December 31 2005, slightly increasing in 0.05 times compared to the same period in 2004, this is due to the new debt which is included upon consolidating from October 2005, CGTF and CIEN, partially compensated by the decrease of Obligations with the Banks due to the prepayments carried out in 2005 and, additionally, by the exchange rate effect of the Chilean peso.

### 3.- MAIN CASH FLOWS

The society generated a negative net cash flow of Ch\$185,665 million, during this period, which is made up of the following headings:

CASH FLOWS (MILLIONS OF CH\$)	DEC-04	DEC-05	VARIATION DEC 05-04	%VARIATION DEC 05-04
Operating	640,254	893,599	253,345	39.6%
Financing	(195,933)	(748,542)	(552,609)	282.0%
Investment	(200,886)	(330,722)	(129,836)	64.6%
<b>Net cash flow for the year</b>	<b>243,435</b>	<b>(185,665)</b>	<b>(429,100)</b>	<b>(176.3%)</b>

**The operating activities** generated a net positive cash flow of Ch\$893,599 million, which is higher by Ch\$253,345 million compared to what was obtained on the same date last year, mainly due to the excellent operating results of the companies. As of December 31, 2005, the operating flow comprise de following:

Net income profit for the year of Ch\$68,017 million, plus:

- Charges to results that do not represent cash flow of Ch\$535,035 million which mainly correspond to the Depreciation for the period of Ch\$367,624 million, write-offs and provisions for Ch\$55,769 million, amortization of goodwill for Ch\$55,186 million, amortization of intangibles for Ch\$8.312 million, losses in investments for Ch\$7,718 million, net loss in sale of assets for M\$823 and other charges that do not represent flow for Ch\$85,737 million where there is a negative conversion effect of the subsidiaries abroad for the BT 64 for Ch\$44,852 million.
- Decrease in net assets that affect the operating cash flow of Ch\$3,235 million.

On the other hand, the return on equity reached 2.62% which, at the same time last year, reached 1.73%. This increase is related to the higher result obtained compared to the same period last year.

The return on assets passed from a 0.42% in December 2004 to 0.66% in December 2005. This situation shows the better result obtained and the decrease in total assets.

Financial expense coverage improved by 0.38 or the equivalent of 11.8% passing from 3.21 times in December 2004 to 3.59 times December 2005, due mainly to the financial expenses decrease for debt prepayments and to the better operating income of the Group.

- Variation of net liabilities that affect cash flow by Ch\$116,975 million.

The aforementioned was partially compensated by:

- Credits that do not represent cash flows for Ch\$26,536 million, of which Ch\$19,982 corresponds to the positive conversion effect of the subsidiaries overseas.
- Profit Investment on related companies for Ch\$14,464 million.
- Negative goodwill amortization for Ch\$15,497 million.

**The financial activities** produced a negative net cash flow for Ch\$748,542 million, mainly due to the loan payments for Ch\$788,396 million, capital distribution in subsidiaries for Ch\$275,913 million, dividend payments for Ch\$121,411 million, payments to the public for Ch\$110,552 million and other expenses for Ch\$17,336 million. The aforementioned is partially compensated by the receipt of loans for Ch\$400,791 million, bond placements for Ch\$167,075 million and other financial sources for Ch\$677 million.

**The investment activities** caused a negative net cash flow of Ch\$330,772 million, compared to the same period last year, representing an increase of 64.6% or Ch\$129,836 million. These disbursements correspond mainly to the incorporation of fixed assets for Ch\$317,449 million, permanent investments for Ch\$33,142 million, and for other expenses of Ch\$2,860 million, partially compensated by the collection for sales of fixed assets for Ch\$6,094 million, loan collection to related companies for M\$7,872 and other investment revenues for Ch\$7,094 million.

## INFORMATION FIXED ASSETS BY COMPANY

(millions of Ch\$)

COMPANY	ACQUISITIONS OF FIXED ASSETS		DEPRECIATION	
	DEC-04	DEC-05	DEC-04	DEC-05
Endesa S.A.	99,597	58,780	176,938	171,672
Cachoeira Dourada (*)	-	846	-	3,331
CGTF (**)	-	979	-	1,078
CIEN (**)	-	322	-	2,705
Chilectra S.A.	33,894	52,848	15,225	16,761
Edesur S.A.	32,420	28,782	49,608	42,677
Edelnor S.A.	11,779	15,896	16,614	16,795
Ampla (Cerj)	47,908	90,904	44,019	38,979
Coelce	28,574	55,336	36,951	35,184
Codensa S.A.	16,218	7,029	50,242	42,794
Cam Ltda.	2,078	1,332	1,161	1,010
Inmobiliaria Manso de Velasco Ltda.	21	850	299	359
Synapsis Soluciones y Servicios Ltda.	2,923	3,399	997	1,415
Holding Enersis and investment companies	97	146	1,098	1,176
<b>TOTAL CONSOLIDATED</b>	<b>275,508</b>	<b>317,449</b>	<b>393,153</b>	<b>375,936</b>

(\*) Company consolidated by Enersis Chile until September 30, 2005 and From October 1, 2005 by Enersis through Endesa Brasil. Throughout the whole year 2004, consolidated by Endesa Chile.

(\*\*) Companies consolidated from October 1, 2005, through Endesa Brasil.

## II BOOK VALUE AND THE ECONOMIC VALUE OF ASSETS

Regarding the more important assets, the following is worthy of mention:

The securities of goods in fixed assets, are adjusted according to the accounting criteria established by the Superintendence of Securities and Insurance, in the Circulars N°. 550 and 566 of 1985. In the case of the foreign Company Distrilima S.A. the securities of the fixed assets comply with the criteria of exception indicated in Technical Bulletin N°45 of the Accountants Association of Chile A.G. the current, valid norm at the moment the investment was made and was not modified by the Technical Bulletin N°51 which replaced the former one.

Depreciation is calculated over the updated value of goods according to their effective life span, subtracting the years of use.

Investments in related companies are shown at their equity-method value. In the case of foreign companies, the application of this methodology has been done on the financial statements prepared according to the norms established in Technical Bulletins N° 72 and 64 of the Accountants Association of Chile A.G. and the intangible values are monetarily corrected and amortized according to the norms indicated in Technical Bulletin N°55 of the Accountants Association of Chile A.G.

According to the Official Circular N° 150 of January 31, 2003 of the S.V.S., the company has evaluated the closing of the financial statements of 2005 the recoverability of the assets associated with its investments, according to that established in Technical Bulletin N° 72 of the Accountants Association of Chile A.G.

The assets denominated in foreign currency, are shown the exchange rate valid at the closing of the period.

The investments in financial instruments with agreements conform to the purchase value plus the proportional interest corresponding to the interest rate at the time of each operation.

Accounts and notes receivable, from related companies are classified according to their short term or long term due dates. The operations conform to conditions of fairness similar to those commonly prevailing on the market.

In summary, the assets are shown according to the principles and norms of accounting generally accepted, and accord with the instructions given in this respect by the Superintendence of Securities and Insurance, expressed in Note 2 of the Financial Statements.



# 16


## UNCONSOLIDATED FINANCIAL STATEMENTS

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## ACCOUNT INSPECTOR'S REPORT

In accordance with the stipulations of law N° 18,046 on corporations, and in compliance with the mandate conferred by the Ordinary General Shareholders Meeting held on April 8, 2005, we have proceeded to examine the Financial Statements of Enersis S.A. for the fiscal year starting January 1, 2005 and ending on December 31, 2005.

Our work focused on the verification, on a selective basis, of the match between the figures expressed on financial statements and those on the official registers of the Company, and to this end we compared the figures presented in the general ledger against the grouping and classification spreadsheets, in order to subsequently verify that these amounts, which represented the totals of the accounts under one item, coincided with those included in the financial statements. We have no observations on this review.



**Roberto Lausen**  
Account Inspector

**Luis Bone**  
Account Inspector

Santiago, January 24, 2006



# Deloitte

Deloitte & Touche  
Sociedad de Auditores y Consultores Ltda.  
RUT: 80.276.200-3  
Av. Providencia 1760  
Pisos 6, 7, 8 y 9  
Providencia, Santiago  
Chile  
Fono: (56-2) 270 3000  
Fax: (56-2) 374 9177  
e-mail: deloittechile@deloitte.com  
www.deloitte.cl

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Enersis S.A.

We have audited the accompanying balance sheets of Enersis S.A. (the "Company") as of December 31, 2005 and 2004, and the related statements of income and cash flows for the years then ended. These financial statements (including the related notes) 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 at December 31, 2005 and 2004 of certain subsidiaries and investees whose financial statements for 2005 and 2004 reflect total assets and income of 44,86% and 42,58% and 35,74% and 41,19%, respectively. Those statements were audited by other auditors whose reports have been provided to us and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Chile. 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.

These financial statements referred above have been prepared to reflect the unconsolidated financial position of Enersis S.A. based on the criteria described in Note 2, before consolidating line-by-line the financial statements of the subsidiaries detailed in Note 9. Therefore, for an adequate interpretation, these unconsolidated financial statements should be read and analyzed in conjunction with the consolidated financial statements of Enersis S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, based on our audits and the reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of Enersis S.A. as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles described in Note 2.

Our audits also comprehended the translation of constant Chilean peso amounts into US dollars amounts and, in our opinion such translation has been made in conformity with the basis states in Note 2e. Such US dollars amounts are presented solely for the convenience of the readers.



Santiago, Chile  
January 20, 2006

Una firma miembro de  
**Deloitte Touche Tohmatsu**

## UNCONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2005 and thousands of US dollars)

ASSETS	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>CURRENT ASSETS:</b>		
Cash	118,620	85,229
Time deposits	-	9,506,497
Notes receivable, net	737	764
Other accounts receivable, net	18,969,659	2,307,821
Amounts due from related companies	25,417,921	27,841,759
Income taxes recoverable	7,604,854	-
Prepaid expenses	620	-
Deferred income taxes	44,043,143	44,343,155
Other current assets	5,800,833	18,789,888
<b>Total current assets</b>	<b>101,956,387</b>	<b>102,875,113</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Buildings and infrastructure	22,090,135	22,085,587
Machinery and equipment	2,622,234	2,275,664
Other assets	1,023,716	1,199,891
Technical appraisal	35,189	35,212
Accumulated depreciation	(13,791,626)	(12,981,702)
<b>Total property, plant and equipment, net</b>	<b>11,979,648</b>	<b>12,614,652</b>
<b>OTHER ASSETS:</b>		
Investments in related companies	2,213,992,672	2,331,231,246
Investment in other companies	13,669,829	16,066,467
Goodwill, net	677,727,706	731,784,702
Negative goodwill, net	(566,419)	(658,300)
Amounts due from related companies	352,006,629	449,673,246
Intangibles	1,526,936	1,526,936
Accumulated amortization	(602,822)	(526,330)
Other assets	7,299,646	12,771,463
<b>Total other assets</b>	<b>3,265,054,177</b>	<b>3,541,869,430</b>
<b>TOTAL ASSETS</b>	<b>3,378,990,212</b>	<b>3,657,359,195</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt due to banks and financial institutions	12,222	32,983
Current portion of bonds payable	162,728,801	9,388,703
Dividends payable	54,918	55,433
Accounts payable	362,803	193,999
Miscellaneous payables	43,357	98,010
Amounts payable to related companies	33,921,630	78,863,341
Accrued expenses	21,609,381	18,660,530
Withholdings	108,776	200,464
Unearned income	-	32,509
Other current liabilities	1,170,255	563,645
<b>Total current liabilities</b>	<b>220,012,143</b>	<b>108,089,617</b>
<b>LONG -TERM LIABILITIES:</b>		
Debt due to banks and financial institutions	43,562,500	202,113,240
Bonds payable	393,722,245	613,341,785
Accrued expenses	2,746,895	2,657,414
Deferred income taxes	2,886,930	3,647,496
Other long-term liabilities	120,188,071	75,812,589
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>563,106,641</b>	<b>897,572,524</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital, no par value shares	2,365,606,672	2,365,606,672
Additional paid-in capital	168,583,951	168,583,951
Other reserves	(236,727,352)	(127,002,198)
Retained earnings	230,391,292	201,375,876
Net income for the year	68,016,865	45,902,669
Deficit of subsidiaries in development stage	-	(2,769,916)
<b>Total shareholders' equity</b>	<b>2,595,871,428</b>	<b>2,651,697,054</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,378,990,212</b>	<b>3,657,359,195</b>

## UNCONSOLIDATED INCOME STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2005 and thousands of US dollars)

	2005 THCH\$	2004 THCH\$
<b>OPERATING INCOME:</b>		
SALES	4,588,089	4,592,497
COST OF SALES	(1,144,354)	(1,141,125)
<b>GROSS PROFIT</b>	<b>3,443,735</b>	<b>3,451,372</b>
ADMINISTRATIVE AND SELLING EXPENSES	(17,047,977)	(17,938,213)
<b>OPERATING LOSS</b>	<b>(13,604,242)</b>	<b>(14,486,841)</b>
<b>NON-OPERATING INCOME SELLING EXPENSES:</b>		
Interest income	25,368,255	31,613,396
Equity in income of related companies	173,283,190	163,201,598
Other non-operating income	12,313,919	10,354,841
Equity in losses of related companies	(23,057,042)	(21,603,514)
Amortization of goodwill	(53,238,181)	(53,110,052)
Interest expense	(56,543,014)	(74,201,437)
Other non-operating expenses	(2,860,200)	(16,534,569)
Price-level restatements, net	(1,619,338)	(2,208,664)
Exchange difference, net	(6,538,456)	5,280,312
<b>NON-OPERATING INCOME</b>	<b>67,109,133</b>	<b>42,791,911</b>
<b>INCOME BEFORE INCOME TAXES AND AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>53,504,891</b>	<b>28,305,070</b>
INCOME TAX	14,473,093	17,555,871
<b>INCOME BEFORE AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>67,977,984</b>	<b>45,860,941</b>
AMORTIZATION OF NEGATIVE GOODWILL	38,881	41,728
<b>NET INCOME FOR THE YEAR</b>	<b>68,016,865</b>	<b>45,902,669</b>

## STATEMENTS OF UNCONSOLIDATED CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2005 and thousands of US dollars)

	2005 THCH\$	2004 THCH\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income for the year	68,016,865	45,902,669
Changes (credits) to income which do not represent cash flows:		
Depreciation	1,095,531	1,092,973
Amortization of intangibles	76,491	76,491
Equity in income of related companies	(173,283,190)	(163,201,598)
Equity in losses of related companies	23,057,042	21,603,514
Amortization of goodwill	53,238,181	53,110,052
Amortization of negative goodwill	(38,881)	(41,728)
Price-level restatement, net	1,619,338	2,208,664
Exchange difference, net	6,538,456	(5,280,312)
Other credits to income which do not represent cash flows	(4,664,529)	(896,277)
Other charges to income which do not represent cash flows	7,162,321	30,037,839
Changes in assets which affect cash flows:		
Dividends receipts	86,042,128	68,869,948
Decrease in trade receivables	-	452,464
Increase in other assets	(2,499,084)	(9,258,840)
Changes in liabilities which affect cash flows:		
Decrease in accounts payable associated with operating results	(4,306,004)	(4,368,687)
Increase (decrease) in interest payable	(946,941)	6,022,609
Decrease in income tax payable	(9,216,116)	(18,776,966)
Decrease in other accounts payable associated with non-operating results	(37,698)	(20,004,827)
Net increase (decrease) in value added tax and other similar taxes payable	(301,347)	39,390
<b>Net cash flows provided by operating activities</b>	<b>51,552,563</b>	<b>7,587,378</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans obtained	-	77,972,560
Other loans obtained	1,154,286	-
Loans obtained from related companies	25,233,138	87,819,535
Other sources of financing	444,178	13,099,629
Dividends paid to related companies	(8,459,612)	-
Dividends paid	(5,589,589)	(61,220)
Payment of loans	(149,483,004)	(172,978,056)
Payment of bonds	(144,844)	(139,486)
Payment of loans granted by related companies	(38,671,985)	(88,317,516)
Payment of other loans obtained from related companies	-	(11,853,047)
Other disbursements for financing	(5,844,831)	(2,810,074)
<b>Net cash used in financing activities</b>	<b>(181,362,263)</b>	<b>(97,267,675)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from loans granted to related companies	217,222,481	112,607,167
Proceeds from other loans granted to related companies	-	101,757,164
Other loans to related companies	(9,241,431)	-
Sales of other investments	1,083,569	-
Long-term investments	(24,300,093)	(356,342)
Additions to property, plant and equipment	(145,384)	(97,416)
Loans granted to related companies	(135,119,801)	(102,971,860)
Other receipts from investments	55,921,323	2,198,531
<b>Net cash provided by investing activities</b>	<b>105,420,664</b>	<b>113,137,244</b>
<b>NET CASH FLOW FOR THE YEAR</b>	<b>(24,389,036)</b>	<b>23,456,947</b>
<b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS</b>	<b>(201,599)</b>	<b>(324,850)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(24,590,635)</b>	<b>23,132,097</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>24,709,255</b>	<b>1,577,158</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>118,620</b>	<b>24,709,255</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2005 and for the years ended december 31, 2005 and 2004)

### NOTE 1. REGISTERED UNDER SECURITIES REGISTER

Enersis S.A. (the "Company") is registered in the Securities Register under N°0175 and is regulated by the Chilean Superintendence of Securities and Insurance (the "SVS"). The Company issued publicly registered American Depositary Receipts in 1993 and 1996 and is also subject to the regulation of the Securities and Exchange Commission (SEC) of the United States.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Reporting Period

These financial statements reflect the Company's financial position as of December 31, 2004 and 2005 and the results of its operations, the changes in its shareholders' equity and its cash flows for the years ended December 31, 2004 and 2005.

#### b. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively "Chilean GAAP"), except for the investment in subsidiaries, which is shown in one line of the balance sheet under the equity method and, therefore, have not been consolidated line by line. This treatment does not affect the net income of the year or shareholders' equity.

These financial statements have been prepared order an individual analysis of the Company and they should be read along with the consolidated financial statements required by accounting principles accepted in Chile.

These financial statements include assets, liabilities and result of the agency established in 1996 by Enersis S.A. in Cayman Islands.

#### c. Basis of presentation

For comparative purposes the 2004 financial statements and the amounts disclosed in the related notes have been restated by 3.6%, purchasing power. This percentage corresponds to the Consumer Price Index variation within the last twelve months, with a one-month lag.

#### d. Price-level restatement

The financial statements have been price-level restated in accordance with generally accepted accounting principles, to reflect the effects of the changes in the purchasing power of the Chilean peso for the years ended December 31, 2005 and 2004. The effects of these off-the-books restatements are shown in Note 21.

#### e. Currency conversion

Assets and liabilities denominated in foreign currencies and/or Unidad de Fomento (UF, Inflation index linked units of accounts) are shown at their corresponding values and/or exchange rates effective at each year end using the following year-end rates:

CURRENCY	SYMBOL USED	2004 CH\$	2005 CH\$
United States dollar (Observed)	US\$	557.40	512.50
Euro	€	760.13	606.08
Unidad de Fomento (UF)	UF	17,317.05	17,974.81

#### f. Time deposits

Time deposits are presented at original placement plus accrued interest and indexation adjustments at each year end.

#### g. Property, plant and equipment

Property, plant and equipment are stated at cost plus price-level restatement.

In 1986, the increase resulting from a technical appraisal of property, plant and equipment was recorded in the manner authorized by the SVS in Circulars N°'s 550 and 566 dated October 15 and December 16, 1985, respectively, and Communication N°4790, dated December 11, 1985.

At December 31, 2004 and 2005, the Company has evaluated the recoverability of the book value of its property, plant and equipment in accordance with Technical Bulletin N°33 of the Chilean Accounting Association. As a result of this evaluation no adjustments have been determined that affect the book values of these assets.

#### **h. Depreciation**

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets. Depreciation expense was ThCh\$1,092,973 and ThCh\$1,095,531 in 2004 and 2005, respectively.

#### **i. Intangibles**

Intangibles are mainly easements recorded at acquisition cost and restated price level adjustment, such assets are amortized over their estimated useful lives in accordance with Technical Bulletin N°55 of the Chilean Association of Accountants.

#### **j. Investments in related companies**

Investments in related companies are presented under the equity method of accounting, on the basis of the corresponding financial statements of the invested.

Investments in foreign affiliates are recorded in accordance with Technical Bulletins N° 64 and 72 (which partially revoked Technical Bulletin N° 42) of the Chilean Association of Accountants.

The Company has evaluated at December 31, 2004 and 2005, the recoverability of the book value of its investments abroad in accordance with Technical Bulletin N°72 of the Chilean Association of Accountants. As a result of this evaluation no adjustments have been determined that affect the book values of its investments.

#### **k. Investment in other companies**

Investment in other companies are presented at acquisition cost adjusted for price-level restatement, and corresponds to the investment on Empresa de Energía de Bogotá.

#### **l. Goodwill and negative goodwill**

Goodwill and negative goodwill are determined according to Circular N°1697 (which revoked Circular N°368 at December 30, 2003 of the SVS). Amortization is calculated using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, and does not exceed 20 years.

#### **m. Reverse repurchase agreements**

Reverse repurchase agreements are included in "Other current assets" and are stated at cost plus interest and indexation accrued at year-end, in conformity with the related contracts.

#### **n. Bonds**

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds.

#### **o. Income tax and deferred income taxes**

At December 31, 2004 and 2005, the Company recorded current tax expense according to the tax laws. The Company records income taxes in accordance with Technical Bulletin N°60 and its complements of the Chilean Association of Accountants, and with circular N°1466 and N°1560 issued by the SVS, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities using the tax rates estimated to be in effect at the time of reversal of the temporary differences that gave rise to them.

#### **p. Severance indemnity**

The severance indemnity that the Company is obliged to pay to its employees under collective bargaining agreements is stated at the present value of the benefit under the vested cost method, discounted at 6.5% and assuming an average employment span which varies based upon years of service with the Company.

#### **q. Accrued vacation expense**

In accordance with Technical Bulletin N°.47 issued by the Chilean Association of Accountants, employee vacation expense is recorded on an accrual basis.

#### **r. Pension and post-retirement benefits**

Pension and post-retirement benefits are recorded in accordance with the respective Collective Bargaining Contracts of the employees based on the actuarially determined projected benefit obligation, discounted at 6.5%.

#### **s. Revenue recognition**

The Company recognizes revenues for amounts received from substations rental and electrical distribution lines in accordance with contracts with Chilectra S.A. These amounts are presented in current assets as amounts due from related companies and the corresponding cost is included in cost of sales as depreciation of the aforementioned equipment and electrical installations.

#### **t. Financial derivative contracts**

As of December 31, 2004 and 2005 the Company has forward contracts, currency swaps, and interest swaps and collars with several

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financial institutions, defined as cover, which are recorded according to Technical Bulletin N°57 of the Chilean Association of Accountants.

### u. Software

Software has acquired by the Company and its subsidiaries as computing packages and is amortized over a 3-year term.

### v. Research and development costs

During 2004 and 2005 there have been no expenses under this caption which require footnote disclosure as required by Circular N°. 981 of SVS dated December 28, 1990.

### w. Statements of cash flows

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin N°50 issued by the Chilean Association of Accountants, include cash, time deposits, and reverse repurchase agreements classified as other current assets.

For classification purposes, cash flows from operations include collections and payments to related companies for services and dividends paid.

### x. Reclassification

Do not reclassification was made for the December 31, 2004, financial statements.



**NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES**

Effective January 1, 2005, the Company modified its accounting estimate for recording exchange derivatives associated with certain liabilities expressed in foreign currency, from hedges of existing items to hedges of expected transactions. The change seeks to better

show the transaction's economic and financial implications, fully implementing the policy of hedging exchange risk set forth by the company as well as Technical Bulletin N°. 57 of the Chilean Institute of Accountants as regards hedges over expected transactions. As of December 31, 2005, the application of this policy led to the deferral of income amounting to ThCh\$8,661,217.

**NOTE 4. SHORT AND LONG-TERM RECEIVABLES**

Details of the current and long-term other accounts as receivable, net is as follows at each year end

ITEM	UNTIL 90 DAYS		MORE THAN 90 DAYS UP TO 1 YEAR		SUB TOTAL	TOTAL CURRENT		LONG TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Notes receivable, net	737	764	-	-	737	737	764	-	-
Doubtful allowance	-	-	-	-	-	-	-	-	-
Others accounts receivable, net	18,969,659	1,533,193	-	774,628	18,969,659	18,969,659	2,307,821	-	-
<b>TOTALS</b>						<b>18,970,396</b>	<b>2,308,585</b>	-	-

## NOTE 5. TRANSACTIONS WITH RELATED COMPANIES

Balances of accounts receivable and payable are as follows at December 31, 2004 and 2005:

## a. Notes and accounts receivable:

COMPANY	AS OF DECEMBER 31 ,			
	SHORT-TERM		LONG-TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Chilectra S.A.	18,646,405	12,580,922	151,372,705	91,185,730
Synapsis, Soluciones y Servicios IT Ltda.	3,183,005	8,122	-	-
Inmobiliaria Manso de Velasco Ltda.	38,265	58,702	-	-
Cía. Americana de Multiservicios Ltda.	377,817	351,966	2,028,855	2,006,029
Enersis Internacional	1,530,990	6,548,561	-	-
Chilectra S.A. (Agencia en Islas Cayman)	38,898	11,202	164,193,826	319,980,144
Construcciones y Proyecto Los Maitenes S.A.	1,006	1,042	-	-
Edelnor S.A.	49,298	55,547	-	-
Ampla Energia e Serviços S.A (Ex Cerj)	15,365	17,313	-	-
Edesur S.A.	45,681	51,473	-	-
Luz de Rio Ltda.	12,280	13,837	34,411,243	36,501,343
Codensa S.A.	10,482	11,811	-	-
Endesa S.A. (Chile)	622,036	1,440,355	-	-
Elesur S.A.	21,094	21,853	-	-
Inversiones Distrilima S.A.	488	505	-	-
Ingendesa S.A.	1,699	1,066	-	-
Chilectra Internacional	-	5,959,034	-	-
Túnel el Melón S.A.	80,178	83,287	-	-
Smartcom S.A.	-	970	-	-
Compañía Eléctrica Tarapacá S.A. (Celta)	29,064	29,737	-	-
Endesa S.A. (España)	256,008	563,374	-	-
Endesa Internacional S.A.	375,717	-	-	-
Pehuenche S.A.	645	-	-	-
Aguas Santiago Poniente S.A.	81,500	31,080	-	-
<b>TOTAL</b>	<b>25,417,921</b>	<b>27,841,759</b>	<b>352,006,629</b>	<b>449,673,246</b>

## b. Notes and accounts payable:

COMPANY	AS OF DECEMBER 31 ,			
	SHORT-TERM		LONG-TERM	
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
Chilectra S.A.	284,662	1,509,918	-	-
Synapsis, Soluciones y Servicios IT Ltda.	63,120	1,894,164	-	-
Inmobiliaria Manso de Velasco Ltda.	2,831,274	9,260,636	-	-
Cía. Americana de Multiservicios Ltda.	1,961,779	7,535,843	-	-
Enersis Internacional	1,155,492	1,296,244	-	-
Endesa S.A. (Chile)	504,446	82,848	-	-
Edelnor S.A.	12,028	13,553	-	-
Edesur S.A.	11,448	12,899	-	-
Elesur S.A.	-	8,433	-	-
Túnel el Melón S.A.	188	-	-	-
Endesa Internacional S.A.	27,045,934	57,197,243	-	-
Ingendesa S.A.	1,063	-	-	-
Chilectra Internacional	35	39	-	-
Chilectra S.A. ( Agencia en Islas Cayman )	26,203	29,534	-	-
Endesa Inversiones Generales S.A.	23,958	21,987	-	-
<b>TOTAL</b>	<b>33,921,630</b>	<b>78,863,341</b>	<b>-</b>	<b>-</b>

## c. Effects in income (expense) in each year are as follows:

COMPANY	RELATIONSHIP	NATURE OF TRANSACTION	DECEMBER 31, 2005		DECEMBER 31, 2004	
			THCH\$	INCOME (EXPENSE) THCH\$	THCH\$	INCOME (EXPENSE) THCH\$
Chilectra S.A.	Affiliate	Loans	168,984,289	2,319,466	102,455,691	4,621,162
		Property rental	4,588,089	4,588,089	4,592,497	4,592,497
		Provided Services	4,021,102	4,021,102	4,906,485	4,906,485
Inmobiliaria Manso de Velasco Ltda.	Affiliate	Loans	(2,810,035)	(608,042)	(9,188,288)	(669,947)
		Property rental	(321,388)	(321,388)	(381,575)	(381,575)
Compañía Americana de Multiservicios Ltda.	Affiliate	Loans	175,001	(38,029)	(5,010,629)	(459,641)
		Materials	(6,565)	(6,565)	(18,984)	(18,984)
		Provided Services	326,394	326,394	222,977	222,977
Synapsis, Soluciones y Servicios IT Ltda.	Affiliate	Property maintenance	(690,004)	(690,004)	(511,917)	(511,917)
		Loans	3,127,742	88,147	(1,717,144)	(201,365)
		Obtained Services	(274,436)	(274,436)	(491,113)	(491,113)
Empresa Distribuidora Sur S.A.	Affiliate	Provided Services	93,629	93,629	2,039,372	2,039,372
Endesa S.A. (Chile)	Affiliate	Loans	(403,938)	397,199	963,341	2,136,287
Endesa Inversiones Generales S.A.	Related to affiliate	Provided Services	766,631	766,631	766,244	766,244
		Property rental	(1,034,604)	(1,034,604)	(1,026,494)	(1,026,494)
Chilectra S.A. (Agencia en Islas Cayman)	Affiliate agency	Loans	164,193,826	19,208,108	319,980,144	21,897,885
Luz de Río	Related to affiliate	Loans	24,046,475	2,016,390	27,094,694	1,778,165
Enerisis Internacional	Affiliate	Loans	4,530,047	117,047	4,693,129	414,626
Endesa Chile Internacional	Related to affiliate	Loans	-	-	(30,449,154)	(26,760)
Endesa Agencia	Affiliate agency	Loans	43,902,287	99,312	(26,099,275)	(66,495)
Chilectra Internacional	Related to affiliate	Loans	28,464,496	43,391	3,933,529	58,986

The transfer of short-term funds between related companies 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.

## d. Conditions of the long-term receivables and payables are as follows:

COMPANY	TYPE	DUE DATE	CURRENCY	CAPITAL	INTEREST RATE
Chilectra S.A.	Account receivable	2007	UF	3,824,881.11	6.41%
Chilectra S.A.	Account receivable	2007	UF	689,270.46	6.48%
Chilectra S.A.	Account receivable	2007	UF	3,907,228.40	1.74%
Compañía Americana Multiservicios Ltda.	Account receivable	2007	UF	112,872.13	6.48%
<b>THROUGH AGENCY:</b>					
Chilectra S.A. (Agencia en Islas Cayman)	Account receivable	2007	US\$	320,378,197.95	7.01%
Luz de Río Ltda.	Account receivable	2007	US\$	46,919,950.58	9.05%

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### NOTE 6. DEFERRED INCOME TAXES

a. Income taxes payable as of each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Credits for absorbed profits	7,603,354	-
PPM, donations, training expense	1,500	-
<b>TOTAL INCOME TAXES RECOVERABLE</b>	<b>7,604,854</b>	<b>-</b>

b. The Company has tax losses of ThCh\$380,699,742 and ThCh\$264,057,920 for the years ended December 31, 2004 and 2005, respectively.

c. In accordance with BTs N°60 and 69 of the Chilean Association of Accountants, and Circular N°1,466 of the SVS, the Company has recorded deferred income taxes as of December 31, 2004 and 2005 as follows:

	AS OF DECEMBER 31, 2005				AS OF DECEMBER 31, 2004			
	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\$
Unearned income	-	-	-	-	5,526	-	-	-
Vacation accrual	124,408	-	-	-	111,987	-	-	-
Depreciation	-	-	-	1,709,089	-	-	62,761	1,765,901
Severance indemnities	-	-	-	88,747	-	-	-	138,215
Provisions	546,945	-	-	-	473,298	-	140	700
Bond discount	-	-	139,080	1,122,799	-	-	140,268	1,261,879
Deferred charges	-	-	81,768	229,827	-	-	468,573	761,252
Tax losses	55,315,347	-	-	-	44,318,979	-	-	-
Other events	118,109	130,078	135	677	105,107	135,142	-	-
Complementary account, net	-	-	-	(134,131)	-	-	-	(145,309)
Valuation provision	(11,840,683)	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>44,264,126</b>	<b>130,078</b>	<b>220,983</b>	<b>3,017,008</b>	<b>45,014,897</b>	<b>135,142</b>	<b>671,742</b>	<b>3,782,638</b>

ASSET (LIABILITY)	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Net Short Term Tax	44,043,143	44,343,155
Net Long Term Tax	(2,886,930)	(3,647,496)

d. Income tax expense for the years ended December 31, 2005 and 2004 is as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Income tax provision	13,721,500	2,014,878
Adjustment for tax expense - prior year	-	812,523
Benefits for tax losses	12,598,404	14,742,948
Amortization of complementary accounts	(6,128)	(14,478)
Effect on deferred tax assets or liabilities for the year	(11,840,683)	-
<b>TOTAL</b>	<b>14,473,093</b>	<b>17,555,871</b>

### NOTE 7. OTHER CURRENT ASSETS

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

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Deferred costs - Loans	319,409	1,467,132
Post - retirement benefits	796	824
Deferred expenses collar contracts	132,177	1,244,211
Bond discount	825,110	825,110
Guarantee deposits (See Note 25a)	4,381,875	-
Reverse repurchase agreements (*)	-	15,117,529
Others	141,466	135,082
<b>TOTALS</b>	<b>5,800,833</b>	<b>18,789,888</b>

(\*) The detail of reverse repurchase agreements is as follows:

CODE	DATE START	DATE END	FINANCIAL INSTITUTION	CURRENCY	INTEREST DOCUMENT	CURRENT RATE %	AMOUNT THCH\$	FAIR NOMINAL THCH\$	VALUE THCH\$
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.R.	0.33%	1,779,009	1,779,908	1,779,364
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	210,008	210,122	210,054
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	CERO	0.33%	57,176	57,188	57,179
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	1,806,773	1,807,766	1,807,170
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	830,135	830,511	830,280
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	2,727,842	2,729,125	2,728,341
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	5,208,775	5,211,980	5,210,056
CRV	29/12/04	03/01/05	BBVA C. BOLSA BHIF S.A.	UF	D.P.F.	0.33%	1,786,916	1,787,253	1,787,012
CRV	29/12/04	03/01/05	VALORES SECURITY S.A. C.B.	UF	BONO	0.37%	707,914	708,309	708,073
<b>TOTAL</b>							<b>15,114,548</b>	<b>15,122,162</b>	<b>15,117,529</b>

## NOTE 8. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment as of each year-end is as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
<b>Buildings and infrastructure</b>		
Distribution lines, transmission	22,090,135	22,085,587
<b>TOTAL CONSTRUCTIONS AND BUILDINGS</b>	<b>22,090,135</b>	<b>22,085,587</b>
Machinery and equipment	2,622,234	2,275,664
Other assets	1,023,716	1,199,891
<b>TOTAL FIXED ASSETS</b>	<b>1,023,716</b>	<b>1,199,891</b>
Technical appraisal		
Buildings and infrastructure	35,189	35,212
<b>TOTAL TECHNICAL APPRAISAL</b>	<b>35,189</b>	<b>35,212</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>25,771,274</b>	<b>25,596,354</b>
<b>DEPRECIATION</b>		
Accumulated depreciation at beginning of year		
Buildings and infrastructure	(11,056,389)	(10,320,551)
Machinery and equipment	(979,739)	(1,079,624)
Other assets in transit	(633,351)	(463,086)
<b>TOTAL ACCUMULATED DEPRECIATION AT BEGINNING OF YEAR</b>	<b>(12,669,479)</b>	<b>(11,863,261)</b>
Accumulated depreciation at beginning of year- technical appraisal of buildings and infrastructure	(26,616)	(25,468)
<b>TOTAL DEPRECIATION ACCUMULATED BY TECHNICAL RETASATION</b>	<b>(26,616)</b>	<b>(25,468)</b>
Depreciation of the year (cost of sales)	(1,067,863)	(1,064,634)
Depreciation (non-operating)	(27,668)	(28,339)
<b>TOTAL DEPRECIATION WITH CHARGE OR OPERATION</b>	<b>(1,095,531)</b>	<b>(1,092,973)</b>
<b>TOTAL ACCUMULATED DEPRECIATION AT END OF YEAR</b>	<b>(13,791,626)</b>	<b>(12,981,702)</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>11,979,648</b>	<b>12,614,652</b>

## NOTE 9. INVESTMENT IN RELATED COMPANIES

a. Investments as of each year-end are as follows:

RUT	RELATED COMPANIES	COUNTRY	NUMBER OF SHARES	PERCENTAGE OWNED		SHAREHOLDERS' EQUITY OF INVESTEE	
				2005 %	2004 %	2005 THCH\$	2004 THCH\$
91.081.000-6	Empresa Nacional de Electricidad S.A.	Chile	4,919,488,794	59.98%	59.98%	1,642,258,829	1,625,378,308
96.524.320-8	Chilectra S.A.	Chile	359,602,435	98.24%	98.24%	471,335,146	473,841,657
Extranjera	Enersis Internacional	Islas Caymán	360,557,685	100.00%	100.00%	270,258,882	299,848,177
Extranjera	Luz de Bogotá S.A. (2)	Colombia	-	-	25.71%	-	-
Extranjera	Ampla Energia e Serviços S.A (Ex Cerj)	Brasil	766,367,324,642	18.10%	18.10%	-	542,750,373
Extranjera	Empresa Distribuidora Sur S.A.	Argentina	143,996,758	16.02%	16.02%	463,812,335	542,370,581
Extranjera	Investluz S.A.	Brasil	15,681,945,734	15.61%	15.61%	-	272,153,606
Extranjera	Distrilec Inversora S.A.	Argentina	101,684,374	20.43%	20.43%	261,400,964	305,675,233
79.913.810-7	Inmobiliaria Manso de Velasco Ltda.	Chile	29,462,253	100.00%	100.00%	35,870,887	47,546,219
Extranjera	Inversiones Distrilima S.A.	Perú	95,363,337	15.93%	15.93%	86,546,599	110,642,068
96.800.570-7	Elesur S.A.	Chile	49,207,344	100.00%	100.00%	17,124,193	58,729,305
Extranjera	Central Geradora Termelétrica Fortaleza S.A.	Brasil	20,246,908	48.82%	48.82%	-	57,279,469
96.543.670-7	Compañía Americana de Multiservicios Ltda.	Chile	33,821,693	99.99%	99.99%	48,570,001	44,539,776
96.529.420-1	Synapsis, Soluciones y Servicios IT Ltda.	Chile	10,569,721	99.99%	99.99%	9,661,170	12,999,154
Extranjera	Endesa Market Place (1)	España	-	-	-	-	-
Extranjera	Endesa Brasil	Brasil	34,163,243	20.55%	-	913,850,458	-
Extranjera	Synapsis Colombia S.A.	Colombia	1	0.10%	0.10%	2,143,260	2,002,611
Extranjera	Luz de Río Ltda. (1)	Brasil	-	-	-	-	-
Extranjera	Codensa S.A.	Colombia	16,466,029	12.47%	12.47%	557,546,703	834,500,554

(1) Company with negative equity.

(2) Company dissolved during 2004.

### b. Purchase of Elesur S.A.

On May 27, 2004, Enersis S.A. purchased 49,207,343 shares with no par value from Endesa Internacional S.A., equivalent to 99.9989% of Elesur S.A. partnership assets. The price agreed upon for the transaction was ThCh\$55,551,601 (historic). The purchase was made at book value and no goodwill was recognized. The ThCh\$24,300,093 (updated value) disbursement made in June 2005 relates to a partial payment of the debt.

### c. Endesa Brasil

On June 10, 2005, Endesa Brasil S.A. was incorporated; its purpose is to acquire paid-in capital in operating companies, or that may be incorporated to operate, directly or indirectly, in any segment of the electrical sector, transmission, distribution, generation and marketing of electric energy, in Brazil and other countries. Endesa Brasil S.A. was created as a holding concentrating all the electrical assets of Endesa Group in Brazil.

NET INCOME OF INVESTEES		EQUITY IN INCOME		SHARE OF EQUITY		UNREALIZED INCOME		INVESTMENT BOOK VALUE	
2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$
110,622,993	86,805,151	66,352,702	52,066,538	985,042,143	974,917,049			985,042,143	974,917,049
77,881,177	80,105,153	76,510,348	78,695,178	463,038,917	465,501,310	-		463,038,917	465,501,310
(9,747,473)	(8,545,187)	(9,747,473)	(8,545,187)	270,258,881	299,848,175			270,258,881	299,848,175
-	11,563,382	-	2,973,441	-	-			-	-
(22,228,314)	(32,073,726)	(4,022,268)	(5,803,819)	-	98,212,003			-	98,212,003
(17,540,214)	(17,746,497)	(2,810,790)	(2,843,847)	74,325,156	86,913,985			74,325,156	86,913,985
3,057,907	(6,727,947)	477,335	(1,050,222)	-	42,482,755			-	42,482,755
(9,885,049)	(10,002,453)	(2,019,957)	(2,043,948)	53,415,899	62,463,111			53,415,899	62,463,111
2,492,668	3,114,206	2,492,667	3,114,205	35,870,875	47,546,203			35,870,875	47,546,203
10,944,621	542,558	1,743,478	86,429	13,786,873	17,625,281			13,786,873	17,625,281
(4,456,602)	(1,316,505)	(4,456,554)	(1,316,491)	17,124,009	58,728,674			17,124,009	58,728,674
12,095,925	25,161,943	5,905,231	12,284,061	-	27,963,837			-	27,963,837
2,392,563	5,775,226	2,392,350	5,774,712	48,565,679	44,535,812	(13,142,216)	(10,794,291)	35,423,463	33,741,521
2,551,116	4,380,296	2,550,861	4,379,858	9,660,204	12,997,854	(1,237,800)	(1,737,213)	8,422,404	11,260,641
-	-	-	-	-	-			-	-
31,785,007	-	6,531,285	-	187,780,908	-			187,780,908	-
1,015,448	1,211,844	1,014	1,212	2,139	2,003			2,139	2,003
-	-	-	-	-	-			-	-
66,791,678	30,692,411	8,325,919	3,825,964	69,501,005	104,024,698			69,501,005	104,024,698
<b>TOTAL</b>		<b>150,226,148</b>	<b>141,598,084</b>	<b>2,228,372,688</b>	<b>2,343,762,750</b>	<b>(14,380,016)</b>	<b>(12,531,504)</b>	<b>2,213,992,672</b>	<b>2,331,231,246</b>
<b>EQUITY IN INCOME</b>		<b>173.283.190</b>	<b>163.201.598</b>						
<b>EQUITY IN LOSS</b>		<b>(23.057.042)</b>	<b>(21.603.514)</b>						

Endesa Brasil S.A. holds ownership percentages in the following companies: Compañía de Interconexión Energética S.A. (CIEN), Central Geradora Termelétrica Fortaleza S.A. (CGTF), Companhia Energetica Do Ceara (COELCE), Ampla Energia e Servicos S.A. (formerly, Cerj), Ampla Investimentos e Servicos S.A., Ampla Generación S.A., Investluz and Centrais Eléctricas Cachoeira Dourada S.A. (CDSA).

Endesa Brasil's interest in these investees were contributed on October 25, 26 and 27, 2005 by Enersis S.A., Endesa Chile S.A., Chilectra S.A. and Endesa Internacional.

Enersis S.A., contributed to Endesa Brasil S.A. the following investments:

- Its 48.82% interest in Central Geradora Termelétrica Fortaleza S.A., receiving in exchange an 8.84% interest in Endesa Brasil S.A.
- Its 15.61% interest in Investluz S.A., receiving in exchange a 3.55% interest in Endesa Brasil S.A.

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- Its 18.10% interest in Ampla Energia e Servicios S.A., receiving in exchange an 8.15% interest in Endesa Brasil S.A.

To summarize the above, Enersis S.A. has a direct and indirect interest in Endesa Brasil S.A. amounting to 53.61%.

The transaction described above resulted in a ThCh\$6,197,172 equity decrease as a result of the application of Technical Bulletin N°.72 of the Chilean Association of Accountants, for a business combination under the pooling of interest method (see note 19 e.).

### NOTE 10. GOODWILL AND NEGATIVE GOODWILL

- a. In accordance with current standards, recognition has been given to the excess of purchase price over the equity in net assets acquired (goodwill) in the purchase of shares as of December 31, 2004 and 2005, as follows:

COMPANY	AS OF DECEMBER 31,			
	2005		2004	
	AMORTIZATION THCH\$	NET BALANCE THCH\$	AMORTIZATION THCH\$	NET BALANCE THCH\$
Empresa Nacional de Electricidad S,A, Chilectra S.A.	(46,073,571)	577,838,611	(46,073,571)	623,912,183
Inversiones Distrilima S.A.	(1,070)	9,629	(1,206)	12,054
Codensa S.A.	(502,495)	5,946,190	(374,230)	7,266,144
<b>TOTAL</b>	<b>(53,238,181)</b>	<b>677,727,706</b>	<b>(53,110,052)</b>	<b>731,784,702</b>

- b. Following current standards, recognition has been given to the excess of the equity in the net assets purchased over the purchase price (negative goodwill) in the purchase of shares as of December 31, 2005 and 2004 as follows:

COMPANY	AS OF DECEMBER 31,			
	2005		2004	
	AMORTIZATION THCH\$	NET BALANCE THCH\$	AMORTIZATION THCH\$	NET BALANCE THCH\$
Inversiones Distrilima S.A.	22,455	(368,636)	25,302	(440,667)
Synapsis Soluciones y Servicios IT Ltda.	16,426	(197,783)	16,426	(217,633)
<b>TOTAL</b>	<b>38,881</b>	<b>(566,419)</b>	<b>41,728</b>	<b>(658,300)</b>



**NOTE 11. OTHER ASSETS**

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

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Deferred commissions on foreign currency loans	697,960	3,800,287
Deferred expenses collar contracts	-	393,992
Post-retirement benefits	3,979	4,124
Bond discount	6,597,707	7,269,230
Unrealized loss derivative contracts	-	1,303,830
<b>TOTAL</b>	<b>7,299,646</b>	<b>12,771,463</b>

**NOTE 12. DUE TO BANKS AND FINANCIAL INSTITUTIONS**

a. Current portion of long-term debt due to banks and financial institutions:

FINANCIAL INSTITUTION	CURRENCY								AS OF DECEMBER 31,	
	US\$		OTHER FOREIGN		U.F.		THCH\$		2005	2004
	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	2005 THCH\$	2004 THCH\$	THCH\$	THCH\$
Banco Bilbao Vizcaya Argentaria S.A.	2,968	8,247	-	-	-	-	-	-	2,968	8,247
Citibank, N.A., acting through its International Banking Facility	2,969	8,247	-	-	-	-	-	-	2,969	8,247
Citibank N.A.	-	-	-	-	-	-	348	-	348	-
Caja de Ahorros y Monte de Piedad de Madrid, Caja Madrid	2,969	8,246	-	-	-	-	-	-	2,969	8,246
Banco Santander Central Hispano	2,968	8,243	-	-	-	-	-	-	2,968	8,243
<b>TOTAL</b>	<b>11,874</b>	<b>32,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>348</b>	<b>-</b>	<b>12,222</b>	<b>32,983</b>
<b>Total principal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Weighted average annual interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.20%	0.00%	0.00%	0.00%

	AS OF DECEMBER 31,	
	2005 %	2004 %
Percentage of debt in foreign currency:	97.00	100.00
Percentage of debt in local currency:	3.00	-
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

## NOTE 13. LONG-TERM PORTION OF DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

FINANCIAL INSTITUTION	CURRENCY	YEARS TO MATURITY				TOTAL LONG-TERM PORTION- 2005 THCH\$	AVERAGE ANNUAL INTEREST RATE %	TOTAL LONG-TERM PORTION- 2004 THCH\$
		AFTER 1 YEAR BUT WITHIN 2 YEARS THCH\$	AFTER 2 YEAR BUT WITHIN 3 YEARS THCH\$	AFTER 3 YEAR BUT WITHIN 5 YEARS THCH\$	AFTER 5 YEAR BUT WITHIN 10 YEARS THCH\$			
Banco Bilbao Vizcaya Argentaria S,A,	US\$	-	10,890,625	-	-	10,890,625	4.91%	50,528,310
Citibank, N.A., acting through its International Banking Facility	US\$	-	10,890,625	-	-	10,890,625	4.91%	50,528,310
Banco Santander Central Hispano S.A.	US\$	-	10,890,625	-	-	10,890,625	4.91%	50,528,310
Caja de Ahorros y Monte de Piedad de Madrid, Caja Madrid	US\$	-	10,890,625	-	-	10,890,625	4.91%	50,528,310
<b>TOTAL</b>		-	<b>43,562,500</b>	-	-	<b>43,562,500</b>		<b>202,113,240</b>

	AS OF DECEMBER 31,	
	2005 %	2004 %
Percentage of debt in foreign currency:	100.00	100.00
Percentage of debt in local currency:	-	-
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

On April 15, 2004, Enersis S.A. prepaid US\$150 million of the syndicated loan obtained in November, 2003, for US\$500 million. The US\$350 million balance was refinanced in November, 2004, through revolving overdraft lines whose expiration term is 4 years. During 2005 US\$265 million were prepaid and the balance amount US\$85 millions will maturity on November of 2008. It is possible to prepay and draw during the contract effectiveness. The interest (spread) depends on the corporate rating given by S&P. Currently it is BBB, for which initially it will be 0.375%.

## NOTE 14. OTHER CURRENT LIABILITIES

Other current liabilities at each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Fair value - derivative contracts	1,094,038	563,645
Others	76,217	
<b>TOTAL</b>	<b>1,170,255</b>	<b>563,645</b>

## NOTE 15. OTHER LONG-TERM LIABILITIES

Other current liabilities at each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Swap collar rate contract	98,200,332	60,702,482
Fair value - derivative contracts	8,661,217	
Others	13,326,522	15,110,107
<b>TOTAL</b>	<b>120,188,071</b>	<b>75,812,589</b>

## NOTE 16. BONDS PAYABLE

a. Details of the current portion of bonds payable is as follows at each year-end:

BONDS LONG-TERM - SHORT-TERM PORTION						AS OF DECEMBER 31,	
INSTRUMENT	SERIES	FACE VALUE OUTSTANDING	CURRENCY	INTEREST RATE	MATURITY DATE	2005 THCH\$	2004 THCH\$
Yankee Bonds	1	300,000,000	US\$	6.90%	01/12/2006	154,634,063	996,130
Yankee Bonds	2	350,000,000	US\$	7.40%	01/12/2016	1,106,146	1,246,365
Yankee Bonds	3	858,000	US\$	6.60%	01/12/2026	2,418	2,725
Yankee Bonds	3	350,000,000	US\$	7.38%	01/12/2014	6,063,249	6,986,241
Bond N° 269	B-1	32,862	U.F.	5.50%	15/06/2009	158,966	75,235
Bond N° 269	B-2	1,935,000	U.F.	5.75%	15/06/2022	763,959	82,007
<b>TOTAL SHORT-TERM PORTION</b>						<b>162,728,801</b>	<b>9,388,703</b>

b. Details of the long-term portion of bonds payable is as follows at each year-end:

BONDS LONG-TERM						AS OF DECEMBER 31,	
INSTRUMENT	SERIES	FACE VALUE OUTSTANDING	CURRENCY	INTEREST RATE	MATURITY DATE	2005 THCH\$	2004 THCH\$
Yankee Bonds	1	300,000,000	US\$	6.90%	01/12/2006	-	173,239,920
Yankee Bonds	2	350,000,000	US\$	7.40%	01/12/2016	179,375,000	202,113,240
Yankee Bonds	3	858,000	US\$	6.60%	01/12/2026	439,725	495,466
Yankee Bonds	3	350,000,000	US\$	7.38%	01/12/2014	179,375,000	202,113,240
Bond N° 269	B-1	32,862	U.F.	5.50%	15/06/2009	433,059	665,121
Bond N° 269	B-2	1,935,000	U.F.	5.75%	15/06/2022	34,099,461	34,714,798
<b>TOTAL LONG-TERM</b>						<b>393,722,245</b>	<b>613,341,785</b>

c. Bonds payable are comprised of the following:

i. **Enersis S.A. Series B1-B2**

On September 11, 2001, Enersis S.A. registered two series of bearer bonds as of June 14, 2001, as follows:

SERIES	TOTAL AMOUNT IN UF	NºOF BONDS PER SERIES	FACE VALUE IN UF
B1	1,000,000	1,000	1,000
B1	3,000,000	300	10,000
B2	1,000,000	1,000	1,000
B2	1,500,000	150	10,000

The scheduled maturity of the Series B-1 bonds is 8 years, interest and principal payable semi-annually. Annual interest is 5.50%, compounded semi-annually.

The scheduled maturity of the Series B-2 bonds is 21 years, principal payments beginning after 5 years, interest and principal payable semi-annually. Annual interest is 5.75%, compounded semi-annually.

ii. **Yankee Bonds**

On November 21, 1996, the Company, acting through its agency in the Cayman Islands, issued corporate notes (Yankee Bonds) for US\$800 million in three series, as follows:

SERIES	TOTAL AMOUNT IN US\$	YEARS TO MATURITY	STATED ANNUAL INTEREST RATE
1	300,000,000	10	6.90%
2	350,000,000	20	7.40%
3	150,000,000	30	6.60%

Interest is payable on a semi-annual basis and principal is due upon maturity. The Series 3 bond holders has a pre-redemption option in year seven, which was exercised by nearly all holders in November 2003 for US\$149,142,000.

During 2004 second half, debts have been re-nominated through UF/US\$swap contracts for an amount of US\$100,000,000 associated to the tranche 1 bond and US\$250,000,000 associated to tranche 2.

iii. **Yankee Bonds II**

On November 24, 2003, the Corporation, through its Cayman Islands Agency, issued and placed Yankee Bonds on the American market for US\$350 million. This placement was made in a single Series, whose features are as follows:

SERIES	TOTAL AMOUNT IN US\$	YEARS TO MATURITY	STATED ANNUAL INTEREST RATE
1	350,000,000	10	7.375%

Interest is paid on a semi-annual basis and principal is due upon maturity.

During the second half of 2004, second half, debts have been re-nominated through US\$/UF swap contracts for the total of this issue.

iv. **Discount on bonds placed**

The discounts on Enersis S.A. bonds placed have been deferred over the same periods as the periods of the related bonds issues. The balance at December 31, 2005 amounts to ThCh\$6,597,707 (ThCh\$7,269,230 in 2004), are included in "Other assets" and ThCh\$825,110 (ThCh\$825,110 in 2004) are included in "Other current assets".

**NOTE 17. ACCRUED EXPENSES****a. Short-term accruals:**

Accrued expenses included in current liabilities as of each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Negative equity of investments (*)	17,270,940	15,125,725
Profit sharing and other employee benefits	2,522,259	2,391,930
Other accruals	1,816,182	1,142,875
<b>TOTAL</b>	<b>21,609,381</b>	<b>18,660,530</b>

(\*) Corresponding to provision for ownership as of december 31, 2005 in negative equity of Luz de Río Limitada and Endesa Market Place for ThCh\$17,045,377 (ThCh\$14,892,041 in 2004) and ThCh\$225,563 (ThCh\$233,684 in 2004) respectively.

During 2004 and 2005 there were no debt write-offs.

**b. Long-term accruals:**

Accrued expenses included in long term liabilities as of each year-end are as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Severance indemnities	1,981,730	1,862,461
Post-retirement benefits	765,165	794,953
<b>TOTAL</b>	<b>2,746,895</b>	<b>2,657,414</b>

**NOTE 18. SEVERANCE INDEMNITIES**

Include employee severance indemnities, determined in accordance with the policy described in Note 2p, post-retirement benefits and others. An analysis of the changes in the accruals in each year is as follows:

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Opening balance as of January 1	1,797,743	2,019,990
Increase in accrual	494,650	131,051
Payments during the year	(310,663)	(288,580)
<b>TOTAL</b>	<b>1,981,730</b>	<b>1,862,461</b>

## NOTE 19. SHAREHOLDERS' EQUITY

a. During 2005 and 2004, the equity accounts movements are as follows:

	PAID-IN CAPITAL THCH\$	ADDITIONAL PAID-IN CAPITAL THCH\$	OTHER RESERVES THCH\$	RETAINED EARNINGS THCH\$	DEFICIT OF SUBSIDIARIES IN DEVELOPMENT STAGE THCH\$	NET INCOME FOR THE YEAR THCH\$	TOTAL THCH\$
As of January 1, 2003	2,227,711,340	159,323,362	(25,671,685)	176,016,726	(1,455,716)	12,467,863	2,548,391,890
Capital increase	-	(563,714)	-	-	-	-	(563,714)
Transfer of prior year loss to retained earnings	-	-	-	13,629,822	(1,161,959)	(12,467,863)	-
Changes in equity of affiliates	-	-	(4,435,524)	-	-	-	(4,435,524)
Reserve Technical Bulletin N°. 72	-	-	11,992,130	-	-	-	11,992,130
Cumulative translation adjustment	-	-	(103,832,123)	-	-	-	(103,832,123)
Price-level restatement of capital	55,692,784	3,966,173	(641,792)	4,731,711	(55,989)	-	63,692,887
Net income for the year	-	-	-	-	-	44,307,596	44,307,596
<b>Balances as of December 31, 2004</b>	<b>2,283,404,124</b>	<b>162,725,821</b>	<b>(122,588,994)</b>	<b>194,378,259</b>	<b>(2,673,664)</b>	<b>44,307,596</b>	<b>2,559,553,142</b>
Price-level restated balances	82,202,548	5,858,130	(4,413,204)	6,997,617	(96,252)	1,595,073	92,143,912
<b>As of December 31, 2004</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(127,002,198)</b>	<b>201,375,876</b>	<b>(2,769,916)</b>	<b>45,902,669</b>	<b>2,651,697,054</b>
As of January 1, 2004	2,283,404,124	162,725,821	(122,588,994)	194,378,259	(2,673,664)	44,307,596	2,559,553,142
Transfer of prior year loss to retained earnings	-	-	-	41,633,932	2,673,664	(44,307,596)	-
Changes in equity of affiliates	-	-	(5,851,418)	-	-	-	(5,851,418)
Dividend paid	-	-	-	(13,600,517)	-	-	(13,600,517)
Reserve Technical Bulletin N°. 72	-	-	(6,197,072)	-	-	-	(6,197,072)
Cumulative translation adjustment	-	-	(97,676,664)	-	-	-	(97,676,664)
Price-level restatement of capital	82,202,548	5,858,130	(4,413,204)	7,979,618	-	-	91,627,092
Net income for the year	-	-	-	-	-	68,016,865	68,016,865
<b>BALANCES AS OF DECEMBER 31, 2005</b>	<b>2,365,606,672</b>	<b>168,583,951</b>	<b>(236,727,352)</b>	<b>230,391,292</b>	<b>-</b>	<b>68,016,865</b>	<b>2,595,871,428</b>

b. Dividends - There are no restrictions to pay dividends

DIVIDEND NUMBER	PAYMENT DATE	HISTORICAL VALUE (CH\$)	TYPE OF DIVIDEND
72	April 2005	0.41654	Final 2004

c. Number of shares

AS OF DECEMBER 31, 2005		
NUMBER OF SHARES SUBSCRIBED PAID	NUMBER OF SHARES	NUMBER OF SHARES WITH VOTING RIGHTS
32,651,166,465	32,651,166,465	32,651,166,465

d. Subscribed and paid in capital is as follows:

AS OF DECEMBER 31, 2005	
SUBSCRIBED IN CAPITAL THCH\$	PAID IN CAPITAL THCH\$
2,365,606,672	2,365,606,672

g. Other information

Detail of other reserves is as follows:

	INITIAL BALANCE AT JANUARY 1, 2005 THCH\$	RESERVE FOR THE PERIOD THCH\$	FINAL BALANCE AT DECEMBER 31, 2005 THCH\$
Reserve for entities using remeasurement method	(15,472,587)	(5,851,418)	(21,324,005)
Reserve for accumulated conversion differences	(123,953,457)	(97,676,664)	(221,630,121)
Reserve for Technical Bulletin N° 72 (1)	12,423,846	(6,197,072)	6,226,774
<b>TOTAL</b>	<b>(127,002,198)</b>	<b>(109,725,154)</b>	<b>(236,727,352)</b>

- (1) Corresponds to the reserve generated by the purchase of shares in Ampla Energía e Serviços S.A. (formerly Cerj) in 2004. This effect has been recorded in accordance with Technical Bulletin N° 72 of the Chilean Institute of Accountants.

The year's variation relates to the reserve generated as a result of the difference between the application of the percentages determined in the exchange equations applied to the shareholders' equity of Endesa Brasil S.A. under Chilean GAAP, versus the book value of the investments that ENERSIS S.A., Endesa Chile S.A. and Chilectra S.A. has in the Brazilian companies which were contributed to Endesa Brasil S.A., in accordance with Technical Bulletin N° 72 of the Chilean Association of Accountants as regards business combinations (pooling of interest).

Detail of changes in the reserve for accumulated conversion differences are as follows for the year ended December 31, 2005:

	INITIAL BALANCE AT JANUARY 1, 2005 THCH\$	RESERVE FOR ASSETS THCH\$	RESERVE FOR LIABILITIES THCH\$	FINAL VARIATION OF THE YEAR THCH\$	BALANCE AT DECEMBER 31, 2005 THCH\$
Cumulative translation adjustment	(123,953,457)	(126,907,221)	29,230,557	(97,676,664)	(221,630,121)
<b>TOTAL</b>	<b>(123,953,457)</b>	<b>(126,907,221)</b>	<b>29,230,557</b>	<b>(97,676,664)</b>	<b>(221,630,121)</b>

The detail of the accumulated conversion difference reserve at December 31, 2005 is as follows:

	THCH\$
Edesur S.A.	(37,691,767)
Distrilec Inversora S.A.	(27,348,834)
Inversiones Distrilima S.A.	(11,548,095)
Cía. Peruana de Electricidad S.A.	(1,527,104)
Ampla Energia e Serviços S.A.	(46,634,447)
Ampla Investimentos e Serviços S.A.	852,063
Endesa Brasil	(23,396,576)
Codensa S.A.	(40,509,969)
Investluz	(6,131,620)
Central Geradora Termelétrica Fortaleza S.A.	(6,293,577)
Synapsis de Colombia S.A.	(1,061,888)
Endesa Market Place	389,748
Endesa Argentina S.A.	(3,102,038)
Endesa Chile Internacional	(3,137,016)
Ingendesa Do Brasil Ltda.	(147,239)
Endesa Costanera S.A.	(841,212)
Cono Sur S.A.	(13,477,934)
Cesa S.A.	(22,616)
<b>TOTAL</b>	<b>(221,630,121)</b>

## NOTE 20. OTHER INCOME AND EXPENSES

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

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Adjustments to investment in related companies	5	896,277
Project administration, maintenance and construction	6,932,580	8,913,276
Dividends on EEB	739,508	545,288
Compensation received	4,573,225	-
Others	68,601	-
<b>TOTAL</b>	<b>12,313,919</b>	<b>10,354,841</b>

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

	AS OF DECEMBER 31,	
	2005 THCH\$	2004 THCH\$
Adjustments to investment in related companies	720,233	418,657
Allowance negative equity	-	1,118,452
Fair value effect derivate US\$/UF net	-	13,806,277
Tax by investment on Argentine through Enersis Agency	578,659	676,471
Colombian tax by dividend on Codensa	511,289	-
Comercial patents	242,140	-
Others	807,879	514,712
<b>TOTAL</b>	<b>2,860,200</b>	<b>16,534,569</b>

## NOTE 21. PRICE-LEVEL RESTATEMENT

The (charge) credit to income for price-level restatement as of each year-end is as follows:

ASSETS	INDEX	AS OF DECEMBER 31,	
		2005 THCH\$	2004 THCH\$
Property, plant and equipment	I.P.C.	477,979	348,938
Accounts receivable from subsidiaries short-term	I.P.C.	15,400	757,146
	U.F.	591	1,241,266
Accounts receivable from subsidiaries long-term	I.P.C.	10,623,324	9,035,224
	U.F.	3,905,052	-
Investment in subsidiaries	I.P.C.	65,635,643	44,997,286
Investment in other companies	I.P.C.	12,467,757	10,940,528
Negative goodwill	I.P.C.	25,409,361	19,109,602
Current assets	I.P.C.	84,838	28,966
Other assets	I.P.C.	14,512,059	10,276,042
Credit for cost and expense accounts	I.P.C.	415,138	318,123
<b>NET CREDIT-ASSETS</b>		<b>133,547,142</b>	<b>97,053,121</b>

LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	I.P.C.	(91,627,092)	(65,985,831)
Current liabilities and long-term	I.P.C.	(1,755)	(281,980)
	U.F.	(18,333,782)	(11,886,818)
Accounts payable to subsidiaries short-term	I.P.C.	(131,093)	-
Accounts payable to subsidiaries long-term	U.F.	-	(57,770)
Due to banks and financial institutions long-term	I.P.C.	(14,063,697)	(5,290,996)
Bonds payable short-term	I.P.C.	(6,019,920)	-
Bonds payable long-term	I.P.C.	(4,039,286)	(15,392,784)
Non monetary liabilities	I.P.C.	(517,484)	-
Other liabilities long-term	I.P.C.	-	-
Charge to income accounts	I.P.C.	(432,371)	(365,606)
<b>NET CHARGE-LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>(135,166,480)</b>	<b>(99,261,785)</b>
<b>NET CHARGE TO INCOME</b>		<b>(1,619,338)</b>	<b>(2,208,664)</b>



**NOTE 22. EXCHANGE DIFFERENCES**

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

ASSETS				LIABILITIES			
CURRENT ASSETS	CURRENCY	AS OF DECEMBER 31 ,		CURRENT LIABILITIES	CURRENCY	AS OF DECEMBER 31 ,	
		2005 THCH\$	2004 THCH\$			2005 THCH\$	2004 THCH\$
Cash	US\$	309,740	441,157	Due banks and financial institutions	US\$	-	-
Time deposits	US\$	(2,784,962)	(1,377,820)	Amount payable to related companies	US\$	587,257	2,140,177
Other current assets	US\$	(164)	(100,698)	Forward	US\$	(385,869)	4,010,320
Amounts due from related companies	US\$	(1,150,379)	629,676	Other liabilities	US\$	-	29,582
Other accounts receivable	US\$	(562,246)	-				
<b>NON-CURRENT ASSETS</b>				<b>LONG-TERM LIABILITIES</b>			
Amounts due from related companies	US\$	(31,160,113)	(26,028,143)	Due banks and financial institutions	US\$	9,069,760	23,363,550
Investment in other companies	US\$	(7,142)	(2,274,210)	Bonds payable	US\$	19,545,662	4,446,721
<b>TOTAL GAIN (LOSS)</b>		<b>(35,355,266)</b>	<b>(28,710,038)</b>	<b>TOTAL GAIN (LOSS)</b>		<b>28,816,810</b>	<b>33,990,350</b>
				<b>EXCHANGE DIFFERENCE- NET INCOME (LOSS)</b>		<b>(6,538,456)</b>	<b>5,280,312</b>

**NOTE 23. CASH FLOW STATEMENT**

OTHER FINANCING RECEIPTS	AS OF DECEMBER 31	
	2005 THCH\$	2004 THCH\$
Forward contract payments	444,178	13,099,629
<b>TOTAL</b>	<b>444,178</b>	<b>13,099,629</b>

OTHER FINANCING DISBURSEMENTS	AS OF DECEMBER 31	
	2005 THCH\$	2004 THCH\$
Commissions on debt refinancing	-	1,688,155
Collar and collateral derivative contracts premiums	5,006,707	-
Forward contract payments	838,124	-
Payments by bond issue	-	1,121,919
<b>TOTAL</b>	<b>5,844,831</b>	<b>2,810,074</b>

OTHER INCOME OF INVESTMENTS	AS OF DECEMBER 31	
	2005 THCH\$	2004 THCH\$
Equity negative Elesur	24,371,147	-
Decrease in investment Codensa	28,809,526	-
Decrease in equity Distrilima	2,740,650	-
Decrease investment in Luz de Bogotá	-	2,198,531
<b>TOTAL</b>	<b>55,921,323</b>	<b>2,198,531</b>

## NOTE 24. FINANCIAL DERIVATIVES

As of December 31, 2005 the Company held the following financial derivative contracts with financial institutions with the object of decreasing exposure to interest rate and foreign currency risk, according to note 2t, as follows:

TYPE	TYPE CONTRACT	NOMINAL AMOUNT US\$	DATE OF MATURITY	ITEM	SALES/PURCHASE	HEDGED ITEM	AMOUNT THCH\$	AMOUNT HEDGED ITEM THCH\$	ACCOUNTS			
									ASSETS / LIABILITIES		INCOME	
									ACCOUNT	AMOUNT THCH\$	REALIZED THCH\$	UNREALIZED THCH\$
OE	CCTE	85,000,000	II-2006	Interest rate	C	Bank obligations	43,562,500	43,562,500	Other liabilities short-term	-	(832,622)	-
S	CCTE	350,000,000	I-2014	Exchange rate	C	Bonds payable	179,375,000	179,375,000	Other liabilities long-term	(48,861,451)	75,864	(17,455,152)
S	CCTE	100,000,000	IV-2006	Exchange rate	C	Bonds payable	51,250,000	51,250,000	Other liabilities long-term	(15,462,294)	(348,731)	(6,929,485)
S	CCTE	250,000,000	IV-2016	Exchange rate	C	Bonds payable	128,125,000	128,125,000	Other liabilities long-term	(34,940,275)	66,295	(24,081,317)

(1) S = Swap, OE= Collar, C= Purchase, CCTE= Hedging contract of expected transaction

## NOTE 25. COMMITMENTS AND CONTINGENCIES

## a. Collateral held by third parties:

GUARANTEE	DEBTOR	TYPE GUARANTEE	COMMITTED ASSETS			BALANCE PAYABLE OF RELATED DEBT AT DECEMBER 31.			RELEASE OF GUARANTEES		
			TYPE	CURRENCY	BOOK VALUE OF COLLATERAL THCH\$	CURRENCY	2004 THCH\$	2005 THCH\$	2006 THCH\$	2007 THCH\$	2008 THCH\$
Deutsche Bank	Enersis S.A.	Deposits account	Deposit account	ThCh\$	4,381,875	ThCh\$	-	29,392,209	-	-	-

## b. Litigation and other legal actions:

- Plaintiff : Enersis S.A., Chilectra S.A., Empresa Nacional de Electricidad S.A., Elesur S.A.
- Defendant : The Republic of Argentina
- Court : CIADI Arbitration Panel
- Case/Identification : (CIADI Case # ARB/03/21)

Compensation for losses caused to the Plaintiff is investment in the Republic of Argentina is requested in connection with the participation in the power distribution concessionaire Edesur S.A. on the grounds of violation of the Investment Protection and Promotion Agreement entered into by the Republics of Chile and Argentina, and the Argentinean Government behavior through the passing of Public Emergency Law 25,561, dated January 6, 2002. The said behavior has also seriously affected the economic and financial balance of the Granting Contract between Edesur S.A. and the Argentinean National State. The said Law authorized a re-negotiation process of the Granting

Contracts with the purpose of re-composing the economic-financial equation affected by the conversion to pesos, at US\$1 = \$1, of tariff values calculated in American dollars, and the prohibition to apply biased tariff updating. In the practice, this process has not been promoted by the Government, and no measures to prevent losses for the Plaintiff have been formalized. Edesur S.A. has been deprived of receiving the tariffs indicated in the regulations and in the said Granting Contract, being therefore harmful for the investment the Plaintiff companies have made.

Process status: On October 18, 2004, a copy of the lack of jurisdiction petition filed by the Republic of Argentina was received. On December 17, 2004 the said petition was answered and confirmation of the CIADI jurisdiction was requested.

On April 6, 2005, the allegations of the parties regarding this jurisdiction issue took place. The court decided to accept the re-complaint and re-answer of the parties, setting a brief term for them. On June 17, 2005, Edesur S.A. entered with the Unit for

Renegotiation and Analysis of Public Services Contracts (UNIREN) into an Understanding Letter within the framework of the process for renegotiation Edesur S.A.'s Concession Contract, envisaged in Law N°. 25,561 and supplementary regulation. The Understanding Letter contains the terms and conditions that, provided the other statutory Argentinean procedures are met, will constitute the basis for the Agreement for the Full Renegotiation of the Concession Contract between the Argentinean State and Edesur S.A. In addition, the Understanding Letter imposes the obligation of initially suspending, and subsequently dropping, all actions filed against the Argentinean State by Edesur S.A. and its shareholders. Such requirement would cause Enersis S.A. to suspend the international arbitration started on April 25, 2003 with the International Center for the Settlement of Disputes regarding Investments between States and National of Other States (CIADI), seeking from the Republic of Argentina the payment of damages caused by the actions taken by the Republic of Argentina starting with the Public Emergency Law and the Reform of the Foreign Exchange Regime and their statutory and regulatory norms, to Enersis S.A. investment in Edesur S.A. After publication in the Official Gazette of the Republic of Argentina of the resolution approving the rates arising from the Full Rates Revision, Enersis S.A. and subsidiaries Enersis International, Chilectra S.A., Chilectra Internacional, Empresa Nacional de Electricidad S.A. and Elesur S.A. would drop the abovementioned international arbitration started with the CIADI.

On August 29, 2005, Edesur S.A. entered into the Minutes of Agreement for the Adequacy of the Concession Contract for the Public Service of Distribution and Marketing of Electric Energy, which formalized, in essence, the agreement reached in the Understanding Letter. This Minutes of Agreement must be approved by the Argentinean Congress and ratified by the Argentinean government. The suspension of the aforementioned actions is a prerequisite for ratification. On September 16, 2005, the Republic of Argentina made a filing requesting the suspension of the proceeding. It was answered on September 22, 2005 by the plaintiffs, who opposed the suspension. On September 30, 2005 the court rejected the Argentinean request, for lack of consent. On October 7, 2005, Argentina made a new filing on the same issue, which the court communicated to us on October 11, 2005, and we answered the filing on October 18, 2005. The Minutes of Agreements for the Adequacy of the Concession Contract for the Public Service of Distributions and Marketing of Electric Energy is now being studied by the Argentinean Congress.

**Amount involved: US\$574,739,500.**

### c. Restrictions:

**c.1** The Company's loan agreements establish an obligation to comply with the following financial ratios, on a consolidated level:

- Enersis's ratio between debt and cash flow for four quarters and that of its Chilean subsidiaries did not exceed 7.0x in 2005; 6.0x in 2008
- The ratio of consolidated debt to EBITDA for four consolidated quarters, not exceeding 5.0x in 2005; 3.0 in 2008
- The ratio of Enersis and its Chilean subsidiaries cash flow to financial expenses for four quarters, not less than 1.6x in 2005; 2.2 in 2008
- The ratio of consolidated debt to shareholders' equity plus minority interest not exceeding 80% in 2005; 70% in 2008
- Assets corresponding to companies whose business is regulated, is not to be less than 50% of the total consolidated assets.
- Minimum shareholders' equity at least equal to U.F.27 million

**c.2** As a common and habitual practice for some bank loan debts and also in capital markets, a substantial portion of Enersis S.A.'s financial indebtedness is subject to cross-failure provisions. Some failures of relevant subsidiaries, if not corrected in time (as to those specific provisions allowing a year of time to correct the problem), might result in the cross-failure at the Endesa-Chile and Enersis S.A. level., and, in this case, significant percent of Enersis S.A.'s consolidated liabilities might eventually become on demand.

Non-payment, after any applicable grace period, of these companies' debts or of those corresponding to some of their most relevant subsidiaries for an individual amount exceeding the equivalent of 30 million dollars, would cause advanced payment of syndicated credits contracted in 2004. Also, non-payment, after any applicable grace period, of these companies' debts or of those corresponding to any of their subsidiaries for individual amounts exceeding the equivalent of 30 million dollars, would cause advanced payment of Yankee bonds. In addition, some credit agreements contain provisions according to which certain events different from non-payment in these companies or in any of their most relevant subsidiaries, such as bankruptcy, insolvency, adverse executed legal sentences for amounts larger than US\$50 million, and expropriation of assets, may cause those credits acceleration declaration.

c.3 There are no clauses in the credit agreements through which changes in these companies corporate or debt classification by risk classification agencies may cause and obligation to make debt prepayments. However, according to the Standard & Poor (S&P) risk classification agency, a variation in the foreign currency debt risk

classification produces a change in the applicable margin of syndicated credits contracted in 2004.

As of December 31, 2005 and 2004 all these obligations have been met.

## NOTE 26. SURETIES OBTAINED FROM THIRD PARTIES

As of December 31, 2005, the Company has received sureties as follows:

OPERATION	CONTRACTOR	RELATION	AMOUNT THCH\$
Support contract	Gtd Teleductos S.A.	Third	17,975
Seriousness of supply	Telmex Chile Networks S.A.	Third	17,975
Support contract	Smartcom S.A.	Third	17,975
Support contract	Empresa Nacional de Telecomunicaciones	Third	17,277
Support contract	Aguas Andinas S.A.	Third	8,987
Contract of Sit. and Srv. Corp.	Telefónica Móviles Chile	Third	8,987
Support contract	ARC S.A.	Third	7,873
Finish contract	Resguardo	Third	2,984
Support contract	Proveedores Integrales Prisa S.A.	Third	2,400
Others		Third	3,421
<b>TOTAL</b>			<b>105,854</b>

As of December 31, 2004, the Company has received sureties as follows:

OPERATION	CONTRACTOR	RELATION	AMOUNT THCH\$
Support contract	Metrópolis Intercom	Third	55,885
Support contract	Cía. de Telecomunicaciones de Chile	Third	52,924
Support contract	Complejo Manufacturero de Equipos Telefónicos	Third	35,881
Support contract	At & T Chile Networks S.A.	Third	17,940
Support contract	Gtd Teleductos S.A.	Third	17,940
Support contract	Smartcom S.A.	Third	17,940
Support contract	Empresa Nacional de Telecomunicaciones	Third	16,326
Support contract	Aguas Andinas	Third	8,970
Support contract	Bellsouth Comunicaciones	Third	8,970
Others		Third	18,965
<b>TOTAL</b>			<b>251,741</b>

## NOTE 27. FOREIGN CURRENCIES

As of December 31, 2005 and 2004, foreign currency denominated assets and liabilities are as follows:

## a. Current assets

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 THCH\$	2004 THCH\$
Cash	\$ no Reaj.	45,110	(53,879)
	US\$	73,510	139,108
Time deposits	US\$	-	9,506,497
Notes receivables	\$ no Reaj.	737	764
Other receivables	\$ no Reaj.	14,784,258	2,307,821
	US\$	4,185,401	-
Amounts due from related companies	\$ no Reaj.	22,727,737	13,989,961
	US\$	2,449,811	13,698,268
	U.F.	240,373	153,530
Income taxes recoverable	\$ no Reaj.	7,604,854	-
Prepaid expenses	\$ no Reaj.	620	-
Deferred income taxes	\$ no Reaj.	44,043,143	44,343,155
Other current asset	\$ no Reaj.	5,800,833	18,789,888
<b>TOTAL CURRENT ASSETS</b>		<b>101,956,387</b>	<b>102,875,113</b>

## b. Property, plant and equipment

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 THCH\$	2004 THCH\$
Buildings and infrastructure	\$ no Reaj.	22,090,135	22,085,587
Machinery and equipment	\$ no Reaj.	2,622,234	2,275,664
Other fixed assets	\$ no Reaj.	1,023,716	1,199,891
Technical appraisal	\$ no Reaj.	35,189	35,212
Depretiation	\$ no Reaj.	(13,791,626)	(12,981,702)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>11,979,648</b>	<b>12,614,652</b>

## c. Other assets

ACCOUNT	CURRENCY	AS OF DECEMBER 31,	
		2005 THCH\$	2004 THCH\$
Investment in related companies	\$ no Reaj.	1,815,182,831	1,891,545,576
	US\$	398,809,841	439,685,670
Investment in other companies	US\$	13,669,829	16,066,467
Negative goodwill, net	\$ no Reaj.	671,771,887	724,506,504
	US\$	5,955,819	7,278,198
Goodwill, net	\$ no Reaj.	(102,663)	(119,090)
	US\$	(463,756)	(539,210)
Other receivables	\$ no Reaj.	-	-
Amount due from related companies	US\$	198,605,069	356,481,488
	U.F.	153,401,560	93,191,758
Intangibles	\$ no Reaj.	1,526,936	1,526,936
Less: Accumulated amortization	\$ no Reaj.	(602,822)	(526,330)
Other assets	\$ no Reaj.	7,299,646	12,771,463
<b>Total other assets</b>		<b>3,265,054,177</b>	<b>3,541,869,430</b>
Total assets by currency	\$ no Reaj.	2,602,062,755	2,721,697,421
	US\$	623,285,524	842,316,486
	U.F.	153,641,933	93,345,288
<b>TOTAL</b>		<b>3,378,990,212</b>	<b>3,657,359,195</b>

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### d. Current liabilities

ACCOUNT	CURRENCY	WITHIN 90 DAYS				91 DAYS TO 1 YEAR			
		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004		AS OF DECEMBER 31, 2005		AS OF DECEMBER 31, 2004	
		AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %
Due to banks and financial institutions long-term - short-term portion	US\$	°	-	32,983	-	-	-	-	-
	\$ no Reaj.	348	-	-	-	-	-	-	-
Bonds payable	U.F.	922,925	-	157,242	-	-	-	-	-
	US\$	-	-	9,231,461	-	161,805,876	-	-	-
Dividends payable	\$ no Reaj.	54,918	-	55,433	-	-	-	-	-
Accounts payable	\$ no Reaj.	362,803	-	193,999	-	-	-	-	-
Miscellaneous payable	\$ no Reaj.	43,357	-	98,010	-	-	-	-	-
Amount payable to related companies	\$ no Reaj.	32,716,425	-	77,511,071	-	-	-	-	-
	US\$	131,523	-	55,396	-	1,073,682	-	1,296,874	-
Accrued expenses	\$ no Reaj.	4,338,441	-	3,768,489	-	17,270,940	-	14,892,041	-
Income tax payable	\$ no Reaj.	108,776	-	200,464	-	-	-	-	-
Deferred income	\$ no Reaj.	-	-	32,509	-	-	-	-	-
Other current liabilities	US\$	1,094,038	-	101,552	-	-	-	-	-
	\$ no Reaj.	76,217	-	462,093	-	-	-	-	-
Total current liabilities by currency	U.F.	922,925		157,242		-		-	
	\$ no Reaj.	37,701,285		82,322,068		17,270,940		14,892,041	
	US\$	1,237,435		9,421,392		162,879,558		1,296,874	
<b>TOTAL CURRENT LIABILITIES</b>		<b>39,861,645</b>		<b>91,900,702</b>		<b>180,150,498</b>		<b>16,188,915</b>	

## e. Long-term liabilities, December 31, 2005

ACCOUNT	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		MORE THAN 10 YEARS	
		AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %
Due to banks and financial institutions	US\$	43,562,500	4.91	-	-	-	-	-	-
Bonds payable	U.F.	3,267,761	5.72	3,363,485	5.74%	9,975,724	5.75	17,925,550	5.75
	US\$	-	-	-	-	-	-	359,189,725	7.39
Accrued expenses	\$ no Reaj.	-	-	-	-	765,165	6.50	1,981,730	6.50
Deferred income taxes	\$ no Reaj.	2,886,930	-	-	-	-	-	-	-
Other liabilities	US\$	-	-	-	-	120,188,071	-	-	-
Total long-term liabilities by currency	U.F.	3,267,761		3,363,485		9,975,724		17,925,550	
	\$ no Reaj.	2,886,930		-		765,165		1,981,730	
	US\$	43,562,500		-		120,188,071		359,189,725	
<b>TOTAL CURRENT LIABILITIES</b>		<b>49,717,191</b>		<b>3,363,485</b>		<b>130,928,960</b>		<b>379,097,005</b>	

## f. Long-term liabilities, December 31, 2004

ACCOUNT	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		MORE THAN 10 YEARS	
		AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %	AMOUNT THCH\$	AVG RATE %
Due to banks and financial institutions	US\$	-	-	202,113,240	2.84	-	-	-	-
Bonds payable	U.F.	2,498,769	5.72	3,354,592	5.74	9,415,287	5.75	20,111,271	5.75
	US\$	-	-	-	-	-	-	577,961,866	7.31
Amounts payables to related companies	U.F.	-	-	-	-	-	-	-	-
Dividends payable	\$ no Reaj.	-	-	-	-	-	6.50	1,862,461	6.50
Deferred income taxes	\$ no Reaj.	3,647,496	-	-	-	120,188,075	-	-	-
Other liabilities	\$ no Reaj.	75,812,589	-	-	-	-	-	-	-
Total long-term liabilities by currency	U.F.	2,498,769		3,354,592		9,415,287		20,111,271	
	\$ no Reaj.	79,460,085		-		794,953		1,862,461	
	US\$	-		202,113,240		-		577,961,866	
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>81,958,854</b>		<b>205,467,832</b>		<b>10,210,240</b>		<b>599,935,598</b>	

**NOTE 28. SANCTIONS**

The Company and its directors has not been the subject to sanctions by the SVS nor by any other administrative authorities.

**NOTE 29. SUBSEQUENT EVENTS**

No significant events that might affect these financial statements have occurred in the period from January 1, 2006 to their date of issue.

**NOTE 30. ENVIRONMENT**

As of December 31, 2005, the Company has not incurred in environmental expenses.



JUAN CARLO WIECZOREK  
Deputy Chief Accounting Officer



MARIO VALCARCE  
Chief Executive Officer



# I.- MANAGEMENT'S ANALYSIS OF UNCONSOLIDATED FINANCIAL STATEMENTS

## 1.- ANALYSIS OF INCOME STATEMENT

The results obtained by the company as of December 31, 2005 show a net income of Ch\$68,017 million, which means an increase of Ch\$22,114 million compared to the previous year, which showed a

profit of Ch\$45,903 million. The comparisons and variations of each item are shown in the following graph:

INCOME STATEMENT (MILLIONS)	DEC. - 04	DEC. - 05	VARIATION 05-04	% VARIATION 05-04
Sales	4,593	4,588	(5)	(0.1%)
Cost of sales	(1,141)	(1,144)	(3)	0.3%
<b>OPERATING MARGIN</b>	<b>3,452</b>	<b>3,444</b>	<b>(8)</b>	<b>(0.2%)</b>
Administration and selling expenses	(17,938)	(17,048)	890	(5.0%)
<b>OPERATING INCOME</b>	<b>(14,486)</b>	<b>(13,604)</b>	<b>882</b>	<b>(6.1%)</b>
Income (loss) on investments in related companies	141,598	150,226	8,628	6.1%
Non-operating income & expenses, net	(6,180)	9,454	15,634	(253.0%)
Financial margin, net	(42,588)	(31,175)	11,413	(26.8%)
Goodwill amortization	(53,110)	(53,238)	(128)	0.2%
Price-level restatements	(2,209)	(1,619)	590	(26.7%)
Exchange Differences	5,280	(6,539)	(11,819)	(223.8%)
<b>NON-OPERATING RESULT</b>	<b>42,791</b>	<b>67,109</b>	<b>24,318</b>	<b>56.8%</b>
Income Tax	17,556	14,473	(3,083)	(17.6%)
Amortization negative goodwill	42	39	(3)	(7.1%)
Net income for the year	45,903	68,017	22,114	48.2%
R.A.I.I.D.A.I.E. (*)	162,966	155,004	(7,962)	(4.9%)
Earnings per share	1.41	2.08	0.67	47.5%

(\*) Income before tax, interests, depreciation, amortization, and any extraordinary items.

**The operating income** achieved a variation of Ch\$882 million due mainly to a reduction in administration and selling expenses.

**The company's non-operating income** increased Ch\$24,318 million, which is equivalent to 56.8%, causing profits to rise from Ch\$42,791 million in 2004 to Ch\$67,109 million in 2005.

The preceding is explained by the following variations:

**The net financial margin** achieved a positive variation of Ch\$11,413 million compared to the same period last year. This variation is mainly due to less third-party financial expenses of Ch\$17,496 million and lower financial income with related companies of Ch\$6,083 million.

**Investments in related companies show**, as of December 31st., 2005, a net profit of Ch\$150,226 million. When compared to the same period last year in which there was a profit of Ch\$141,598 million, it represents an increase of Ch\$8,628 million, and is due to greater investment results in Endesa S.A., Ampla Energía e Serviços S.A. (Ex Ceri); Endesa S.A., Investluz S.A., Distrilec Inversora S.A., Inversiones Ditrilima S.A., Endesa Brasil, Codensa S.A. of Ch\$30,341 million, and compensated with lower results in Chilectra S.A., Enersis Internacional, Luz de Bogotá S.A., Inmobiliaria Manso de Velasco Ltda., Elesur S.A., CGTF., Cam Ltda., Synapsis Soluciones y Servicios IT Ltda., Synapsis Colombia S.A., of Ch\$21,713 million.

**The amortization of goodwill** does not vary significantly with regards to last year.

**Other non-operating income and expenses** achieved a net profit of Ch\$9,454 million in December, 2005 which, when compared to the Ch\$6,180 million loss in December of 2004, shows a positive variation of Ch\$15,634 million, which is mainly explained by the following:

- Loss decrease in fair value bonds and Swap derivative contracts USCh\$/UF by Ch\$13,806 million.
- Decrease in project administration, maintenance, and construction income by Ch\$1,981 million.
- Decrease in the negative equity provision by Ch\$1,118 million.

- Increase of received clearances by Ch\$4,573 million.
- Rise in the related companies investment adjustment by Ch\$1,198 million.
- Retention tax loss increase that is applied in Colombia to dividends that Codensa S.A. handed out for Ch\$511 million.

**Price Level Restatements and Exchange Differences** experienced a negative net variation of Ch\$11,229 million, as compared to the same period last year, going from a profit of Ch\$3,071 million in December, 2004, to a loss of Ch\$8,158 million in December, 2005. The preceding mainly originates from minor changes in term deposit exchange differences, in EERR bills to collect, and in forwards contract settlements.

**Income taxes and deferred taxes** show a decrease of Ch\$3,083 million compared to the same period last year, due to a PPM decrease for absorbed profits.

**Investment greater value amortization** does not indicate any significant variation compared to last year.

### FOREIGN EXCHANGE AND INTEREST RATE ANALYSIS

The company has a percentage of its loans in dollars due to the fact that part of its revenues are in dollars. In a highly volatile dollar market the company has not felt any detrimental effects from this natural financial hedge, and has continued its policy of partially covering its accountable mismatch between liabilities and assets in dollars, with the purpose of easing fluctuations that are the result of exchange activity.

Considering the important accountable mismatch decrease over the last few years, coming down to sensible levels, the company has modified its dollar-peso hedge policy to establish a cash-flow hedge policy, along with the highest possible accountable mismatch, on which hedge policies will be carried out. As of December 31st., 2005, the company, in individual terms, kept Swap dollar-UF contracts for the amount of USCh\$700 million and did not keep forwards contracts. At the same time last year, the company had contracted the amount of US\$700 million of the total Swap dollar-UF, as part of establishing the

new hedge policy already mentioned, and did not keep valid contracts forwards.

In terms of interest rate risks, the company had a fixed and variable debt ratio of 100% / 0% fixed / variable as of December 31, 2005. This risk ratio has remained constant if you compare it to the same date last year in which the fixed/variable ratio was the same at 100% / 0%.

## 2. BALANCE SHEET ANALYSIS

ASSETS (MILLIONS CH\$)	DEC. - 04	DEC. - 05	VARIATION DEC 05-04	%VARIATION DEC 05-04
Current Assets	102,875	101,956	(919)	(0.9%)
Fixed Assets	12,615	11,980	(635)	(5.0%)
Other Assets	3,541,869	3,265,054	(276,815)	(7.8%)
<b>TOTAL ASSETS</b>	<b>3,657,359</b>	<b>3,378,990</b>	<b>(278,369)</b>	<b>(7.6%)</b>

The following shows how the main financial indicators have evolved:

Total Company assets indicate a decrease of Ch\$278,369 million compared to the same period last year. This is mainly due to:

- Decrease in investment related company by Ch\$117,238 million.
- Decrease in long and short term account receivables from related companies by Ch\$100,090 million.
- Goodwill decrease by Ch\$54,057 million.
- Decrease in other current assets by Ch\$12,989 million for finalizing agreements with commitment to resell by Ch\$15,118 million and decrease of deferred expenses by Ch\$2,263 million and an increase of deposits by Ch\$4,392 million.
- Decrease in time deposits by Ch\$9,506 million.
- Decrease of other assets by Ch\$5,472 million. This is due to a decrease of deferred expenses for bank loans, collar contracts,

and post-retirement benefits by Ch\$3,496 million and the decrease of bond discounts and unrealized losses by collar derivatives contracts by Ch\$1,976 million.

- Other liabilities increase by Ch\$16,662 million. This increase is based on the undercapitalization of Elesur by Ch\$12,422 million and dividends to collect at Synapsis Ltda. for Ch\$4,910 million, which is compensated by a decrease in other liabilities with third parties by Ch\$670 million.
- Increase in taxes to be recovered by Ch\$7,605 million.

LIABILITIES (MILLIONS CH\$)	DEC. - 04	DEC. - 05	VARIATION DEC. 05 - 04	%VARIATION DEC. 05 - 04
Current Liabilities	108,090	220,012	111,922	103.5%
Long-term Liabilities	897,572	563,107	(334,465)	(37.3%)
Shareholders' equity	2,651,697	2,595,871	(55,826)	(2.1%)
<b>TOTAL LIABILITIES</b>	<b>3,657,359</b>	<b>3,378,990</b>	<b>(278,369)</b>	<b>(7.6%)</b>

Current and long-term liabilities decreased by Ch\$222,543 million as compared to December of 2004, which is the equivalent of 22.1%, and is mainly explained by the following:

- Decrease in long-term bank obligations, Ch\$158,551 million due to prepayments carried out during 2005 for Ch\$146,499 million and because of exchange rates. Variations for Ch\$5,028 million.
- Decrease in short and long-term public obligations by Ch\$66,280 million mainly because of changes in exchange rates.
- Decrease in related company short-term by Ch\$44,942 million, mainly for partial payment to Endesa Internacional and the decrease of current commercial accounts.
- Net increase between the other short and long-term liabilities by Ch\$44,982 million, due to fair value adjustment in derivatives contracts from swap UF/USCh\$ by Ch\$38,028 million and for the unrealized profit in swap contracts by Ch\$8,661 million, which is compensated with a decrease in other items by Ch\$1,707 million.

## 16 UNCONSOLIDATED FINANCIAL STATEMENTS

As for the Shareholders's equity, it should be mentioned that decreased by Ch\$55,826 million as compared to December, 2004. This variation is mainly explained by the decrease in reserves by

Ch\$109,725 million, because of dividend payments of Ch\$13,060 million, compensated by net income of Ch\$68,017 million.

Principal Indicators:

INDICATOR		UNIT	DEC. - 04	DEC. - 05	VARIATION DEC. 05 - 04	%VARIATION DEC. 05 - 04
Liquidity	Current Liquidity	Times	0.95	0.46	(0.49)	(51.6%)
	Acid test (1)	Times	0.95	0.46	(0.49)	(51.6%)
	Working Capital	MCh\$	(5,215)	(118,056)	(112,841)	2163.8%
Indebtedness	Debt Ratio	Times	0.38	0.30	(0.08)	(21.1%)
	Short-Term Debt	%	0.11	0.28	0.17	154.5%
	Long-Term Debt	%	0.89	0.72	(0.17)	(19.1%)
	Financial Expense Coverage (2)	Times	2.20	2.74	0.54	24.5%
Profitability	Return on Equity	%	1.73%	2.62%	0.89%	51.4%
	Return on Assets	%	1.26%	2.01%	0.75%	59.5%

(1) Current asset net of advance costs.

(2) RAIIDAIE divided by financial expenses.

## 3. – MAIN CASH FLOW

During the period, the company generated a negative net flow of Ch\$24,389 million, which is composed of the following:

CASH FLOW (MILLIONS)	DEC. - 04	DEC. - 05	VARIATION DEC. 05 - 04	%VARIATION DEC. 05 - 04
Operations	7,588	51,552	43,964	579.4%
Financing	(97,268)	(181,362)	(84,094)	86.5%
Investment	113,137	105,421	(7,716)	(6.8%)
Net cash flow for the year	23,457	(24,389)	(47,846)	(204.0%)

Operating activities generated a positive net flow of Ch\$51,552 million. This flow is comprised mainly by an increase in assets and liabilities that affect the operating cash flow by Ch\$68,734 million and net income for the year of Ch\$68,017 million, compensated with resultant charges that do not represent a cash flows by Ch\$85,199 million.

Financing activities generated a negative net flow of Ch\$181,362 million, mainly originating from bank loan payments of Ch\$149,483 million, from loan payments to related companies of Ch\$38,672 million, dividend payments of Ch\$14,050 million, and from other financing payments of Ch\$5,545 million, compensated by loans from related companies for Ch\$26,387 million.

Investment activities generated a positive net flow of Ch\$105,421 million that is mainly explained by loan collecting from related companies for the amount of Ch\$217,222 million and by other investment income of Ch\$55,921 million, compensated by loans granted to related companies of Ch\$144,361 million, and the purchase of investments for Ch\$24,300 million and cash flows resulting from investment activity of Ch\$939 million.

## II. BOOK VALUE AND ECONOMIC VALUE OF ASSETS

Regarding the most important assets, the following should be mentioned:

The fixed asset goods values are adjusted in accordance with accounting criteria established by the Superintendencia de Valores y Seguros, in circulars Nr. 550 and 566 from 1985. In the case of the foreign company Inversiones Distrilima S.A., the fixed asset values were adjusted in accordance with the criteria exception indicated in the Technical Bulletin Nr. 45 of the Colegio de Contadores (College of Accounting) de Chile A.G., which was in force at the time of making the investment and was not modified in Technical Bulletin Nr. 51 which replaced it.

Depreciation is calculated on the value of updating the goods according to each good's years of service life that are left.

Investments in related companies are valued according to their proportional patrimonial value. In the case of foreign companies, the use of this method has been carried out based on financial statements prepared in accordance with established regulations in Technical Bulletins Nr. 72 and 64 of the Colegio de Contadores (College of Accounting) de Chile A.G. and the intangible values are corrected monetarily and are amortized in accordance with the indicated regulation in Technical Bulletin Nr. 55 of the Colegio de Contadores (College of Accounting) de Chile A.G.

In accordance with the S.V.S Official Circular Nr. 150 of January 30, 2003, the company, at the closing of the 2005 financial statements, has evaluated the recoverability of assets associated with its investments, also in accordance with what is established in Technical Bulletin Nr. 72 of the Colegio de Contadores (College of Accounting) de Chile A.G.

Assets that are expressed in foreign currencies are presented of the exchange rate current on the closing date.

Investments in financial instruments are presented in accordance with its buying price plus corresponding interests in accordance with each operation's implicit rate.

Accounts and notes receivable from related companies pay are classified in accordance with their short and long-term due maturities. Operations are adjusted to equity conditions similar to those on the prevailing market.

In summary, assets are valued in accordance with generally accepted accounting norms and principles and the instructions conveyed on the subject by the Superintendencia of Securities and Insurance explained in Note 2 of the Financial Report.



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## FINANCIAL STATEMENTS OF SUBSIDIARIES

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## SUMMARIZED BALANCE SHEETS BY SUBSIDIARY

As of December 31, 2005 and 2004 in thousands of Chilean Pesos

	CHILECTRA		SYNOPSIS	
	2005	2004	2005	2004
<b>ASSETS</b>				
Current Assets	106,194,718	107,373,358	17,769,841	17,227,046
Fixed assets	410,965,753	378,531,912	8,192,964	5,529,349
Other Assets	510,432,583	629,866,010	2,821,583	1,846,454
<b>TOTAL ASSETS</b>	<b>1,027,593,054</b>	<b>1,115,771,279</b>	<b>28,784,388</b>	<b>24,602,849</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
Current Liabilities	89,707,499	78,849,455	17,746,092	10,400,098
Long Term Liabilities	472,957,118	564,393,604	1,367,511	1,195,322
Minority Interest	(6,406,708)	(1,313,439)	9,614	8,275
Shareholders Equity	471,335,145	473,841,658	9,661,171	12,999,154
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>1,027,593,054</b>	<b>1,115,771,279</b>	<b>28,784,388</b>	<b>24,602,849</b>

## SUMMARIZED INCOME STATEMENTS BY SUBSIDIARY

As of December 31, 2005 and 2004 in thousands of Chilean Pesos

	CHILECTRA		SYNOPSIS	
	2005	2004	2005	2004
<b>OPERATING INCOME</b>				
Operating Revenues	593,179,913	500,394,338	45,556,292	47,083,249
Operating Costs	(435,646,271)	(355,333,992)	(34,695,943)	(34,564,371)
Administrative and Selling Expenses	(42,104,305)	(43,934,721)	(7,401,973)	(6,302,749)
<b>NET OPERATING INCOME</b>	<b>115,429,337</b>	<b>101,125,625</b>	<b>3,458,376</b>	<b>6,216,129</b>
<b>NON OPERATING INCOME</b>				
Non Operating revenues	23,315,527	32,823,885	613,847	926,792
Non Operating Expenses	(45,882,702)	(67,589,961)	(339,155)	(593,204)
Price-Level Restatement and Exchange Difference	4,096,677	5,858,603	(195,671)	(130,783)
<b>NET NON OPERATING INCOME</b>	<b>(18,470,498)</b>	<b>(28,907,473)</b>	<b>79,021</b>	<b>202,805</b>
Income Tax	(17,670,471)	6,829,389	(1,481,233)	(2,059,088)
Extraordinary Items	-	-	-	-
Minority Interest	(1,407,191)	1,057,613	(4,512)	(5,519)
Negative Goodwill Amortization	-	-	-	-
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>77,881,177</b>	<b>80,105,154</b>	<b>2,051,652</b>	<b>4,354,327</b>

## SUMMARIZED CASH FLOW STATEMENTS BY SUBSIDIARY

As of December 31, 2005 and 2004 in thousands of Chilean Pesos

	CHILECTRA		SYNOPSIS	
	2005	2004	2005	2004
Net Positive (negative) Cash Flow from Operating Activities	128,502,827	114,432,041	(151,415)	1,002,448
Net Positive (negative) Cash Flow from Financing Activities	(113,225,322)	(120,232,773)	4,930,899	(2,092,720)
Net Positive (negative) Cash Flow from Investment Activities	(23,239,556)	(27,737,237)	(3,390,678)	789,437
<b>NET POSITIVE (NEGATIVE) CASH FLOW FOR THE PERIOD</b>	<b>(7,962,051)</b>	<b>(33,537,969)</b>	<b>1,388,806</b>	<b>(300,835)</b>
Effect of inflation on cash and cash equivalent	(137,313)	(1,123,915)	(89,525)	(59,809)
<b>NET VARIATION OF CASH AND CASH EQUIVALENT</b>	<b>(8,099,364)</b>	<b>(34,661,884)</b>	<b>1,299,281</b>	<b>(360,644)</b>
<b>INITIAL BALANCE OF CASH AND CASH EQUIVALENT</b>	<b>9,536,711</b>	<b>44,198,596</b>	<b>2,077,427</b>	<b>2,438,072</b>
<b>FINAL BALANCE OF CASH AND CASH EQUIVALENT</b>	<b>1,437,347</b>	<b>9,536,712</b>	<b>3,376,708</b>	<b>2,077,428</b>

Since October 1, 2005, consolidates the societies of Ampla, Coelce, Cachoeira Dourada, Endesa Fortaleza and CIEN

Note: Financial statements of this companies are publicly available in Enersis offices and the Superintendency of Securities and Insurance



I. MANSO DE VELASCO		CAM		ENERSIS INTERNACIONAL		DISTRILIMA	
2005	2004	2005	2004	2005	2004	2005	2004
23,446,880	33,012,641	65,241,167	52,396,553	39,881,266	132,693,978	34,550,231	40,002,843
42,465,138	42,554,665	13,317,896	16,077,001	-	-	275,816,883	310,692,275
5,588,458	5,532,701	2,331,983	417,096	339,600,367	285,254,037	1,983,305	4,607,582
<b>71,500,476</b>	<b>81,100,007</b>	<b>80,891,046</b>	<b>68,890,650</b>	<b>379,481,633</b>	<b>417,948,015</b>	<b>312,350,419</b>	<b>355,302,700</b>
2,252,868	1,557,311	25,143,328	19,693,437	12,032,118	7,099,213	77,135,086	43,287,026
555,216	545,380	7,177,683	4,656,906	101,393,660	115,736,444	91,014,590	127,569,103
32,661,612	31,291,204	33	529	-	-	57,654,144	73,804,505
36,030,780	47,706,112	48,570,002	44,539,778	266,055,855	295,112,359	86,546,599	110,642,066
<b>71,500,476</b>	<b>81,100,007</b>	<b>80,891,046</b>	<b>68,890,650</b>	<b>379,481,633</b>	<b>417,948,015</b>	<b>312,350,419</b>	<b>355,302,700</b>

I, MANSO DE VELASCO		CAM		ENERSIS INTERNACIONAL		DISTRILIMA	
2005	2004	2005	2004	2005	2004	2005	2004
11,121,600	10,727,156	125,163,641	104,039,284	-	-	192,255,807	188,927,577
(8,026,373)	(8,735,606)	(106,203,365)	(87,104,130)	-	-	(146,156,093)	(142,678,229)
(2,059,962)	(2,079,974)	(7,885,737)	(7,369,549)	-	-	(17,785,224)	(17,423,719)
<b>1,035,265</b>	<b>(88,424)</b>	<b>11,074,539</b>	<b>9,565,605</b>	<b>-</b>	<b>-</b>	<b>28,314,490</b>	<b>28,825,629</b>
4,004,809	4,232,960	1,418,699	2,339,120	24,642,372	16,822,998	10,289,367	6,164,830
(1,953,914)	(479,700)	(5,491,751)	(1,056,997)	(12,482,548)	(8,708,556)	(9,750,400)	(16,242,014)
63,444	158,330	(857,496)	(506,224)	(21,907,297)	(16,659,629)	-	-
<b>2,114,339</b>	<b>3,911,590</b>	<b>(4,930,548)</b>	<b>775,899</b>	<b>(9,747,473)</b>	<b>(8,545,187)</b>	<b>538,967</b>	<b>(10,077,184)</b>
(231,720)	(539,197)	(1,403,282)	(1,419,396)	-	-	(10,840,991)	(19,422,348)
-	-	-	-	-	-	-	-
(425,216)	(169,763)	(10)	55	-	-	(7,215,099)	216,670
-	-	-	-	-	-	147,254	999,792
<b>2,492,668</b>	<b>3,114,206</b>	<b>4,740,699</b>	<b>8,922,163</b>	<b>(9,747,473)</b>	<b>(8,545,187)</b>	<b>10,944,621</b>	<b>542,559</b>

I, MANSO DE VELASCO		CAM		ENERSIS INTERNACIONAL		DISTRILIMA	
2005	2004	2005	2004	2005	2004	2005	2004
7,441,301	8,868,684	(5,934,742)	1,176,686	7,990,843	9,942,704	32,533,213	35,924,606
(14,168,000)	(18,308,614)	1,449,050	(3,250,894)	(11,858,756)	(13,495,489)	(19,943,465)	(34,566,512)
6,739,338	9,389,378	3,427,972	2,604,838	2,444,307	1,437,012	(16,532,632)	(1,813,406)
<b>12,639</b>	<b>(50,552)</b>	<b>(1,057,720)</b>	<b>530,630</b>	<b>(1,423,606)</b>	<b>(2,115,773)</b>	<b>(3,942,884)</b>	<b>(455,312)</b>
5,375	2,352	(409,997)	495,492	15,293	(196)	5,126,325	-
<b>18,014</b>	<b>(48,200)</b>	<b>(1,467,717)</b>	<b>1,026,122</b>	<b>(1,408,313)</b>	<b>(2,115,969)</b>	<b>1,183,441</b>	<b>(455,312)</b>
<b>31,722</b>	<b>79,922</b>	<b>2,960,027</b>	<b>1,933,904</b>	<b>1,489,619</b>	<b>3,605,588</b>	<b>560,090</b>	<b>1,086,401</b>
<b>49,736</b>	<b>31,722</b>	<b>1,492,310</b>	<b>2,960,026</b>	<b>81,306</b>	<b>1,489,619</b>	<b>1,743,531</b>	<b>631,089</b>

EDESUR		ENDESA CHILE		CODENSA		ENDESA BRASIL (*)	
2005	2004	2005	2004	2005	2004	2005	2004
65,123,274	70,399,177	284,934,607	564,336,442	162,552,139	344,395,282	545,633,711	-
549,253,015	638,015,596	3,910,099,818	4,635,648,987	659,562,502	760,319,148	1,778,736,511	-
7,606,815	10,374,682	679,436,443	309,109,675	9,585,473	16,815,980	458,563,510	-
<b>621,983,104</b>	<b>718,789,455</b>	<b>4,874,470,868</b>	<b>5,509,095,103</b>	<b>831,700,114</b>	<b>1,121,530,410</b>	<b>2,782,933,732</b>	-
90,015,225	96,732,867	527,764,523	445,231,211	108,517,532	109,070,471	615,896,768	-
68,155,545	79,686,008	1,770,547,818	2,270,508,196	165,635,880	177,959,385	821,187,673	-
-	-	933,899,698	1,167,977,388	-	-	431,998,833	-
463,812,334	542,370,580	1,642,258,829	1,625,378,308	557,546,702	834,500,554	913,850,458	-
<b>621,983,104</b>	<b>718,789,455</b>	<b>4,874,470,868</b>	<b>5,509,095,103</b>	<b>831,700,114</b>	<b>1,121,530,410</b>	<b>2,782,933,732</b>	-

EDESUR		ENDESA CHILE		CODENSA		ENDESA BRASIL (*)	
2005	2004	2005	2004	2005	2004	2005	2004
234,544,132	216,506,331	1,123,038,869	1,069,837,919	393,448,470	378,671,715	253,554,120	-
(201,681,752)	(187,956,352)	(689,599,392)	(651,842,317)	(272,727,464)	(283,216,244)	(163,563,643)	-
(29,201,341)	(28,812,377)	(38,577,506)	(35,685,526)	(18,378,636)	(7,966,200)	(36,127,815)	-
<b>3,661,039</b>	<b>(262,398)</b>	<b>394,861,971</b>	<b>382,310,076</b>	<b>102,342,370</b>	<b>87,489,271</b>	<b>53,862,662</b>	-
7,293,013	13,460,998	70,205,928	88,519,282	20,542,353	26,528,527	25,434,377	-
(22,233,663)	(22,585,673)	(241,551,288)	(283,236,070)	(21,214,057)	(23,024,395)	(29,660,620)	-
-	-	16,218,911	23,663,949	-	-	-	-
<b>(14,940,650)</b>	<b>(9,124,675)</b>	<b>(155,126,449)</b>	<b>(171,052,839)</b>	<b>(671,704)</b>	<b>3,504,132</b>	<b>(4,226,243)</b>	-
(6,260,603)	(8,359,424)	(91,954,386)	(96,790,159)	(34,878,988)	(32,277,967)	(3,698,859)	-
-	-	-	-	-	-	-	-
-	-	(52,468,572)	(44,343,158)	-	-	(14,152,553)	-
-	-	15,310,429	16,681,231	-	-	-	-
<b>(17,540,214)</b>	<b>(17,746,497)</b>	<b>110,622,993</b>	<b>86,805,151</b>	<b>66,791,678</b>	<b>58,715,436</b>	<b>31,785,007</b>	-

EDESUR		ENDESA CHILE		CODENSA		ENDESA BRASIL (*)	
2005	2004	2005	2004	2005	2004	2005	2004
33,497,234	55,804,651	270,927,603	261,346,994	110,888,283	160,312,854	115,155,617	-
(4,634,118)	(18,497,354)	(367,063,622)	(114,062,769)	(268,738,578)	10,754,352	(22,001,367)	-
(28,633,234)	(33,301,625)	(55,117,624)	(73,477,438)	(7,028,962)	1,567,872	(49,746,459)	-
<b>229,882</b>	<b>4,005,672</b>	<b>(151,253,643)</b>	<b>73,806,787</b>	<b>(164,879,257)</b>	<b>172,635,078</b>	<b>43,407,791</b>	-
1,254,547	-	(5,535,271)	(9,429,519)	(7,686,068)	(4,441,008)	(15,025,206)	-
<b>1,484,429</b>	<b>4,005,672</b>	<b>(156,788,914)</b>	<b>64,377,268</b>	<b>(172,565,325)</b>	<b>168,194,070</b>	<b>28,382,585</b>	-
<b>20,744,609</b>	<b>19,368,600</b>	<b>238,153,676</b>	<b>173,776,408</b>	<b>200,558,341</b>	<b>57,787,791</b>	<b>179,407,462</b>	-
<b>22,229,038</b>	<b>23,374,272</b>	<b>81,364,762</b>	<b>238,153,676</b>	<b>27,993,016</b>	<b>225,981,861</b>	<b>207,790,047</b>	-



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Photography  
CARLOS QUIROGA

Printing  
FYRMA GRÁFICA



## **ENERSIS MANAGEMENT**

**CHAIRMAN  
PABLO YRARRAZAVAL  
PHONE (56-2) 353 4663**

**CHIEF EXECUTIVE OFFICER  
MARIO VALCARCE  
PHONE (56-2)353 4613**

**COMMUNICATIONS OFFICER  
JOSE L. DOMINGUEZ  
PHONE (56-2) 353 4666**

**AUDITING OFFICER  
FRANCISCO HERRERA  
PHONE (56-2) 353 4647**

**HUMAN RESOURCES OFFICER  
FRANCISCO SILVA  
PHONE (56-2) 353 4610**

**GENERAL COUNSEL  
DOMINGO VALDES  
PHONE (56-2) 353 4631**

**REGIONAL ACCOUNTING OFFICER  
FERNANDO ISAC  
PHONE (56-2) 353 4685**

**REGIONAL CHIEF FINANCIAL OFFICER  
ALFREDO ERGAS  
PHONE (56-2) 630 9130**

**REGIONAL PLANNING AND CONTROL OFFICER  
MACARENA LAMA  
PHONE (56-2) 353 4684**

## **INVESTOR AND SHAREHOLDER RELATIONS**

**CHIEF INVESTMENTS AND RISKS OFFICER  
RICARDO ALVIAL  
PHONE (56-2) 353 4682**

**CITIBANK NY  
RICARDO SZLEZINGER  
PHONE (1-212) 816 6852**

**SANTANDER CENTRAL HISPANO INVESTMENT  
ENRIQUE ROMERO  
PHONE (34-91) 289 3943**