

EMPRESA NACIONAL DEL PETROLEO AND SUBSIDIARIES

Consolidated financial statements

As of December 31, 2010

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ThCh\$ - Thousand Chilean Pesos  
ThUS\$ - Thousand United States dollars  
UF - Unidad de Fomento





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REPORT OF INDEPENDENT ACCOUNTANTS

(Translation from the original in Spanish)

Santiago, February 22, 2011

To the Shareholders and Directors  
Empresa Nacional del Petróleo

We have audited the accompanying consolidated statements of financial position of Empresa Nacional del Petróleo and subsidiaries as of December 31, 2010, the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2010. Management of Empresa Nacional del Petróleo is responsible for the preparation and fair presentation of these financial statements (including their corresponding notes). Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries and associates which financial information reflects assets and liabilities amounting to 4.1% and 10.9%, respectively, of the corresponding consolidated totals at such date and a net income which represents 49.8% of the net consolidated income as of December 31, 2010. These financial statements were audited by other auditors, which reports have been provided to us and our report in which refer to these subsidiaries and associates, is based on the reports issued by such auditors. We did not audit the consolidated financial statements as of and for the year ended December 31, 2009 of Empresa Nacional del Petróleo and subsidiaries, which were examined by other auditors, which issued an unqualified opinion dated January 29, 2010.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Empresa Nacional del Petróleo and subsidiaries as of December 31, 2010, the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ricardo Arraño T.  
RUT: 9.854.788-6



## ENAP AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2010 AND DECEMBER 31, 2009 (In thousands of US dollars - ThUS\$)

	Note N°	<u>12.31.10</u> ThUS\$	<u>12.31.09</u> ThUS\$
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	7	62,422	76,812
Other current financial assets	6	-	2,824
Other non-financial assets		10,993	13,625
Trade and other receivables	9	882,585	837,276
Due from related companies	10	53,658	57,009
Inventories	11	1,089,615	1,060,353
Current tax assets	12	184,017	183,510
Non current assets or group of assets classified as held for sale	13	23	-
Total current assets		<u>2,283,313</u>	<u>2,231,409</u>
Non-current assets:			
Other financial assets	6	81,341	82,266
Other non-financial assets		12,779	5,552
Rights receivable	9	24,905	25,965
Due from related companies	10	11,942	12,964
Intangible assets other than goodwill		3,084	-
Investment recorded using the equity method	14	183,727	128,270
Property, plant and equipment	15	2,634,479	2,598,236
Investment property	19	2,061	2,066
Deferred tax assets	12	495,757	473,024
Total non-current assets		<u>3,450,075</u>	<u>3,328,343</u>
<b>TOTAL ASSETS</b>		<u><u>5,733,388</u></u>	<u><u>5,559,752</u></u>

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



## ENAP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 AT DECEMBER 31, 2010 AND DECEMBER 31, 2009  
 (In thousands of US dollars - ThUS\$)

	Note N°	<u>12.31.10</u> ThUS\$	<u>12.31.09</u> ThUS\$
<b>EQUITY AND LIABILITIES</b>			
Current liabilities:			
Other current financial liabilities	20	647,877	611,399
Trade debtors and other accounts payable	21	1,126,828	1,378,646
Due to related companies	10	17,664	27,624
Other short-term accruals	22	13,346	57,603
Current tax liabilities	12	82,529	32,500
Current accruals for employee benefits	23	72,833	42,123
Other non-financial liabilities		382	1,338
Total current liabilities		<u>1,961,459</u>	<u>2,151,233</u>
Non-current liabilities:			
Other financial liabilities	20	2,818,588	2,433,572
Non-current liabilities	21	5,850	3,744
Other long-term accruals	22	79,444	78,504
Deferred tax liabilities	12	294,710	286,175
Non-current accruals for employee benefits	23	114,771	160,464
Other non-financial liabilities		2,114	2,220
Total non-current liabilities		<u>3,315,477</u>	<u>2,964,679</u>
Total liabilities		<u>5,276,936</u>	<u>5,115,912</u>
Equity:			
Paid-in capital	24	1,232,332	1,182,700
Accumulated earnings (losses)	24	(651,972)	(680,044)
Other reserves	24	(135,986)	(96,434)
Equity attributable to owners of the Parent Company		444,374	406,222
Non - controlling interest	25	12,078	37,618
Total equity		<u>456,452</u>	<u>443,840</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,733,388</u></u>	<u><u>5,559,752</u></u>

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

## ENAP AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009 (In thousands of US dollars - ThUS\$)

	Note N°	12.31.2010 ThUS\$	12.31.2009 ThUS\$
Revenues from ordinary activities	27	8,179,889	7,097,503
Cost of sales		<u>(7,933,844)</u>	<u>(6,834,843)</u>
Gross margin		<u>246,045</u>	<u>262,660</u>
Other income, per function		32,543	79,712
Administrative expenses		(104,226)	(81,990)
Other expenses, per function		(47,062)	(100,211)
Other income		34,029	7,722
Financial income		3,639	3,013
Financial expense	28	(181,131)	(172,438)
Equity in earnings of associates recorded using the equity	14	22,625	72,688
Exchange differences	30	<u>48,826</u>	<u>51,575</u>
Income (loss) before taxes		<u>55,288</u>	<u>122,731</u>
Income tax expense	12	<u>14,844</u>	<u>31,901</u>
Income from continued operations		70,132	154,632
Income from discontinued operations	35	<u>-</u>	<u>45,751</u>
Income (loss)		<u>70,132</u>	<u>200,383</u>
<b>Attributable Income (Loss)</b>			
Income (loss) attributable to owners of parent company		61,394	195,923
Income (loss) attributable to non - controlling interest	25	<u>8,738</u>	<u>4,460</u>
Income		<u>70,132</u>	<u>200,383</u>

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



**ENAP AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009  
 (In thousands of US dollars - ThUS\$)

	Note N°	12.31.2010 ThUS\$	12.31.2009 ThUS\$
<b>Income (loss)</b>		70,132	200,383
<b>Components from other comprehensive income, before taxes</b>			
<b>Exchange rate differences for translation</b>		-	-
Adjustments of reclassification in exchange rate differences for translation, before taxes		(82)	4,713
Other comprehensive income, before taxes exchanger differences for conversion		(82)	4,713
<b>Financial Assets Available For Sale</b>			
Income (loss) from new measurements of financial assets held for sale, before taxes		1,190	-
Other comprehensive income, before taxes, financial assets held for sale		1,190	-
<b>Cash Flow Hedges</b>			
Income (loss) from cash flow hedgers, before taxes		(50,829)	(18,875)
Other comprehensive income, before taxes, cash flow hedges		(50,829)	(18,875)
Other components from other comprehensive income, before taxes		(49,721)	(14,162)
<b>Income taxes related to exchange differences from translation of other comprehensive income</b>			
Income taxes related to cash flow hedges of other comprehensive income		10,963	22,093
Sum of income taxes for components of another comprehensive income		10,963	22,093
Other comprehensive income		(38,758)	7,931
Total comprehensive income		31,374	208,314
<b>Comprehensive income attributable to</b>			
Result of income attributable to owners of parent company		30,864	191,373
Result of income attributable to non - controlling interest		510	16,941
<b>Total comprehensive income</b>		31,374	208,314

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

**ENAP AND SUBSIDIARIES**

STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009  
 (In thousands of US dollars - ThUS\$)

	Changes in other reserves										
	Issued capital ThUS\$	Revaluation Surplus ThUS\$	Reserves for exchange differences for translation ThUS\$	Reserves for cash flow hedges ThUS\$	Reserves of income or losses in the remediation of financial assets held for sale ThUS\$	Other reserves ThUS\$	Subtotal Other sundry reserves ThUS\$	Retained earnings and accumulated losses ThUS\$	Net equity attributable to the owners of the Parente Company ThUS\$	Non - controlling interest ThUS\$	Total Equity ThUS\$
Notas	16 b)	16 c)	16 c)	16 c)	16 c)	16 c)	16 d)	16 d)	16 d)	17	17
Opening balance at 01/01/2010	1,182,700	-	(70,683)	(45,514)	-	19,763	(96,434)	(680,044)	406,222	37,618	443,840
Increase (decrease) for reclassification	-	-	-	-	-	-	-	-	-	-	-
Restated Initial Balance	1,182,700	-	(70,683)	(45,514)	-	19,763	(96,434)	(680,044)	406,222	37,618	443,840
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-
Income (loss)	-	-	-	-	-	-	-	61,394	61,394	8,738	70,132
Other comprehensive income	-	-	(82)	(31,638)	1,190	-	(30,530)	-	(30,530)	(8,228)	(38,758)
Comprehensive Income	-	-	-	-	-	-	-	-	30,864	510	31,374
Decrease (increase) for other contributions by owners	49,632	-	-	-	-	-	-	-	49,632	-	49,632
Increase (decrease) due to transfers and other changes	-	-	-	-	-	(9,022)	(9,022)	(33,322)	(42,344)	(26,050)	(68,394)
Total changes in equity	49,632	-	(82)	(31,638)	1,190	(9,022)	(39,552)	28,072	38,152	(25,540)	12,612
Final balance at 12/31/2010	1,232,332	-	(70,765)	(77,152)	1,190	10,741	(135,986)	(651,972)	444,374	12,078	456,452
Opening balance at 01/01/2009	1,182,700	198,016	(75,396)	(36,251)	-	25,067	111,436	(1,109,495)	184,641	11,993	196,634
Increase (decrease) for correction of errors	-	(198,016)	-	-	-	-	(198,016)	198,016	-	-	-
Restated Initial Balance	1,182,700	-	(75,396)	(36,251)	-	25,067	(86,580)	(911,479)	184,641	11,993	196,634
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-
Income (loss)	-	-	-	-	-	-	-	195,923	195,923	4,460	200,383
Other comprehensive income	-	-	4,713	(9,263)	-	-	(4,550)	-	(4,550)	12,481	7,931
Comprehensive Income	-	-	-	-	-	-	-	-	191,373	16,941	208,314
Increase (decrease) due to transfers and other changes	-	-	-	-	-	(5,304)	(5,304)	35,512	30,208	8,684	38,892
Total changes in equity	-	-	4,713	(9,263)	-	(5,304)	(9,854)	231,435	221,581	25,625	247,206
Final balance at 12/31/2009	1,182,700	-	(70,683)	(45,514)	-	19,763	(96,434)	(680,044)	406,222	37,618	443,840

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



## ENAP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009  
(In thousands of US dollars - ThUS\$)

	Note N°	12.31.2010 ThUS\$	12.31.2009 ThUS\$
<b>Statement of Cash Flows, Direct</b>			
<b>Net cash flows provided by (used in) operating activities</b>			
Collection classes provided by operating activities:			
Proceeds from sales of goods and services		10,784,669	8,358,593
Receipts from premiums and benefits, annuities and other benefits from policies written		40,117	-
Other receipts (payments) from operating activities		(1,036,284)	-
Types of payments:			
Payments to suppliers for goods and services		(9,204,605)	(7,937,124)
Payments to and on behalf of employees		(326,107)	(280,753)
Other payments for operating activities		(29,466)	(221,152)
Dividends paid		(5,014)	(3,217)
Dividends received		6,974	8,835
Interest paid		(35,464)	(12,817)
Interest received		602	338
Income taxes refunded (paid)		13,181	5,487
Other inputs (outputs) in cash		2,410	82,568
Cash flows from (used in) operating activities		<u>211,013</u>	<u>758</u>
<b>Cash flows from (used in) investing activities</b>			
Cash flows used in the purchase of non-controlling		(33,000)	(11,704)
Other cash receipts from sales of equity or debt instruments of other entities		211	-
Other receipts from the sale of interests in joint ventures		-	3,777
Other payments to acquire equity in joint ventures		(20,098)	-
Loans to related entities		(6,000)	(9,640)
Proceeds from sale of property, plant and equipment		3,753	69,460
Purchases of property, plant and equipment		(410,589)	(486,983)
Purchase of intangible assets		(3,081)	-
Purchase of long-term assets		-	(58)
Cash advances and loans to third		(1,986)	(947)
Proceeds from repayment of advances and loans to third		-	23,800
Charges related entities		2,327	-
Interest received		156	5,082
Other inputs (outputs) in cash		-	(1,898)
Cash flows from (used in) investing activities		<u>(468,307)</u>	<u>(409,111)</u>
<b>Cash flows from (used in) financing activities</b>			
Proceeds from term loans		496,325	1,260,456
Proceeds from short-term loans		1,291,690	1,417,061
Total loan amounts from		<u>1,788,015</u>	<u>2,677,517</u>
Loans from related entities		15,615	10,317
Loan payments		(1,479,864)	(2,282,614)
Payments of finance lease liabilities		(3,495)	(1,921)
Repayment of loans to related entities		-	(3,194)
Interest paid		(108,918)	(75,060)
Other inputs (outputs) in cash		33,396	5,099
Cash flows from (used in) financing activities		<u>244,749</u>	<u>330,144</u>
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate		<u>(12,545)</u>	<u>(78,209)</u>
Increase (decrease) in cash and cash equivalents		<u>(1,845)</u>	<u>4,562</u>
<b>Effects of variation in the exchange rate on cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		<u>76,812</u>	<u>150,459</u>
Cash and cash equivalents at end of period		<u>62,422</u>	<u>76,812</u>

## ENAP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## ENAP AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars - ThUS\$)

(Translation from the original in Spanish)

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#### 1. GENERAL INFORMATION

Empresa Nacional del Petróleo (hereinafter “ENAP”) is the parent of the group of companies referred to in these consolidated financial statements.

On October 4, 2002, ENAP was registered in the Securities Register of the Superintendency of Securities and Insurances, under number 783. As such, ENAP is subject to the regulations of the above Superintendency.

ENAP was created through Law 9,618, dated June 19, 1950 and is owned by the State of Chile, and its corporate purpose is the exploration, production and marketing of hydrocarbons and its by-products, the domiciles of ENAP are in Santiago: Avenida Vitacura 2736 Floor 10, Las Condes and in Punta Arenas: José Nogueira 1101.

#### 2. DESCRIPTION OF THE BUSINESS

According to the abovementioned law and its subsequent amendments, its main activity is exploring, exploiting or monetizing ore deposits containing hydrocarbons, which is authorized to be performed both inside and outside the country. ENAP has the following subsidiaries: ENAP Refinerías S.A. (“ERSA” from now onwards), ENAP Sipetrol S.A., Petro Servicio Corp. S.A. and Gas de Chile S.A. and it also has branches in Argentina and Ecuador, as well as participations in other special purpose entities as detailed in Note No. 36.

The subsidiary Enap Refinerías S.A. (“ERSA”) is a closed corporation, which officially began operating in January 2004. It was created according to an agreement at the general meeting of shareholders of Petrox S.A. Refinería de Petróleo, on December 23, 2003, when the merger of this subsidiary of the Empresa Nacional del Petróleo (ENAP) with Refinería de Petróleo de Concón S.A. (RPC) was approved, through the incorporation of the latter to the former. Petrox S.A. Refinería de Petróleo (Petrox), now called ENAP Refinerías S.A. was organized as a closed corporation on July 16, 1981, before the notary Raúl Undurraga Laso, from Santiago, and its registered residence is Avenida Borgoño 25777, Concón.

Its line of business is the importation, processing, storage and marketing of hydrocarbons and its derivatives and all other activities that are directly or indirectly related to those mentioned here and which are expressed in detail in the third article of the existing social statute.

Additionally, the company participates in the areas of distribution and logistics, which it carries out through its international subsidiary holding Manu Perú Holding S.A., established in Peru to import fuel from Chile and sell it there and in Ecuador, through the network of service stations of the affiliate Primax.



With the entering into force of Law No. 20.382 of October 2009, the Superintendency of Securities and Insurances proceeded to cancel the record under N° 833 and to register these in the Special Record of Informing Entities on May 9, 2010, under No. 95, valid as of January 1, 2010.

The direct subsidiaries Petro Servicio Corp. S.A. and ENAP Sipetrol S.A. execute outside the country one or more of the activities related to the exploration, exploitation or monetization of the hydrocarbon-bearing deposits.

ENAP Sipetrol S.A. has branches in Ecuador and Venezuela (the latter without any economic activity) and associates in Argentina, United Kingdom (UK), Ecuador, Uruguay and its joint business described in of Note 17.

ENAP Sipetrol (UK) Limited (United Kingdom) is in the process of closing down its operations, which is expected to be completed in 2011. ENAP Sipetrol S.A. has a 100% ownership interest in the capital stock.

The subsidiary ENAP Refinerías S.A. is a privately held corporation, voluntarily registered in the Securities Register of the Superintendency of Securities and Insurance under N° 1005. With the entering into force of Law No. 20.382 of October 2009, the Superintendency of Securities and Insurances proceeded to cancel such records and to register these in the Special Record of Informing Entities on May 9, 2010, under No. 187, with validity as of January 1, 2010.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Accounting principles

These consolidated financial statements are stated in thousands of US dollars and were prepared based on the accounting records kept by ENAP and its Subsidiaries and have been prepared in accordance with IFRS, issued by the International Accounting Standard Board (hereinafter “IASB”), and were approved by the Board of Directors in a Board meeting held on February 22, 2011.

Preparation of these consolidated financial statements under IFRS requires the use of estimates and assumptions by the Management of the ENAP Group. These estimates are based on the best knowledge of the management on the amounts reported, events or actions. The detail of the significant accounting estimates is shown in Note 5.

Next the main accounting policies adopted in the preparation of these consolidated financial statements are described. These policies have been defined according to the valid IAS and IFRS as of December 31, 2010, and have been applied consistently in the years in which these consolidated financial statements are presented.

**a) Bases of preparation and period** – These consolidated financial statements of the ENAP Group include the statement of financial position as of December 31, 2010 and December 31, 2009, the statement of comprehensive income, of changes in equity and cash flows for the year ended December 31, 2010 and 2009, have been prepared in conformity with International Financial Reporting Standards (“IFRS”).

**b) Bases of consolidation** – The consolidated financial statements of ENAP (“the parent company” and its subsidiaries) include all the assets, liabilities, revenues, expenses and cash flows after eliminating inter-company transactions.

**i) Subsidiaries**

The subsidiaries (including the Special Purpose Entities - SPE) are those on which ENAP directly or indirectly exercises control, with the latter being understood to mean the ability to direct the financial and operational policies of a company in order to obtain benefits from its activities. This ability is generally, although not exclusively, evidenced in direct or indirect ownership of 50% or more of the company’s ownership rights. Similarly, this method is used to consolidate those entities whose activities are understood to be completed to the company’s benefit, while being exposed to all the risks and rewards of a dependent entity, regardless the company not holding an ownership interest of 50% or more.

When assessing whether the ENAP Group controls another entity consideration is given to the existence and the effect of the possible voting rights currently exercised. The subsidiaries are consolidated as of the date on which the control is transferred to the Group, and they are excluded from consolidation on the date on which control is no longer exercised.

To account for the acquisition of affiliates by the Group the acquisition method is used. The cost of acquisition is the fair value of the given assets, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. Identifiable assets acquired and the identifiable liabilities and contingencies assumed in a business combination are initially measured at their fair value at their acquisition date, irrespective of the extent of minority interests. The excess of acquisition cost over fair value of the group’s participation in the identifiable net assets acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the affiliate acquired, the difference is recognized directly as income in the income statements under the name disability.

The intercompany transactions, balances and unrealized gains on transactions between entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the transferred asset. When consistency with the policies adopted is required, the accounting policies of the affiliates are modified

Detailed in the attached chart are the direct and indirect subsidiaries (including the Special Purpose Entities – SPE), which are included in the consolidation of the ENAP Group.



Company	Domicile	Relationship with the parent	Shareholder percentage	
			12-31-2010	12-31-2009
Enap Refinerías S.A.	Chile	Direct subsidiary	99.98%	99.98%
Petro Servicios Corp. S.A. (Argentina)	Argentina	Direct subsidiary	100.00%	100.00%
Enap Sipetrol S.A.	Chile	Direct subsidiary	100.00%	100.00%
Enap Sipetrol Argentina S.A. (Subsidiary of Enap Sipetrol S.A.)	Argentina	Indirect subsidiary	100.00%	100.00%
Enap Sipetrol (UK) Limited (Subsidiary of Enap Sipetrol S.A.)	Reino Unido	Indirect subsidiary	100.00%	100.00%
Sipetrol Internacional S.A. (Uruguay) (Subsidiary of Enap Sipetrol S.A.)	Uruguay	Indirect subsidiary	100.00%	100.00%
Sociedad Internacional Petrolera Enap Ecuador (Subsidiary of Enap Sipetrol S.A.)	Ecuador	Indirect subsidiary	100.00%	100.00%
Manu Perú Holdings S.A. (Subsidiary of Enap Refinerías S.A.)	Perú	Indirect subsidiary	100.00%	100.00%
Compañía Hidrógeno del Bio-Bio S.A.	Chile	Special purpose entity	10.00%	10.00%
Energía Cón-Cón S.A. (Enercon) (1)	Chile	Indirect subsidiary	100.00%	49.00%
Éteres y Alcoholes S.A. (Etalsa) (1)	Chile	Indirect subsidiary	100.00%	41.74%
Petrosul S.A. (1)	Chile	Indirect subsidiary	100.00%	47.39%
Productora Diesel S.A. (Prodisa) (1)	Chile	Indirect subsidiary	100.00%	45.00%
Gas de Chile S.A.	Chile	Direct subsidiary	100.00%	100.00%

(1) On December 20, 2010, Enap Refinerías S.A. acquired 51% of Energía Cóncón S.A. shares; 58,26% of Éteres y Alcoholes S.A. shares; 52,61% of Petrosul S.A. shares, and 55% of Productora Diesel S.A. shares.

## ii) Joint Ventures

A contract agreement through which two or more parties perform an economic activity which is subject to common control. The joint ventures can take on the form of: (a) jointly controlled operations; (b) jointly controlled assets; or (c) jointly controlled entities.

a) **Jointly controlled operations:** The operation of some joint ventures implies the use of assets and of other resources of the participants, more than the constitution of a company, association or any other entity, or of a financial structure which is separated from the participants themselves. Each participant has its own property, plant and equipment and maintains its own inventories. They also incur in their own expenses and liabilities and they obtain their own funding, which represents their own obligations. The activities of the joint venture can be carried out by the employees of the participant, together with similar activities of the participant. The joint venture agreement usually provides the means to share between the participants the ordinary income from the sale of the joint product and any joint expense incurred.

b) **Jointly controlled assets:** Some joint ventures imply a joint control, and often the joint ownership, by the participants, of one or more contributed assets to, or acquired with the purpose of, the joint venture and dedicated to the purposes of the joint venture.

c) **Jointly controlled entities:** This is the joint venture which implies the constitution of a company, association or other entity in which each participant has an interest. The entity operates in the same manner as other entities, except that the contract agreement between the participants establishes the joint control over the economic activities of the entity.

Joint ventures are consolidated using the proportional integration method, which dictates the inclusion in the consolidated financial statements of the proportional assets, liabilities, expenses and income of these companies equivalent to the Company's ownership interest in them.

The assets, liabilities, income and expenses corresponding to the joint ventures are stated in the consolidated statement of financial position and in the consolidated statement of comprehensive income in accordance with their specific nature.

### **iii) Associates**

Associates are those entities over which the ENAP Group is in the position to exercise a significant influence, but not a control or joint control, through the ability of participating in the decisions regarding their operating and financial policies.

In conformity with the equity method, the investment in an associate is recorded initially at cost and its book value will increase or decrease in order to recognize the portion corresponding to the investor in income or loss obtained by the entity in which the investment is held, after the acquisition date. The investor will recognize, in his income or loss, the corresponding participation in such income or loss. This requires recording the initial investment at cost for the ENAP Group and afterwards, in subsequent periods, adjusting the book value of the investment to show the participation of the ENAP Group in the results of the associates, less the impairment of goodwill and other changes in the net assets of the associate.

The net income (loss) obtained by these companies each year is reflected in the consolidated statement of comprehensive income as "Equity in earnings (losses) of associates recorded using the equity method".

Losses of the associates attributed to the investor, which exceed the latter's interest in such associates, are not recognized, unless the ENAP Group has an obligation to cover them.

### **iv) Branch**

A Branch is considered to be an extension of the same company to serve markets outside the area where the ENAP parent company is located. From a legal perspective, the branches' main feature is that they are an integral part of the parent company. The branch concept dictates financial and legal dependence on the parent, and ownership resides in the same legal entity with the same treatment under law. It has the same name, maintains the structure of the company, does not have its own capital or any separate liability, although it may have relative administrative autonomy in terms of internal relations.

### **v) Special Purpose Entity ("SPE")**

A Special Purpose Entity (SPE) is an entity set up for a specific purpose or limited duration. These SPEs frequently function as agent organizations. Such entities serve to isolate financial risk.

Thus, although the ENAP Group's ownership interest in the Compañía de Hidrógeno del Bío-Bío S.A. (hereinafter "CHBB") is less than 50%, it is considered to be a "Subsidiary", because, pursuant to agreements or covenants between shareholders, or as a result of their structure, the ENAP Group directly or indirectly exercises control over the above companies.



The minority interests corresponding to the percentage of third party participation in the Subsidiaries has also been recognized.

The results of the intercompany operations of the ENAP Group and associates have been eliminated in the participation percentage owned by ENAP in the latter.

The accounting principles and procedures used by the ENAP Group's companies were standardized with those of the Parent, in order to present consolidated financial statements based on uniform valuation standards.

The financial statements of subsidiaries entities, whose functional currency is different from the Parent, were translated using the following procedures:

- a) The assets and liabilities are converted at the respective balance sheet's year-end exchange rate.
- b) Income and expenses are converted at the average exchange rate of the period in which they occurred.
- c) Net equity is maintained at the historical exchange rate at the acquisition or contribution date, and at the average exchange rate at the generation date in the case of the retained earnings. All exchange rate differences produced as a result of the translation of the financial statements are recognized in the item "Reserves for exchange differences for translation" within the Net Equity.

When a company with a functional currency other than the US dollar is disposed of, the exchange rate differences deferred as a component of the net equity and related to such company will be recognized in the statement of comprehensive income at the same time that the income arising from such disposal is recognized.

The results of businesses acquired during the period will be allocated to the consolidated financial statements as of the actual date of acquisition; the results of businesses sold during the period are included in the consolidated financial statements for the period until the actual date of sale. Gains or losses from the sale are calculated as the difference between the income from the sale (net of expenses) and the assets attributable to the ownership interest sold.

**vi) Other Investments**

These correspond to investments not recorded under subsidiaries, associates or joint ventures which are recorded as indicated in note 3.1.) - Current and non-current financial assets.

**vii) Transactions and Minority interests**

The group applies a policy of considering transactions with minority interests as transactions with external parties. The alienation of participation from minorities involves gains or losses which are recognized in the income statement. The acquisition of minority interests results in goodwill or profit, these being the difference between the price paid and the corresponding proportion of the carrying amount of the net assets of the subsidiary.

**c. Functional Currency** - The functional currency for each entity of the ENAP Group is determined as the currency of the main economic environment in which it operates. Transactions other than those performed in the entity's functional currency will be converted at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional one will be converted again at the year end exchange rates. Gains or losses from the reconversion will be included in net income or losses for the year, within other financial items.

The functional and presentation currency of the ENAP Group is the US dollar. In the consolidation, entries in the statement of income corresponding to entities with a functional currency other than the US dollar will be translated into the latter currency at average exchange rates. The entries of the statement of financial position have been translated at the year-end exchange rates. Exchange rate differences from the conversion of the net assets of such entities are recorded in equity and recorded in a separate translation reserve.

**d. Foreign currency translation and indexation** - Assets and liabilities denominated in Chilean pesos, in Unidades de Fomento (UF) and other currencies are translated into US dollars at the closing rates of exchange, as per the following detail:

	<b>31.12.2010</b>	<b>31.12.2009</b>
	US\$	US\$
Chilean Pesos	468.01	507.10
Argentine Pesos	3.97	3.80
GBP	0.65	0.62
Unidad de Fomento	0.02	0.02
Euro	0.75	0.70

**e. Offsetting balances and transactions** – As a general standard, assets and liabilities, income and expenses, are not offset in the financial standards, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the substance of the transaction.

Income or expenses originating in transactions, which, for contractual or legal reasons, consider the possibility of offsetting and which the ENAP Group intends to liquidate for their net value or realize the assets and pay the liabilities simultaneously, are stated net in the statement of income.

**f. Foreign currency** – Transactions in a currency other than a company’s functional one are considered to be ”foreign currency” transactions and they are recorded in their functional currency at the exchange rate in effect on the date of the operation. At each year end, the balance sheet amounts of monetary items in a foreign currency are valued at the year-end exchange rate, and the exchange rate differences arising from such valuation are recorded in the statement of comprehensive income.

Exchange rate differences resulting from long-term financing operations forming part of the net investment in a foreign company are recorded in “Translation reserves”, in the equity.

**g. Property, plant and equipment** – Property, plant and equipment are recorded at cost, excluding regular maintenance costs and less accumulated depreciation and value impairment losses.

The cost of property, plant and equipment includes their purchase price plus all costs directly related to the location of the asset and getting it into an operating condition, as provided for by management, and the initial estimate of any cost involved in dismantling and removing the asset or restoring the physical site where it is located.

Financing interest costs directly attributable to the purchase or construction of assets requiring a substantial period of time before being ready for use or sale will also be capitalized as a property, plant and equipment cost.

Repair, preservation and maintenance expenses are charged to income for the year in which they occur. Some ENAP Group property, plant and equipment elements require regular inspections. In this regard, elements subject to replacement are recognized separately from the rest of the asset, detailed at such a level that they can be amortized in the period from the current repair to the next one.

The exploration operations are recorded in conformity with the standards established in IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

The Hydrocarbon Exploration and Production operations are recorded in conformity with the successful-efforts method. The accounting treatment of the various costs incurred under this method is as follows:

- i)** Costs originating in the acquisition of new rights or interests in areas with proven or unproven reserves are capitalized in Property, Plant and Equipment, when incurred.
- ii)** Costs involved in acquiring interests in exploration areas are capitalized at purchase cost and amortized with a charge to income in “Exploration costs”, in accordance with the criterion specified. If no reserves are found, these previously capitalized expenses are recorded as expenses in the statement of comprehensive income. If the exploration produces positive results, leading to a commercially workable discovery, the costs are reclassified in Property, Plant and Equipment, at their net book value when so determined. Wells are only classified as commercial, if they are expected to generate sufficient volume of reserves to justify their commercial development.

iii) The exploration costs, as for example geology and geophysics expenses, costs associated with maintaining unproven reserves and other exploration-related costs, prior to drilling are charged to income when incurred.

Drilling costs incurred in prospecting campaigns, including stratigraphic test wells, are capitalized and presented in the item Property, Plant and Equipment, pending the decision as to whether proven reserves justifying their commercial development were discovered. If no proven reserves have been found, these initially capitalized costs are charged to profit or loss.

The drilling costs of wells leading to a positive discovery of commercially workable reserves are capitalized and presented in Property, Plant and Equipment.

iv) Development costs incurred in extracting proven reserves and treating and storing the oil and gas (including the drilling costs of production wells and developing dry wells, platforms, recovery improvement systems, etc.) are capitalized and presented in Property, Plant and Equipment.

v) Costs for the future abandonment and dismantling of oil fields are calculated on a field by field basis and capitalized at present value. This capitalization is calculated with an offset to Non-current provisions.

Investments capitalized according to the above criteria are amortized as follows:

a) Investments involved in the acquisition of proven reserves are amortized over the estimated useful life of the field indexed to the existing ratio between the year's production and the field's proven reserves at the start of the amortization period.

b) Investments related to unproven reserves or fields in the process of being evaluated are not amortized. These investments are analyzed at least once a year, or earlier if there is any indication of impairment, and in case of impairment, this is recognized and charged to income for the year.

c) Costs originating in drillings and subsequent investments made to develop and extract the reserves of hydrocarbons are amortized over the estimated useful life of the field indexed to the existing ratio between the year's production and the field's proven reserves at the start of the amortization period.

Changes in estimates of reserves are considered in calculating the amortizations on a prospective basis.

At the closing date, or whenever there is an indication that there might be an impairment of the value of the assets, their recoverable value is compared to their net book value.

Any impairment or reverse of impairment arising as a result of such a comparison will be recorded and charged or credited to net income for the year, as appropriate.

**h. Depreciation** - Property, plant and equipment, except those related to hydrocarbon exploration and production activities, are amortized using the straight line method by distributing the acquisition cost of the assets less the estimated salvage value over the estimated useful life of the assets. The main components of property, plant and equipment and their useful lives are presented below:

	<u>Years of useful life</u>
Buildings	30 y 50
Plants and equipment:	
Plants	10 y 15
Equipment	10 y 18
Computer equipment	4 y 6
Fixed facilities and accesories	10 y 20
Motor vehicles	7
Improvements to leased assets:	
Buildings	10
Investments in exploration and production	exhaustion installments
Other property, plant and equipment	3 y 20

Property, plant and equipment related to hydrocarbon exploration and production activities are amortized using the production unit amortization method (depletion rate).

The salvage value and useful life of the fixed assets are reviewed every year and their depreciation begins when the assets are in a condition to be used.

Land is recorded separately from any buildings or facilities that may be constructed on it, and has an indefinite useful life; therefore, it is not subject to depreciation.

At least every year, the ENAP Group evaluates the existence of any possible impairment in the value of its property, plant and equipment.

**i. Investment property** - The item “Investment property” includes mainly buildings and land assets that are used for earning income through leases or an increase in their value when sold.

The investment properties are stated at their net acquisition value from their corresponding depreciation and the impairment losses that they have experienced. The investment properties, excluding the land, are depreciated by distributing od the cost of the different elements that make them up in accordance with the straight-line meth within the years of useful life.

**j. Non current assets or groups of assets held for sale** - Non-current assets or groups of assts are classified as available for sale, if their book value is recovered through a sale, not through their continued use. This condition is only considered to be met when the sale is highly probable and the asset is not available for sale immediately in its current state.

The sale is considered highly probable, if it will be completed within one year of the classification date.

These assets are presented at the lesser of their book value and their fair value less the cost of sale.

**k. Impairment of other non-financial assets** - The policy defined by ENAP is that each time there exists objective evidence that the book value cannot be recovered, as a result of one or more events occurred after the initial recognition, then impairment tests are performed.

An impairment loss is recognized for the excess of book value of the assets over its recoverable amount. The recoverable amount is the higher between the fair value of an asset less its costs of sale and its value in use.

In order to evaluate the value impairment losses, the assets are grouped at the lowest level in which there are separately identifiable cash flows (cash generating units).

This methodology is applied to the following assets:

- Fixed assets related to hydrocarbon exploration and production operations.
- Investments in subsidiaries

## **I. Other financial assets**

### **i) Financial assets at fair value through profit and loss**

Financial assets at their fair value through profit or loss are financial assets held for negotiations. A financial asset is classified in this category if it is acquired mainly with the purpose of selling in it in the short-term.

The investment in marketable securities are recorded initially at cost and subsequently their values are updated based on their market value (fair value).

### **ii) Loans and accounts receivable**

The loans and accounts receivable are non derivative financial assets with fixed or calculable payments, which are not quoted on an active market. They are included in current assets, except for maturities over 12 months as of the date of the balance sheet that are classified non-current assets. The loans and accounts receivable include the commercial debtors and other accounts receivable.

### **iii) Financial assets held to maturity**

The financial assets held to maturity are non-derivative financial assets with fixed or calculable payments and fixed maturities, which the ENAP Group has the positive intent and ability to hold to maturity. If the Group sells a significant portion of the financial assets held to maturity, the complete category would be reclassified as held for sale. These financial

assets are classified under other non-current financial assets, except for those with a maturity of less than 12 months as of the date of the Statement of Financial Position, which are classified as current financial assets.

Assets in the loans and accounts receivables to maturity categories are recorded at amortized cost using the effective rate.

#### **iv) Financial assets available for sale**

Financial assets available for sale are non-derivative financial assets designated specifically in this category, or not classified in any other category. They are included in non-current assets unless the Management pretends to dispose of the investment in the following 12 months after the date of the Statement of Financial Position.

#### **Impairment of financial assets**

Financial assets, other than those valued at fair value through profit and loss, are assessed for indicators of impairment at the date of each statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected negatively.

For financial assets carried at amortized cost, the impairment loss corresponds to the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The financial investments of the ENAP Group are maintained at institutions with the highest credit quality and maintained in the short-term, and therefore they do not present at this date any impairment indicator regarding their book value.

#### **Recognition and measurement of financial assets**

The acquisitions and disposals of financial assets are recognized on the negotiation date, which is the date on which the Group commits itself to acquire or sell an asset.

The changes in the fair value of financial investments in debt instruments in foreign currency classified as available for sale are separated between exchange rate differences from the modifications in the amortized cost of the instrument and other changes in their book value. The exchange rate differences are recognized in net income (loss) for the year and the other changes in the book value are recognized in net equity, and the latter are the ones presented in conformity with IAS 1 through the statement of comprehensive income. The exchange rate differences over financial investments in equity instruments held at fair value with changes in net income for the year, are presented as part for the income (loss) in fair value. The exchange rate differences over such instruments classified as financial assets available for sale, are included in the net equity in the corresponding reserve account, and are presented in the statement of other comprehensive income.

When the value of the instrument classified as available for sale is sold or its value is impaired, the accumulated adjustments for fluctuations in their fair value recognized in equity are reclassified in the statement of income.

The interests from the values available for sale calculated using the effective interest method are recognized in the statement of income in the item other ordinary income. The dividends generated by instruments available for sale are recognized in this statement of income in the item other operating income when the right of the Group to receive the payment of the dividends has been established.

The fair values of the investments quoted are based on the current purchase prices. In case the market for a financial asset is not active (and for the instruments that are not quoted), the Group establishes the fair value by using valuation techniques that include the use of values observed in recent arm's length transactions, the reference to other substantially similar instruments, the analysis of the discounted cash flows, and the price fixing models of options making maximum use of the market information and relying as least as possible on specific internal information of the Group.

In case none of the above techniques can be used to establish the fair value, the investments are recorded at their purchase cost net of impairment loss, as appropriate.

The Group evaluates at the date of each Statement of Financial Position whether there exists objective evidence that a financial assets or a group of financial assets may have suffered an impairment loss. In the case of equity instruments classified as available for sale, to determine whether the instruments have suffered impairment losses will be considered whether there has been a significant or extended decrease in the fair value of the instruments below their cost. If there exists any kind of evidence of this kind for the financial assets available for sale, the accumulated loss, determined as the difference between the purchase cost and the current fair value, less any impairment loss of the value in this financial assets previously recognized in net income, is eliminated from net equity and is recognized in the statement of income.

The impairment losses of the value recognized in the statement of income for equity instruments are not reversed through the statement of income.

**m. Derivative and hedging financial instruments** – The ENAP Group usually holds derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge risks associated with fluctuations in the interest rate and exchange rate; and also to Zero Cost Collar and Three Way Zero Cost Collar options; they all correspond to hedge contracts, and therefore the effects originated due to the changes in the fair value of this kind of instruments, are recorded in hedge assets and liabilities, as long as the hedging of this entry has been stated as effective, in accordance with its hedge purpose.

The corresponding unrealized income or loss is recognized in profit or loss for the year in which the contracts are liquidated or when they do not longer comply with hedging characteristics.

Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is signed, and they are then marked to market to fair value. The method to recognize the loss or gain depends on whether the derivative has been appointed as a hedge instruments and, if so, from the nature of the item that is being hedged. The Group currently holds only instruments appointed as fair value hedges of recognized liabilities (fair value hedges), hedges of an actual risk associated to a recognized liability or an expected highly probable transaction (cash flow hedges).

The fair value of the currency forward contracts is calculated in reference to other current forward exchange rates of contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined based on the market values of similar instruments.

The total fair value of the hedge derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is higher than 12 months and as a current asset or liability if the remaining maturity of the hedged item is lower than 12 months.

**i) Cash flow hedges :**

The effective portion of the changes in fair value of the derivatives that are assigned and which qualify as cash flow hedges are recognized in equity through the statement of comprehensive income. The income or loss related to the ineffective portion is recognized immediately in the statement of income.

The amounts accumulated in net equity are reclassified in the statement of income when the hedged item affects net income (for example, when the hedged forecasted sale occurs or when the hedged flow is executed). However, when the hedged foreseen transaction results in the recognition of a non-financial asset (for example inventories or fixed assets), the gains or losses previously recognized in net equity are reclassified as part of the initial cost of the asset. The deferred amounts are finally recognized in the costs of goods sold, in case of inventories, or in the depreciation in case of fixed assets.

When a hedge instrument matures or when it is sold, or when it does not comply anymore with certain criteria to be recognized through the hedging accounting treatment, any accumulated loss or gain in net equity to this date stays in the net equity and is recognized when the expected transaction affects the statement of income. When a projected transaction is not expected to occur, the accumulated gain or loss in equity is transferred to the statement of income.

**ii) Embedded derivatives**

ENAP assesses the existence of embedded derivatives in contracts of financial instruments to determine whether their characteristics and risks are strongly related with the host contract, as long as the host contract is not measured at fair value. Embedded derivatives are separated from the main contract, which is not measured at fair value through profit or loss, when the analysis shows that the financial characteristics and risks of the embedded derivatives are not closely related to the main contract.

**n. Recognition of income and expenses** - Income from sales and services are recognized by the ENAP Group when the relevant risks and benefits of ownership of the products are transferred to the buyer, and the products are delivered to their agreed location. Revenue is measured at the fair value of the consideration received or receivable, and represents the receivable amounts for the rendered services during the ordinary course of operations, net of any discount or related tax.

The ENAP Group recognizes income when these can be reliably measured, and it is probable that the future economic benefits will flow towards the Group, as described next:

**i) Sale of assets:** The sales revenues of assets are recognized when the Group has delivered the products to the customer and when there exists no pending obligation to be complied with which could affect the acceptance of the products by the customer. The delivery will not occur until the products have been sent to the location indicated by the buyer, the obsolescence risks and loss have been transferred to the customer, and the customer has accepted the products in conformity with the sales contract, the acceptance period has expired, or when the ENAP Group has objective evidence that the necessary acceptance criteria have been complied with. The sales are recognized according to the price established in the sales contract, net of volume discounts and the expected returns at the sales date. It is presumed that there exists no significant financing component, as the sales are performed with a reduced average collection period, which is in line with the normal practices of the market.

**ii) Sale of services:** The revenues from the sales of services are recognized when they can be reliably estimated and in accordance with the services actually provided at the closing date of the financial statements.

**iii) Income from dividends:** Dividends are recognized when the right of the ENAP Group to receive the payment is established.

**iv) Interest income:** Interests are recognized by using the effective interest rate method.

**v) Deferred income:** Deferred income corresponds to income received in advance from an usufruct contract signed. This income is amortized using the straight-line method on an accrual basis.

**vi) Expenses:** Expenses are recognized when there is a reliably measurable reduction in an asset or increase in a liability.

**o. Inventories** – Raw materials, products in progress, finished products and materials are valued initially at cost. After initial recognition, they are valued at the lesser of the net realizable value and cost. The ENAP Group uses the first-in first-out (FIFO) method for all the inventory items, except for materials which are valued using the Weighted Average Price method.

The net realizable value represents the estimated price of sale at year-end less all estimated finishing costs and costs that will be incurred in the marketing, selling and distributing processes.

**p. Provision for employee benefits** – Costs associated with the employees' contractual benefits, related to services rendered by employees during the year, are charged to income for the respective period.

The obligations recognized for the concept of severance payments arise as a consequence of the collective agreements signed with the employees of the Group, which states the commitment agreed by the company. The ENAP Group recognizes the cost of employee benefits according to an actuarial calculation, as required by IAS 19 "Employee benefits", which includes variables as for example the life expectation, salary increases, etc. To determine this calculation we have used a discount rate of 6.8% per year.

**q. Provisions and contingent liabilities** – Provisions are recorded for current, legal or assumed obligations arising as a result of a past event, whose payment is expected to involve a disbursement of resources and whose amount and time of payment can be reliably estimated.

Contingent liabilities are obligations arising from past events, whose confirmation is subject to the occurrence of events beyond the control of the company, or current obligations arising from past events, whose amount cannot be reliably estimated, or whose payment does not involve a disbursement of resources.

The ENAP Group does not record contingent assets or liabilities, except for those stemming from contracts with valuable consideration, which are recorded as a provision and then reviewed at each balance sheet date and, if necessary, adjusted to reflect the best estimate at the time.

**r. Income taxes and deferred taxes** - The Parent Company and its Chilean subsidiaries determine the tax base and calculate their income taxes in conformity with the legal provision in force during each period. In the case of the foreign subsidiaries, these present individually their tax returns, in conformity with current tax standards in the operating country.

The deferred taxes generated by temporary differences and other events giving rise to differences between the accounting and tax base of assets and liabilities are recorded according to the indicated in IAS 12 "Income Taxes".

The income tax is recorded in the Consolidated Profit or Loss Account or in the net equity accounts of the Consolidated Statement of Financial Position according to where the profits or losses originating them were recorded. The differences between the accounting value of the assets and liabilities, and their tax base generate the balances of deferred taxes for assets or liabilities which are calculated using the tax rates that are expected to be in force when the assets and liabilities are realized.

The variations generated in the year in the asset or liability deferred taxes are recorded in the profit or loss account of the Consolidated Statement of Comprehensive Income or directly in the equity accounts of the Statement of Financial Position, as corresponding.

The assets for deferred taxes are recognized only when it is expected that the Company will dispose of sufficient future tax income to recover the deductions for temporary differences.

**s. Other financial liabilities** - The loans accruing interests and the bonds payable and the financial liabilities of similar nature are recognized initially at their fair value, net of any transaction costs incurred. Subsequently they are valued at amortized cost and any difference between the funds obtained (net of necessary costs to obtain them), and the reimbursement amount, is recognized in the statement of income throughout the useful life of the financial debt instrument, using the effective interest rate method.

The financial obligations are classified as current liabilities unless the ENAP Group has the unconditional right to defer its liquidation for at least 12 months after the balance sheet date.

**t. Financial leases** - The policy of the ENAP Group states that when the lessor transfers substantially all the inherent risks and advantages of the ownership of the asset to the lessee. The ownership of the asset, as the case may be, may or may not be transferred. When ENAP acts as lessee of an asset under a finance lease, the cost of the leased assets is presented in the consolidated statement of financial position, according to the nature of the asset referred to in the contract, and, simultaneously, a liability for the same amount is recorded in the statement of financial position. This amount will be the lesser of the fair value of the leased asset and the sum of the current values of the amounts to be paid to the lessor plus, if applicable, the price of exercising the purchase option. These assets are amortized using similar criteria to those applied to the property, plant and equipment used by the Company itself or within the term of the lease, whichever is shorter.

Financial expenses arising from the financial review of the liability are charged to “Financial expenses” in the consolidated statement of comprehensive income.

**u. Issued capital** – Issued capital is made up of contributions and/or capitalization of profits, authorized through rulings and/or decrees issued by the Ministry of Finance, which constitute the legal obligation that gives rise to registration.

**v. Distribution of dividends** – The dividend distribution policy used by ENAP is the one established through the official letter and/or Law Decrees issued by the Treasury Department, which constitutes the legal obligation that originates their recording.

**w. Environment** – The policy of the ENAP Group is to capitalize the environmental expenses associated to projects and to recognize with charge to profit and loss the rest of the disbursements.

**x. Commercial debtors and other accounts payable** - The commercial debtors and other accounts payable are recognized initially at fair value and subsequently at amortized costs by

using the method of the effective interest rate and later, if the nominal value of the accounts payable differs significantly from its fair value, the recognition is at nominal value.

**y. Cash and cash equivalents** – The cash flow statement recognizes the cash movements throughout the year, determined by the direct method. In these cash flow statements the following expressions are used in the sense that they appear below:

- i) **Cash and cash equivalents:** The ENAP Group considers liquid financial assets, deposits or liquid financial investments, which may be easily converted into cash within no more than three months and where the risk of a change in their value is insignificant, to be cash equivalents.
- ii) **Operating activities:** these are the activities that constitute the main source of ordinary income of the ENAP Group, as well as other activities that cannot be classified as investment or financing activities.
- iii) **Investing activities:** these correspond to activities of acquisition, sale or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.
- iv) **Financing activities:** these are the activities that cause variations in the composition of the net equity, and of the financial liabilities.

### 3.2 New accounting pronouncements

- a) New Regulations and amendments to regulations adopted by the company:

<b>Standards, Interpretations and Amendments</b>	<b>Mandatory for:</b>
IFRS 3 (Reviewed) – Business Combination	Annual periods starting as of July 1, 2009.
IAS 39 Amendment Election of hedged items.	Retrospective application for annual periods beginning on or after July 1, 2009
Amendment IAS 27 (Revised) Consolidated and Separate Financial Statements	Annual periods beginning on 1 July 2009.
Improvements to IFRSs	Annual periods beginning on or after January 1, 2010
Amendment to IFRS 2 Share-based payments	Annual periods beginning on or after January 1, 2010
IAS 32 Classification of Emission Rights	Annual periods beginning on or after February 1, 2010
IFRIC 17 Distributions to owners of non-monetary assets	Annual periods beginning on after July 1, 2009

The adoption of these regulations, according to the mandatory application date each was applied from, did not have a significant impact on the consolidated financial statements.

b) New rules, interpretations and amendments issued, not applicable for 2010, which have not been adopted yet but have effective application in the future.

Standards, Interpretations and Amendments	Date of application compulsory
IFRS 9 Financial Instruments: Classification and measurement	Annual periods beginning on or after January 1, 2013
IAS 24 Related Party Disclosure	Annual periods beginning on or after January 1, 2011
Amendments IFRIC 14 Prepayment of the obligation to maintain a minimum level of funding	Annual periods beginning on or after January 1, 2011

The Group's Management believes that the adoption of the above Standards and Interpretations will not have a significant impact on the consolidated financial statements of the Group.

#### 4. FINANCIAL RISK MANAGEMENT AND HEDGE DEFINITION

During the normal course of its business and financing activities, ENAP is exposed to different financial risks that could have a significant effect on the economic value of its cash flows and assets and, therefore, on its results.

The Group has an organization and information systems, managed by the Corporate Finance Management, for identifying such risks, determining their magnitude, proposing mitigating measures to the Board, implementing such measures and controlling their effectiveness.

A definition of the risks faced by the Company is presented next, including their characterization and quantification for ENAP, as well as a description of the mitigating measures currently being used by the Company, if applicable.

##### a. Market risk

This is the possibility that the fluctuations of market variables, such as interest rates, foreign currency exchange rates, prices or indices of crude oil and by-products, etc., may cause financial losses due the devaluation of cash flows or assets or the valuation of liabilities, as a result of their being denominated in, or indexed to, such variables.

**a.1. Interest rate risk** - ENAP's financing structure considers a mixture of sources of funds subject to a fixed rate (mainly bonds) and variable rate (bilateral loans, syndicated loans, notes payable or forfeiting, short-term bank loans and suppliers credit).

The portion of financing subject to a variable interest rate, usually consisting of the 3 or 6 month LIBOR floating rate plus a spread, exposes the company to changes in its financial expenses due to fluctuations in the LIBOR rate.

ENAP's total financial debt at December 31, 2010 is summarized in the table below, separating the fixed rate debt from the floating rate debt:

<b>In millions of U.S. dollars</b>	<b>Fixed Rate</b>	<b>Floating Rate</b>	<b>Total</b>
Short term bank debt	-	355	355
Long term bank debt	-	645	645
Document subsidiary	51	380	431
Financial lease, corporate building	15	-	15
International bonds	1,240	-	1,240
Local bonds	596	-	596
<b>Total</b>	<b>1,902</b>	<b>1,380</b>	<b>3,282</b>

Note: The data in the attached table correspond solely to the principal, not to any accrued interest or other concepts. The international and local bonds are presented at face value (front page), not at amortized cost as in the balance sheet. As the interest rate is applied at face value of the bonds, such value allows quantifying adequately the exposure of the Group at fixed or variable rate, as observed in this section. The local bonds denominated in UF are presented with their face value equivalent in US\$ as of December 31, 2010.

#### **Risk mitigating instruments:**

In order to reduce the variability of its financial expenses, ENAP obtained several hedging instruments for some of the debt items in the above table.

Interest rate swaps were obtained to convert ThUS\$495,000 of the long-term bank debt into fixed rate.

Furthermore, interest rate collars were obtained to keep the interest rate on ThUS\$150 of the long-term bank debt within a pre-defined range.

The subsidiaries have obtained interest rate swaps to transfer to a fixed rate 100% of their floating rate debt.

#### **Residual risk exposure:**

Considering the existence of the hedge instruments indicated above, the net balance of obligations of the Group whose financing cost is fully subject to fluctuations in the LIBO rate is ThUS\$355,000, which amounts to 10.8% of the total. As such, a 1% increase in the applicable LIBOR rate (quarterly or twice yearly, depending on the type of debt) would generate an annual increase of about ThUS\$3,550 in the company's financial expenses.

## a.2.- Exchange rate risk

The functional currency of the ENAP Group is the US dollar. However, there are some relevant items of the financial statements denominated in local currency (Chilean pesos or UF - inflation index-linked unit of account), as for example the sales invoicing and the financial obligations. These are exposed to changes in their dollar value as a result of fluctuations in the Chilean peso/USD or UF/USD parities.

### Mitigating measures:

The exposure of the exchange rate variations from invoicing is minimized basically via a product pricing policy, based on import parity pricing, a mechanism whereby the local price of sale of the products is recalculated on a weekly basis in accordance with the exchange rate in effect.

The main balance sheet items exposed are local bonds (denominated in UF - inflation index-linked unit of account) and accounts receivable from local sales (denominated in Chilean pesos). ENAP performs hedging operations to mitigate the exchange rate risks associated with both items.

The capital owed for ENAP's local bonds at December 31, 2010 was UF 13 million. Based on that amount and the CLP/USD and CLP/UF parities in effect on that date (\$ 468.01 and \$ 21,456.25), a change of \$10 in the CLP/USD exchange rate would produce the following effects on the measured value in dollars of the bonds:

Exchange Rate	Bond Valuation ThUS\$
Increase \$10 (\$478,01)	12.468
Decreases en \$10 (\$458,01)	-13.012

In order to mitigate this risk, ENAP has entered into cross-currency swap contracts, whereby the company receives cash flows in UF from the other parties equal to the cash flows payable to the bond holders and pays them fixed cash flows in US dollars, thereby being free from the above exchange rate risk.

The balance of accounts receivable from local sales at December 31, 2010 was ThUS\$626,263. As such an increase of CLP10 in the exchange rate would produce a reduction of ThUS\$13,143 in the dollar value of the accounts receivable.

In order to minimize this risk, ENAP has a hedging policy in place, which consists of entering into weekly forward exchange rate contracts for an amount equivalent to 95% of the estimated sales for the corresponding week and for terms relative to the estimated collection dates of the respective invoicing.

### **a.3. Commodities price risk**

The business of ENAP's Refining & Logistics business line consists mainly of buying crude oil in the international markets for refining and the subsequent sale of its by-products in the domestic market, based on import parity prices.

The refining mark-up obtained by ENAP is subject to the fluctuation in the international prices of crude oil, of refined products and the difference between them (international margin or "crack spread"). Considering an average level of refining of 72 million barrels per year, a variation of USD1/barrel in the difference would, ceteris paribus, have an effect on income of ThUS\$72,000.

As a central strategy for mitigating the risk of variation in the refining mark-up, ENAP has aligned its investments to increase its productive flexibility and the quality of its products. To date, no financial derivatives were obtained to offset the refining margin, but the price levels offered by the market are being monitored constantly.

Furthermore, given the time between the purchase of the crude oil and the sale of its by-products, ENAP is also subject to the time spread or risk that the prices of the products when sold will be lower than the prevailing prices when the crude oil was bought. Losses or gains caused as a result of the above, increase the volatility of ENAP's operating result.

On average, ENAP imports about 6 million barrels of crude oil per month. A drop of USD 1/barrel in the price of the by-product during the refining inventory cycle has an immediate effect of US\$6 million on ENAP's refining margin.

In order to mitigate this risk, ENAP has a hedging strategy in place consisting of entering into option collars for a percentage of its sales designed to protect the price of the respective volume of crude oil by keeping it within a price range. This strategy is complemented by the use of swap sales contracts of refined products.

Furthermore, the business of the E&P Line (Exploration and Production) consists mainly in the exploration and exploitation activities of hydrocarbon reserves and their sales in the international market. Consequently, its results are directly related with the international oil and gas prices.

In order to mitigate such risk, ENAP centers its efforts in the constant operational improvement in order to maintain a cost efficient structure. The Company does not systematically use derivatives as a hedging mechanism for the sales of its own production, although certain specific operations of this kind have been performed.

### **b. Liquidity risk**

This risk is associated to the company's ability to amortize or refinance its financial commitments at fair market prices and its ability to implement its business plans with stable financing sources.

The table below shows the balance of current financial obligations of ENAP and its affiliates at December 31, 2010:

In millions of U.S. dollars	2011	2012	2013	2014	2015 and more	Total
Short term bank debt	355	-	-	-	-	355
Long term bank debt	132	243	270	-	-	645
Document payable	46	43	43	44	255	431
Financial lease, corporate building	2	3	3	3	4	15
International bonds	-	290	-	150	800	1,240
Local bonds	-	149	-	-	447	596
<b>Total</b>	<b>535</b>	<b>728</b>	<b>316</b>	<b>197</b>	<b>1,506</b>	<b>3,282</b>

In order to minimize the liquidity risk, ENAP holds a mixture of short and long-term debt in its financing structure, diversified by type of creditor and market, and makes arrangements in advance to refinance its short-term obligations.

### c. Credit risk

This risk refers to the ability of third parties to fulfill their financial obligations towards ENAP. There are 3 different categories:

**c.1 Financial assets** - These are the balances of cash and cash equivalent, time deposits, operations with repurchase agreements and marketable securities as a whole. ENAP's ability to recover these funds at maturity depends on the creditworthiness of the bank in which they are deposited.

In order to mitigate this risk, ENAP has a financial policy specifying the creditworthiness parameters that must be met by financial institutions in order to be considered eligible as a depository of the above products, as well as each institution's concentration ceilings.

**c.2 Obligations of the other parties in derivatives** - These are the favorable ENAP market values of current derivative contracts with banks.

In order to mitigate this risk, ENAP has a derivative management policy specifying creditworthiness parameters that must be met by financial institutions in order to be considered eligible as the other parties to derivative contracts.

**c.3 Trade debtors** - The risk of uncollectibility of ENAP's trade debtors is significantly low, insofar as nearly all local sales (>95%) are invoiced to the 4 main fuel distributors or liquefied petroleum gas distributing companies.

The incorporation of new clients is subject to an analysis of their financial creditworthiness and their approval by ENAP's Credit Committee. This committee coordinates the collection actions required, if payments are delinquent, through Credit and Collection Units of ENAP and Enap Refinerías S.A..

As of December 31, 2010, the total exposure of the Group to the accounts receivable amounts to ThUS\$882,585 as indicated in Note 9.

There are no guarantees for significant amounts to cover such exposure, because as indicated above, almost all sales correspond to distributing companies of fuel or liquefied petroleum gas, with whom the Group operates based on credit sales without guarantees. The estimation of the doubtful accounts as at December 31, 2010 amounts to ThUS\$1,282, which implies 0.15% of the total amount.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

### Responsibility for the information and estimates made

The Senior Management of the ENAP Group is responsible for the information contained in these consolidated financial statements.

In these consolidated financial statements the Senior Management of the ENAP Group and its consolidated entities have used estimates to quantify some of the assets, liabilities, income, expenses and commitments recorded therein.

Regardless of the fact that these estimates were made with the best information available at the time, they may possibly need to be revised in future years as a result of future events; this would be done prospectively, as stipulated in IAS 8, by recognizing the effect of the change in the estimate in the respective Comprehensive Income of Statement.

In applying the accounting policies of the ENAP Group, which are described in Note 3, management makes future estimates and judgments regarding the book values of its assets and liabilities. The estimates and associated judgments are based on past experience and on other factors considered relevant. Actual results could differ from these estimates.

The Company should make estimates and judgments that have significant effects on the figures presented in the financial statements. The changes in assumptions and estimations could have a significant impact on the financial statements. Next are detailed the estimation and critical judgements used by the management:

1. Impairment of assets - At the closure date of each year, or on such date on which it is considered necessary, we analyzed the value of the assets to determine whether there is any sign that such assets had suffered an impairment loss. In case such evidence exists, an estimation of the recoverable amount of such asset is performed to determine, in each case, the amount of the necessary correction. In case of identifiable assets that do not generate independent cash flows, the recovery of the Cash Generating Unit to which the asset belongs is estimated.

In the case of the Cash Generating Units to which tangible or intangible assets have been assigned with an indefinite useful life, the recovery analysis is performed automatically by the system at year-end or under circumstances considered necessary to perform such analysis.

The recoverable amount is the higher of the market value less the necessary cost for its sale and the usage value, understanding by this the present value of the estimated future cash flows. For the calculation of the recovery value of immobilized material, the usage value is the criterion used by ENAP.

To estimate the usage value, the Group prepares the future cash flows provisions before taxes as of the most recent budgets approved by Company Management. These budgets incorporate the best available estimations of income and expenses of the Cash Generating Units using the best estimates, prior experience and future expectations.

These flows are discounted to calculate the present value at a certain rate, before taxes, considered by the cost of business capital in which the Company operates. For its calculation the current cost of capital and risk premiums used in general by the business are considered.

In case the recoverable amount is lower than the net carrying amount of the assets, the corresponding provision for impairment loss is recorded for the difference, charged to the Profit or Loss Account.

The impairment losses recognized in an asset in prior years are reversed when a change occurs in the estimations over the recoverable amount increasing the value of the assets with a credit to profit or loss with the limit of the carrying amount that the assets would have had, had the impairment not been performed.

2. Useful lives of Property, Plant and Equipment - ENAP Group Management determines the estimated useful lives and respective depreciation charges for its fixed assets. This estimate is based on the projected life cycles of the products for its high technology segment. This could change significantly as a result of technical innovations in response to severe sector cycles. Management will increase the charge for depreciation when the useful lives are less than the estimate or depreciate or eliminate technically obsolete assets that were abandoned or sold. The ENAP Group reviews the estimated useful lives of its property, plant and equipment assets at the end of each annual financial reporting year.

3. Reserves of crude oil and gas - Estimates of reserves of crude oil and gas are an integral part of the ENAP Group's decision-making process. The volume of reserves of crude oil and gas is used for calculating the depreciation, using the production unit ratios, and also for evaluating the recoverability of the investment in Exploration and Production assets.

4. Fair value of derivative instruments and other financial instruments - The fair value of the financial instruments not traded in an active market is determined using valuation techniques. The ENAP Group uses its judgment to select a variety of methods and make assumptions based mainly on existing market conditions at each balance sheet date. The assumptions for derivative financial instruments are based on market rates quoted and adjusted to the specific characteristics of the instrument.

Other financial instruments are valued using the discounted cash flow analysis based on assumptions supported, whenever possible, by observed market prices or rates.

5. Provisions for litigation and other contingencies - The final cost for claims and lawsuits could vary due to estimates based on different interpretations of the regulations, opinions and final evaluations of the amount of damages. Therefore, any change in the circumstances involved in this contingency could have a significant effect on the amount of the contingency provision recorded.

The ENAP Group makes estimates and relies on its judgment when recording costs and stipulating provisions for environmental remediation and clean-up. These estimates and judgments are based on current information about expected remediation costs and plans. The costs of environmental provisions could differ from the estimates due to changes in laws and regulations, the discovery and analysis of the conditions at the location, and also changes in clean-up technology. Therefore, any change in the factors or circumstances involved in this provision, and also in the standards and regulations, could have a significant effect on the provisions recorded for such costs.

6. Calculation of taxes on deferred tax benefits and assets - Proper valuation of the taxes on benefits depends on several factors, including rate estimates and the realization of deferred tax assets and the timeliness of the payments of taxes on benefits. Current charges and payments could differ materially from such estimates due to changes in tax regulations and unforeseen future transactions having an impact on the Group's tax balance sheets.

## 6. FINANCIAL INSTRUMENTS

### a) Classification of financial assets and liabilities

The detail of the other financial assets, classified per nature and category as of December 31, 2010 and 2009, is as follows:

December 31, 2010

	Financial assets held for negotiation ThUS\$	Financial assets at fair value through profit and loss ThUS\$	Investment held to maturity ThUS\$	Loans and accounts receivable ThUS\$	Financial assets available for sale ThUS\$	Hedge derivates ThUS\$
Cash and cash equivalents				62,422		
Other current financial assets (Hedge derivates)	-	-	-	-	-	-
Trade and other receivables	-	-	-	882,585	-	-
Due from related companies	-	-	-	53,658	-	-
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>998,665</b>	<b>-</b>	<b>-</b>
Other financial assets (investment in other companies)	-	-	-	-	13,763	-
Other financial assets (Hedge derivates)	-	-	-	-	-	67,504
Other financial assets (Escrow Account )	-	-	74	-	-	-
Rights receivable	-	-	-	24,905	-	-
Due from related companies	-	-	-	11,942	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>36,847</b>	<b>13,763</b>	<b>67,504</b>

December 31, 2009

	Financial assets held for negotiation ThUS\$	Financial assets at fair value through profit and loss ThUS\$	Investment held to maturity ThUS\$	Loans and accounts receivable ThUS\$	Financial assets available for sale ThUS\$	Hedge derivatives ThUS\$
Cash and cash equivalents				76,812		
Other current financial assets (Hedge derivatives)	-	-	-	-	-	2,824
Trade and other receivables	-	-	-	837,276	-	-
Due from related companies	-	-	-	57,009	-	-
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>971,097</b>	<b>-</b>	<b>2,824</b>
Other financial assets (Investment in other companies)	-	-	-	-	27,177	-
Other financial assets (Hedge derivatives)	-	-	-	-	-	54,614
Other financial assets (Escrow Account )	-	-	475	-	-	-
Rights receivable	-	-	-	25,965	-	-
Due from related companies	-	-	-	12,964	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>475</b>	<b>38,929</b>	<b>27,177</b>	<b>54,614</b>

## 7. CASH AND CASH EQUIVALENTS

As of December 31, 2010 and 2009 this item is composed as follows:

	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Cash	19,902	42,006
Bank	29,291	32,929
Time and overnight deposits	13,229	1,560
Agreements	-	317
<b>Total</b>	<b>62,422</b>	<b>76,812</b>

	Currency	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Cash and cash equivalents	US\$	55,290	12,861
Cash and cash equivalents	AR\$	1,648	6,922
Cash and cash equivalents	UK	82	50
Cash and cash equivalents	\$	5,402	56,979
<b>Total</b>		<b>62,422</b>	<b>76,812</b>

### Conciliation

	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Cash and cash equivalents	62,422	76,812
Less: Bank overdrafts	-	-
<b>Total Cash and cash equivalents</b>	<b>62,422</b>	<b>76,812</b>

In cash and cash equivalents there are no cash flows subject to restrictions.

## 8. FINANCIAL ASSETS

Others financial assets	Current		Non-Current	
	12-31-2010	12-31-2009	12-31-2010	12-31-2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Hedging derivatives ( a )	-	2,824	67,504	54,614
Investment in other companies ( b )	-	-	13,763	27,177
Others	-	-	74	475
<b>Total</b>	<b>-</b>	<b>2,824</b>	<b>81,341</b>	<b>82,266</b>

a) See detail in Note 20 a)

b) Investment in other companies

Detail of investment in other companies at December 31, 2010 and 2009 is as follows:

Details:	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Electrogas S.A.	3	2
Inversiones Electrogas S.A.	6,088	5,130
Sociedad Nacional de Oleoductos S.A. (a)	-	12,705
Sociedad Nacional Marítima S.A. (a)	-	1,668
Asociación Gremial de Industriales Químicos A.G.	8	8
Terminales Marítimos Patagónicos S.A.	7,664	7,664
<b>Total</b>	<b>13,763</b>	<b>27,177</b>

(a) In 2010 investments in these companies were reclassified into investments accounted for using the equity method, see note 14.

## 9. TRADE RECEIVABLES AND OTHER RECEIVABLES

As of December 31, 2010 and December 31 2009 this item is composed as follows:

Items	Current		Non-current	
	12-31-2010	12-31-2009	12-31-2010	12-31-2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade debtors	701,005	747,109	-	-
Sundry Debtors	173,015	88,424	4,721	18
Other receivables	9,847	3,025	20,184	25,947
Allowance for doubtful accounts	(1,282)	(1,282)	-	-
<b>Total</b>	<b>882,585</b>	<b>837,276</b>	<b>24,905</b>	<b>25,965</b>

**a) Aging of matured accounts receivable, but not impaired**

The aging of matured but not impaired accounts receivable, is detailed below:

	<b>12-31-2010</b>	<b>31/12/09</b>
	ThUS\$	ThUS\$
Up to 90 days	51,262	102,173
Over 90 days to 1 year	14,844	10,062
Over 1 year	<u>5,643</u>	<u>8,117</u>
Total	<u><u>71,749</u></u>	<u><u>120,352</u></u>

The amounts included in this area bear interest, calculated using the maximum conventional rate published in the official newspaper for debts less than or equal to UF 5,000 and above UF 5.000.

The average collection period to customers at December 31, 2010, is 18.5 days, without considering sundry and other debtors.

**b) Allowances for doubtful accounts**

The amount of the allowances for doubtful accounts as of December 31, 2010 and December 31, 2009 is as follows:

	<b>12-31-2010</b>	<b>31/12/09</b>
	MUS\$	MUS\$
Up to 90 days	-	-
Over 90 days to 1 year	-	-
Over 1 year	<u>1,282</u>	<u>1,282</u>
Total	<u><u>1,282</u></u>	<u><u>1,282</u></u>

Considering the creditworthiness of borrowers and the historical performance of the collection, the Group has estimated that the provision of doubtful accounts at December 31, 2010 is sufficient.

The fair values of trade receivables, sundry debtors and other receivables correspond to the same book value

## 10. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The accounts receivable, accounts payable and transactions with related parties are the following:

### a) Accounts receivable

Current:								
Tax Number	Company	Country	Description of the transaction	Nature of the relationship	Currency	12-31-2010 ThUS\$	12-31-2009 ThUS\$	
0-E	Primax S.A.	Peru	Sale of product	Affiliated	US\$	23,058	20,714	
78.335.760-7	Petropower Energía Ltda.	Chile	Sale of service	Affiliated	US\$	6,000	8,099	
78.889.940-8	Norgas S.A.	Chile	Sale of product	Affiliated	US\$	3,564	1,992	
76.418.940-K	GNL Chile S.A.	Chile	Trade checking account	Affiliated	US\$	14,106	20,845	
99.577.350-3	Empresa Nacional de Geoterminia S.A.	Chile	Trade checking account	Affiliated	US\$	339	116	
96.856.650-4	Innergy Holding S.A.	Chile	Trade checking account	Affiliated	US\$	-	-	
96.971.330-6	Geotermica del Norte S.A.	Chile	Trade checking account	Affiliated	US\$	986	436	
96.655.490-8	Oleoducto Trasandino Chile S.A.	Chile	Trade checking account	Affiliated	US\$	951	784	
81.095.400-0	Sociedad Nacional de Oleoductos S.A.	Chile	Trade checking account	Affiliated	US\$	883	-	
76.069.258-1	Consorcio Tecnológico de Biocombustibles S.A.	Chile	Trade checking account	Affiliated	US\$	50	-	
0-E	Gaseoducto del Pacífico Argentina S.A.	Argentina	Trade checking account	Affiliated	US\$	3,578	3,831	
	Golfo de Guayaquil Petroenap Compañía de	Ecuador						
0-E	Economía Mixta		Trade checking account	Affiliated	US\$	143	67	
99.515.800-0	SK Inversiones Petroquímicas	Chile	Trade checking account	Relationship through SPE	US\$	-	76	
55.100.000-K	Foster Wheeler Ibera	Chile	Trade checking account	Relationship through SPE	US\$	-	49	
Total						53,658	57,009	
Non-current:								
Tax Number	Company	Country	Description of the transaction	Nature of the relationship	Currency	12-31-2010 ThUS\$	12-31-2009 ThUS\$	
76.418.940-K	GNL Chile S.A.	Chile	Trade checking account	Affiliated	US\$	392	392	
96.856.650-4	Innergy Holding S.A.	Chile	Trade checking account	Affiliated	US\$	11,550	12,572	
Total						11,942	12,964	

### b) Accounts payable

Current:								
Tax Number	Company	Country	Description of the transaction	Nature of the relationship	Currency	12-31-2010 ThUS\$	12-31-2009 ThUS\$	
0-E	Primax S.A.	Peru	Trade checking account	Affiliated	US\$	14,029	13,000	
78.335.760-7	Petropower Energía Ltda.	Chile	Purchase of service	Affiliated	US\$	-	40	
76.384.550-8	Sociedad Nacional Marítima S.A.	Chile	Trade checking account	Affiliated	US\$	1,881	-	
81.095.400-0	Sociedad Nacional de Oleoductos S.A.	Chile	Purchase of services	Affiliated	US\$	1,452	-	
96.971.330-6	Geotermica del Norte S.A.	Chile	Purchase of service	Affiliated	US\$	215	126	
76.788.080-4	GNL Quintero S.A.	Chile	Cta. cte.mercantil	Affiliated	US\$	-	202	
76.418.940-K	GNL Chile S.A.	Chile	Trade checking account	Affiliated	US\$	-	14,253	
99.515.800-0	SK Inversiones Petroquímicas S.A.	Chile	Purchase of services	Relationship through SPE	US\$	78	-	
76.030.514-6	SK. Converge S.A.	Chile	Purchase of service	Relationship through SPE	US\$	2	-	
78.528.120-9	Inmobiliaria Mamaco Ltda.	Chile	Cta. cte.mercantil	Relationship through SPE	US\$	1	-	
99.598.300-1	Sigdo Koppers S.A.	Chile	Purchase of service	Relationship through SPE	US\$	6	3	
Total						17,664	27,624	

The balances and transactions with related parties are adjusted to the established in Article 89 of Law No. 18.046, which establishes that the operations between investees, between the parent company and its subsidiaries, and those performed by a publicly traded company have to consider arm's length conditions, which means, performed under conditions of mutual independence between the parties.

### c) Transactions with related parties

Tax Number	Company	Country	Description of the transaction	Description of the transaction	12-31-2010 ThUS\$	12-31-2009 ThUS\$
99.577.350-3	Empresa Nacional del Geotermia S.A.	Chile	Affiliated	Sale of services	267	233
				Contribution of capital	2,113	2,685
				Expense Reimbursement	-	236
76.788.080-4	GNL Quinteros S.A.		Affiliated	Services provided	1,856	-
				Loan Payment	-	6,637
96.971.330-6	Geotermica del Norte S.A.	Chile	Affiliated	Expense Reimbursement	129	431
				Contribution of capital	30,887	-
				Interests	276	342
				Loans	-	12,116
				Sale of services	360	-
O-E	Gasoducto del Pacifico Argentina S.A.	Argentina	Affiliated	Dividend	253	4,151
96.762.250-8	Gasoducto del Pacifico S.A.	Chile	Affiliated	Dividend	250	-
O-E	Primax S.A.	Peru	Affiliated	Sale of products	209,437	190,978
96.856.650-4	Innergy Holding S.A.	Chile	Affiliated	Purchase of natural gas	27,947	15,948
96.655.490-8	Oleoducto Trasandino Chile S.A.	Chile	Affiliated	Purchase of services	3,842	3,572
				Decrease in capital	15	5,450
78.889.940-8	Norgas S.A.	Chile	Affiliated	Sales of product	69,527	44,234
				Dividend	627	1,504
78.335.760-7	Petropower Energia Ltda	Chile	Affiliated	Purchase of services	61,825	82,963
				Loans	6,000	-
				Dividend	202	1,186
81.095.400-0	Sociedad Nacional de Oleoducto S.A.	Chile	Affiliated	Sales of services	40,680	33,629
				Dividend	3,439	-
76.384.550-8	Sociedad Nacional Maritima S.A.	Chile	Affiliated	Purchase of services	26,809	37,255
76.418.940-k	GNL Chile S.A.	Chile	Affiliated	Purchase of the Gas Natural	255,601	50,065
				Loans	-	562
				Interests	59	46

### d) Remunerations of the Board of Directors

Name	Tax Number	Position	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Ricardo Raineri Bernain ( b )	7.006.275-5	President	-	-
Laurence Golborne Riveros ( a ) ( c ) ( e )	8.170.562-3	Director	-	-
Hernán Cheyre Valenzuela ( a )	6.375.408-0	Vicepresidente	-	-
Santiago Gonzalez Larraín ( a )	6.499.284-8	Ex-President	-	-
Carlos Alvarez Voullieme ( a )	8.970.274-7	Vice President	-	-
Rodolfo Krause Lubascher	4.643.327-0	Director	18	17
Miguel Moreno García ( c )	5.433.767-1	Director	9	17
Iván Pérez Pavez	6.902.930-2	Director	10	16
Eduardo González Yáñez	9.164.893-8	Director	-	3
Jorge Matute Matute ( d )	5.334.581-6	Director	17	17
Ramón Jara Araya	5.899.198-8	Director	-	-
Francisco Gana Eguiguren ( c )	6.376.183-4	Director	7	-
Axel Juan Christensen de la Cerda ( c )	7.478.702-9	Director	9	6
<b>Total</b>			<b>70</b>	<b>76</b>

(a) On March 29, Mr. Laurence Golborne Riveros assumed as new chairman of the Board of Directors of ENAP in replacement of Mr. Santiago González Larraín, and Mr. Hernán Cheyre Valenzuela assumed as Vice Chairman, in replacement of Mr. Carlos Alvarez Voullieme.

(b) On May 4, 2010, the Minister of Energy Mr. Ricardo Raineri Bernain assumed as new chairman of the Board of Directors of ENAP in replacement of the Minister of Mining Mr. Laurence Golborne Riveros.



(c) On July 19, 2010, Mr. Laurence Golborne Riveros was appointed director of ENAP in the place of Mr. Axel Juan Christensen de la Cerda, and Mr. Francisco Manuel Gana Eguiguren replaced Mr. Miguel Moreno García.

(d) In his condition of employee of the subsidiary Enap Refinerías S.A., this director received also a remuneration equivalent to ThUS\$54.

(e) On January 14 2011, Mr. Laurence Golborne Riveros was named Minister of Energy in addition to his role as Minister of Mining, under this appointment; he became Chairman of the Board of ENAP in replacement of Mr. Ricardo Raineri Bernain.

The accrued compensation for key management personnel amounts to ThUS\$3,853 for the year-ended December 31, 2010 (ThUS\$2,777 for the year-ended December 31, 2009). This compensation includes the salaries and an estimate of the short-term benefits (annual bonus) and severance payments paid to the key executives that provided services during the informed years.

The positions considered in the amounts informed correspond to the 10 senior executives of the ENAP Group, including the General Manager of ENAP and the executives that report directly to him during the reported years.

#### **Incentive plans for key personnel**

ENAP has a Variable Remunerations System (VRS) that is applicable to all its executives, with the sole exception of the General Manager.

The purpose of this system is to encourage them to add value to the company, the improvement of teamwork and individual performances.

The factors considered in this model for the determination of the incentive plan are the following:

- The financial results obtained by the company:
- The results per area, which shows the compliance level of goals achieved for each of the management areas of the company, and
- The individual results, which shows the compliance percentage of the goals assigned to each executive.

## 11. INVENTORIES

As of December 31, 2010 and 2009 this item is composed as follows:

<b>Detail</b>	<b>12-31-2010</b> <u>ThUS\$</u>	<b>12-31-2009</b> <u>ThUS\$</u>
Crude oil in inventories	311,577	283,635
Crude oil in transit	20,210	120,124
Finished products	631,621	536,773
Products in transit	31,305	30,175
Material in warehouse and in transit	94,902	89,646
Total	<u>1,089,615</u>	<u>1,060,353</u>

<b>Additional Inventory Information</b>	<b>12-31-2010</b> <u>ThUS\$</u>	<b>12-31-2009</b> <u>ThUS\$</u>
Inventory costs recognized as expense during the period	<u>(7,395,180)</u>	<u>(6,122,394)</u>

## 12. ASSETS AND LIABILITIES FOR CURRENT AND DEFERRED TAX

### a) Assets and current tax liabilities

The detail at December 31, 2010 and 2009, is as follows:

<b>Detail</b>	<b>12-31-2010</b> <u>ThUS\$</u>	<b>12-31-2009</b> <u>ThUS\$</u>
VAT fiscal credit (Remnant)	122,891	104,779
Taxes FEP Law 19030 D.A	-	1,668
Specific tax on fuel	348	-
Credit FEPP Law 20278	-	210
Custom duties	2,726	3,105
Monthly Provisional Payments	9,786	11,160
Recovery income tax	-	40,915
Other foreign taxes	34,884	17,559
Other taxes	13,382	4,114
Total	<u>184,017</u>	<u>183,510</u>

### b) Deferred tax assets and liabilities

The origin of the deferred taxes recorded at December 31, 2010 and 2009, is as follows:

Detail	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
VAT fiscal debit	804	1,944
Specific tax on fuel	67,684	24,025
Withholding taxes	2,648	1,325
Subsidy Eastern Island	121	35
Other foreign taxes	10,944	3,324
Other taxes	328	1,847
<b>Total</b>	<b>82,529</b>	<b>32,500</b>
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Assets for deferred taxes related to amortizations	8,949	-
Assets for deferred taxes related to accumulations (or accruals)	11,762	13,432
Assets for deferred taxes related to Provisions	26,708	40,546
Assets for deferred taxes related to Foreign Currency Contracts	-	47,734
Assets for deferred taxes related to Post-Retirement benefit obligations	35,204	44,533
Assets for deferred taxes related to property, plant and equipment	26,387	7,518
Assets for deferred taxes related to tax losses	182,591	136,456
Assets for deferred taxes related to other	204,156	182,805
Assets for deferred taxes	495,757	473,024
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Assets for deferred taxes, tax credits, not recognized	(9,674)	(9,674)
Assets for deferred taxes, Not recognized, Total	(9,674)	(9,674)
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Liabilities for deferred taxes related to depreciations	11,114	7,817
Liabilities for deferred taxes related to amortizations	11,026	9,624
Liabilities for deferred taxes related to accumulations (or accruals)	178,735	187,664
Liabilities for deferred taxes related to obligations for post-retirement benefits	42,552	52,168
Liabilities for deferred taxes related to reassessments of property, plant and equipment	49,281	11,422
Liabilities for deferred taxes related to Other	2,002	17,480
Liabilities for deferred taxes	294,710	286,175
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Movements in liabilities for deferred taxes (presentation)		
Liabilities for deferred taxes, initial balance	286,175	263,236
Increase (decrease) in liabilities for deferred taxes	8,535	22,939
Changes in liabilities for deferred taxes, total	8,535	22,939
Liabilities for deferred taxes, Final balance	294,710	286,175

c) Current tax expenses

All companies of the ENAP Group present individually their tax returns, in conformity with current tax standards in the operating country.

The tax and deferred income (expense) for the year ended December 31, 2010 and 2009, is the following:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
(Expense) income - current tax	(9,765)	(10,360)
Tax benefit from unrecognized tax assets, previously used to reduce the expense for current taxes		-
Adjustments to current tax from prior period	8,411	-
Other (expense) income for current taxes	(16,561)	(1,846)
(Expense) income for current taxes, net, total	<u>(17,915)</u>	<u>(12,206)</u>
Deferred (expense) income for taxes related to the creation and reversal of temporary differences	32,759	44,107
(Expense) income for deferred taxes, net, total	<u>32,759</u>	<u>44,107</u>
(Expense) income for income taxes	<u>14,844</u>	<u>31,901</u>
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
(Expense) income for current taxes, net, foreign	(13,936)	(7,139)
(Expense) income for current taxes, net, national	(3,979)	(5,067)
(Expense) income for current taxes, net, total	<u>(17,915)</u>	<u>(12,206)</u>
Expense for deferred taxes to the income from foreign and national parties, net		
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
(Expense) income for deferred taxes, net, foreign	(6,440)	560
(Expense) income for deferred taxes, net, national	39,199	43,547
(Expense) income for deferred taxes, net, total	<u>32,759</u>	<u>44,107</u>

**d) Conciliation of the accounting result with the tax result**

The reconciliation of the Statutory tax rate in Chile and the effective tax rate applicable to the ENAP Group, is as follows:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
(Expense) income for taxes using the legal rate	(31,514)	(69,957)
Tax effects of rates in other jurisdictions	(30,261)	(2,722)
Tax effect of ordinary income, not taxable	27,442	1,269
Tax effect of expenses, not deductible from taxes	(17,544)	(819)
Tax effect from the use of tax losses not previously recognized	-	74,964
Tax effect of change in tax rates	-	48,568
Other increase (decrease) in charge for legal taxes	66,721	(19,402)
Adjustment to tax expenses using the legal rate, total	46,358	101,858
(Expense) income for taxes using the effective rate	<u>14,844</u>	<u>31,901</u>

	<b>12-31-2010</b>	<b>12-31-2009</b>
	%	%
Legal tax rate (%)	57.00%	57.00%
Tax effects of rates in other jurisdictions (%)	-54.73%	-2.22%
Tax effect of ordinary income, not taxable (%)	49.64%	1.03%
Tax effect of expenses, not deductible from taxes (%)	-31.73%	-0.67%
Tax effect of changes in tax rates of other jurisdictions (%)	0.00%	0.00%
Tax effect from the use of tax losses not previously recognized	0.00%	61.08%
Tax effect of changes in tax rates of other jurisdictions (%)	0.00%	39.57%
Other increase (decrease) in legal tax rate (%)	120.67%	-15.82%
Adjustments to legal tax rate, total (%)	<u>83.85%</u>	<u>82.99%</u>
Effective tax rate (%)	<u>-26.85%</u>	<u>-25.99%</u>

The tax rates applicable to the ENAP Group are of 17% corporate tax, according to current legislation. Additionally, in the case of the Parent Company, ENAP, this is increased by an extra 40% tax, due to Law Decree 2.398.

In relation to other adjustments made to the statutory tax rate, these correspond to permanent differences in the year, mainly arising from the profits earned in subsidiaries and related companies and the tax of ENAP mentioned in the previous point.

The taxes for the foreign companies are calculated according to the tax rates in the corresponding jurisdictions.

e) Results and tax rates

	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS</u>	<u>ThUS</u>
INCOME (LOSS) BEFORE TAXES	55,288	122,731
CURRENT TAXES	<u>26,654</u>	<u>73,187</u>
Income tax (17%)	3,890	4,845
Deferred tax	36,700	75,481
Foreign tax	(13,936)	(7,139)
INCOME (LOSS) AFTER CURRENT TAXES	81,942	195,918
INCOME FROM DISCONTINUED OPERATIONS	-	45,751
INCOME (LOSS) BEFORE ADDITIONAL TAX	81,942	241,669
TAX - DECREE LAW N°2398	<u>(11,810)</u>	<u>(41,286)</u>
Income tax (40%)	(7,869)	(9,912)
Deferred tax	(3,941)	(31,374)
INCOME (LOSS) AFTER ADDITIONAL TAX	70,132	200,383
INCOME (LOSS)	70,132	200,383
MINORITY INTEREST	<u>8,738</u>	<u>4,460</u>
NET INCOME (LOSS) FOR THE YEAR	<u><u>61,394</u></u>	<u><u>195,923</u></u>

The net (loss) income of ENAP as of December 31, 2010 and 2009, after taxes of 17%, amounts to ThUS\$81,942 and ThUS\$195,918, respectively, which in addition to the revenues for discontinued operations in the same periods of US\$0 and ThUS\$45,751, respectively, resulted in a final net loss of US\$81,942 for 2010, which compares to an income of ThUS\$241,669 in 2009.

On July 31 2010, the ministry of finance enforced law N° 20,455, whose objective is to ‘‘amend various laws to obtain resources for financing for the reconstruction of the country’’, the most important points covered by this law, temporarily increases the rate established in article 20 of the law concerning income tax, in article 1° of the Legislative Decree 824 of 1974, in the following way:

- a) To 20% (twenty per cent) for incomes which are paid or accrued during the 2011 calendar year.
- b) To 18.5% (eighteen per cent) for incomes which are paid or accrued during the 2012 calendar year.

### 13. NON CURRENT ASSETS OR GROUP OF ASSETS HELD FOR SALE

The detail of the non-current assets or groups of assets for your disposal is as follows:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Balance at the beginning of the year	-	17,507
Transfer from non current assets available for sale	1,982	6,202
Disposal of assets available for sale	(1,959)	(23,709)
Total	<u>23</u>	<u>-</u>

## 14. INVESTMENTS RECORDED USING THE EQUITY METHOD

### a) Detail of the investments

Companies	Country of Origin	Functional Currency	Ownership Percentage		Percentage with voting Rights		Stock Exchange Value	Main Activity
			%	%	%	%		
			2010	2009	2010	2009		
A&C Pipeline Holding	I. Cayman	USD	36.25	36.25	36.25	36.25	-	Company dedicated to the investment and financing in general. It controls Oleoducto Trasandino (Argentina) S.A. and Oleoducto Trasandino (Chile) S.A.
Compañía Latinoamericana Petrolera S.A.	Chile	CLP	40.00	40.00	40.00	40.00	-	Perform abroad, on its own or third party account, exploration and exploitation projects related to oil, gas and derivatives, as well as the purchase, sale, import, export and marketing of such products.
Empresa Nacional de Geoterma S.A.	Chile	CLP	49.00	49.00	49.00	49.00	-	Investigation, exploration, development and exploitation of geothermal energy and all its complementary activities.
Energía Andina S.A.	Chile	USD	40.00	40.00	40.00	40.00	-	The development of investigation or exploration of geothermal energy, through the execution of studies, measurements and other investigation projects in order to determine the existence of geothermal resources, their physical and chemical characteristics, their geographical extension and their conditions to be actually used.
Gasoducto del Pacífico Cayman Ltd.	I. Cayman	USD	22.80	22.80	22.80	22.80	-	Company dedicated to investing and financing in general. Take control of Pacific Pipeline Inc. Argentina and Chile.
Gasoducto del Pacífico (Chile) S.A.	Chile	USD	25.00	25.00	25.00	25.00	-	Construction, ownership, operation and technical and commercial operation of a pipeline system to transport natural gas from the Republic of Argentina to the Eighth Region of the Republic of Chile and carrying out all kinds of ancillary activities may be undertaken through the pipeline system.
Gasoducto del Pacífico Argentina S.A.	Argentina	USD	22.80	22.80	22.80	22.80	-	Construction, ownership and operation of the pipeline system that extends from the village Argentina Loma de la Lata (Neuquén Province) to the Buta Malin Passage (Province of Neuquén) in the Argentine-Chilean border and its extensions and expansions ancillary facilities.
Geotermica del Norte S.A.	Chile	USD	48.60	48.53	48.60	48.53	-	Investigation, exploration, development and exploitation of geothermal energy and all its complementary activities.
GNL Chile S.A.	Chile	USD	33.33	33.33	33.33	33.33	-	Hire the services of GNL Quinteros S.A. and use all the storage, processing and regasification capacities of liquid natural gas, of the regasification terminal of its own property, including the expansions, if any, and any other issue that the company decides for the use of the regasification terminal.
GNL Quintero S.A.	Chile	USD	20.00	20.00	20.00	20.00	-	Development, financing, design, engineering, supply, construction, commissioning, testing, conclusion, operation and maintenance of a LNG regasification terminal and its expansions, if any.
Innergy Holding S.A.	Chile	USD	25.00	25.00	25.00	25.00	-	Participate in companies whose purpose is to purchase, sale, market and supply Natural Gas or build and exploit and operate all kinds of transport networks of natural gas. Render to its subsidiaries or to third parties management and administrative services and advisories.
Norgas S.A.	Chile	CLP	42.00	42.00	42.00	42.00	-	Import, export and purchase of liquid petroleum gas and its bulk sale to large distributors in the first and second regions of the country and all the technical and commercial formalities related directly to the previously mentioned operations.
Oleoducto Trasandino (Argentina) S.A.	Argentina	USD	35.79	35.79	35.79	35.79	-	Construction and exploitation of an oil pipeline between Argentina and Chile, and the operation of it within the country borders of Argentina.
Oleoducto Trasandino (Chile) S.A.	Chile	CLP	35.83	35.83	35.83	35.83	-	Perform independently or in association with third parties, the construction and exploitation of an oil pipeline between Argentina and Chile, and the operation of it within the country borders of Chile.
Petropower Energía LTDA (a)	Chile	USD	15.00	15.00	15.00	15.00	-	Generation of energy and processing of fuels.
Sociedad Nacional de Oleoducto S.A.(a)	Chile	CLP	10.06		10.06		-	Transport fuels and their derivatives to demand centers specified by our customers, providing greater efficiency and added value to the supply chain, consistent with the interests of our shareholders
Sociedad Nacional Marítima S.A.(a)	Chile	CLP	12.97		12.97		-	Transport fuels and their derivatives to demand centers specified by our customers, providing greater efficiency and added value to the supply chain, consistent with the interests of our shareholders.
Golfo Guayaquil Petroenap Compañía de Economía Mixta	Ecuador	USD	40.00	40.00	40.00	40.00	-	Execution of activities in all and any of its phases of the oil industry, centered on the optimum usage of the hydrocarbons belonging to the inalienable and imprescriptible ownership of the Ecuadorian State, including the scientific investigation, the generation and transfer of technology, for which it is allowed to execute all actions and contracts allowed by law.
Primax Holding S.A.	Ecuador	USD	49.00	49.00	49.00	49.00	-	Purchase of shares, ownerships and rights in other companies on its own behalf.
Forenergy S.A.	Chile	CLP	49.00	40.00	40.00	40.00	-	Execute general, technical, economic, legal and financial feasibility studies, of a second generation biodiesel production project as of the forestry biomass or other raw material of national origin.
Primax S.A.	Peru	USD	49.00	49.00	49.00	49.00	-	Develop directly or indirectly, operations, activities and services related to the hydrocarbon sector, including natural gas, as established in the General Law on Hydrocarbons, its regulations and other modifying provisions.
Biocomsa S.A.	Chile	USD	32.00	32.00	32.00	32.00	-	Investigation and transfer of technologies for the production from lignocelulosic material of biomasses and their transformation into biofuels for the application with hydrocarbons and their derivatives.

- (a) This investment is considered an independent investee as the ownership is less than 20%, due to the existence of significant transactions between the investor and the ownership; in addition, the ENAP Group participates in its commercial and financial decisions.

## b) Movement of investments

The following is a detail of the main investments in investees recorded under the equity method, as of December 31, 2010 and 2009:

Companies	t/m	Balance at	Addition	Equity in	Dividends	Transalation	Other	Balance at
		12-31-2009		earnings (loss)	received	Difference	Increase (Decrease)	12-31-2010
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
A&C Pipeline Holding		84	-	-	-	-	68	152
Compañía Latinoamericana Petrolera S.A.		388	-	(34)	-	30	(5)	379
Empresa Nacional de Geotermia S.A.	( e )	944	2,113	(909)	-	(72)	-	2,076
Energia Andina S.A.		5,418	-	(248)	-	-	(77)	5,093
Gasoducto del Pacifico (Chile) S.A.		5,203	-	94	(250)	-	-	5,047
Gasoducto del Pacifico Argentina S.A.		6,552	-	290	-	-	(985)	5,857
Geotermica del Norte S.A.	( c )	22,525	30,887	(632)	-	(2,196)	-	50,584
Norgas S.A.		3,853	-	499	(627)	229	-	3,954
Oleoducto Trasandino (Argentina) S.A.		4,086	-	(617)	-	-	-	3,469
Oleoducto Trasandino (Chile ) S.A.		1,154	-	(118)	-	-	3,483	4,519
Petropower Energia LTDA		10,432	-	4,263	(202)	-	(375)	14,118
Sociedad Nacional de Oleoducto S.A.	( b )	-	-	7,861	(4,317)	1,567	12,705	17,816
Sociedad Nacional Maritima S.A.	( b )	-	-	2,330	-	-	812	3,142
Golfo Guayaquil Petroenap		10	-	-	-	-	-	10
Compañía de Economía Mixta								
GNL Quintero S.A.		19,971	-	(4,982)	-	-	(8,828)	6,161
Forenergy S.A.		278	-	-	-	-	-	278
Primax S.A.	( d )	47,011	-	11,175	-	-	2,794	60,980
Biocomsa S.A.		79	9	-	-	-	-	88
Totales		127,988	33,009	18,972	(5,396)	(442)	9,592	183,723

### Discontinued equity method

Primax Holding S.A.		64	-	614	-	-	(677)	1
Gasoducto del Pacifico Cayman Ltda.		216	-	-	-	-	(215)	1
GNL Chile S.A.	( a )	1	-	534	-	-	(534)	1
Innergy Holding S.A.	( a )	1	-	2,505	-	-	(2,505)	1
Total		128,270	33,009	22,625	(5,396)	(442)	5,661	183,727

- a) The participation in profits or losses in investees includes a profit of ThUS\$3,039 corresponding to GNL Chile S.A. and Innergy Holding S.A. The recognition of the equity value for both companies was discontinued in prior years as they both presented negative equity, which is presented in Note 22.
- b) From 2010 the ENAP Group reclassified its investments in Sonacol S.A. and Sonamar S.A. as "other non-current financial assets on investments accounted for using the equity method" even when there is not a percentage of participation equal to or more than 20%, a change of director in the companies, and the importance of ENAP in the operations of these companies, it was concluded that this change was necessary, the subsequent effects of such changes were recorded in the company's assets within other reserves.
- c) On July 5 2010, the equity of Sociedad Geotérmica del Norte S.A. was increased by ThUS\$ 46,017, corresponding to 20,115,463,598 new shares; ENAP took part in this increase by subscribing and paying for 10,052,577,163 shares, through the capitalization of debt and a cash contribution of ThUS\$ 15,469 and ThUS\$ 7,054, respectively, increasing ENAP's participation to 48.53%.
- d) Goodwill is included within the carrying value of Primax S.A., which amounts to ThUS\$ 8,896 on December 31, 2010 and ThUS\$ 8,045 on December 31, 2009.
- e) On October 15, 2010 there was an equity increase in Empresa Nacional de Geotermia S.A. amounting to ThUS\$ 4,312, corresponding to 1,659,072 new shares; ENAP took part in the increase by subscribing and paying for 812,945 shares, through a cash contribution of ThUS\$ 2,113.



Companies		Balance at 12-31-2008	Addition	Equity in earnings (loss)	Dividends received	Transalation Difference	Other Increase (Decrease)	Balance at 12-31-2009
	t/m	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
A&C Pipeline Holding		85	-	-	-	-	(1)	84
Compañía Latinoamericana Petrolera S.A.	(e)	3,661	-	(312)	-	814	(3,775)	388
Empresa Nacional de Geotermin S.A.	(f)	610	2,685	(2,903)	-	-	552	944
Energía Andina S.A.		5,971	-	(486)	-	-	(67)	5,418
Gas de Chile S.A.	(c)	278	-	-	-	-	(277)	1
Gasoducto del Pacifico Cayman Ltda.	(b)	-	211	-	-	-	5	216
Gasoducto del Pacifico (Chile) S.A.	(b)	-	6,778	(21,792)	-	-	20,217	5,203
Gasoducto del Pacifico Argentina S.A.	(b)	-	2,458	(5,806)	(4,151)	-	14,051	6,552
Geotermica del Norte S.A.	(d)	8,241	12,292	(71)	-	-	2,063	22,525
GNL Quintero S.A.	(h)	38,537	-	(1,480)	-	-	(17,086)	19,971
Norgas S.A.		2,044	-	2,364	(1,504)	370	579	3,853
Oleoducto Trasandino (Argentina) S.A.		4,776	-	(670)	-	-	(20)	4,086
Oleoducto Trasandino (Chile ) S.A.	(g)	5,901	-	(49)	-	752	(5,450)	1,154
Petropower Energía LTDA		10,311	-	3,909	(1,186)	(737)	(1,865)	10,432
Golfo Guayaquil Petroenap		40	-	-	-	-	(30)	10
Compañía de Economía Mixta								
Primax Holding S.A.		30	-	102	-	-	(69)	63
Forenergy S.A.		203	-	35	-	-	40	278
Primax S.A.	(i)	37,267	-	10,399	-	-	(655)	47,011
Biocomsa S.A.		-	79	-	-	-	-	79
Total		117,955	24,503	(16,760)	(6,841)	1,199	8,212	128,268
<b>Discontinued equity method</b>								
GNL Chile S.A.	(a)	1	-	(312)	-	-	312	1
Innergy Holding S.A.	(a)	1	621	89,760	-	-	(90,381)	1
Total		117,957	25,124	72,688	(6,841)	1,199	(81,857)	128,270

- a) The participation in profits or losses in investees, includes a loss of ThUS\$312 corresponding to GNL Chile S.A. and a profit of ThUS\$89,760 corresponding to Innergy Holding S.A. The recognition of the equity value for both companies was discontinued in prior years as they both presented negative equity, which is presented in Note 22.
- b) During the month of June 2009, ENAP increased its ownership in the companies Gasoducto del Pacífico S.A. to 25%, Gasoducto del Pacífico Cayman Ltd. to 22.8%, and Gasoducto del Pacífico Argentina S.A. to 22.8% obtaining hereby a significant influence, in order to unify the gas transportation business. The effects generated by these participation increases, as mentioned in the following chart, have been recorded under the equity method of accounting, as at December 31, 2009, until the acquisition of these investments they were classified as part of the Other non-current assets in an amount of ThUS\$34,268.
- c) On June 17, 2009 the remaining 50% of Gas de Chile S.A. was purchased, through ENAP and Enap Refinerías S.A. (5%), company which as of June 2009 is being consolidated by ENAP, in accordance with the consolidation chart of Note 3.1.b.
- d) The increase of the participation was generated because in December 2009, a capitalization of the accounts receivable was performed in the amount of ThUS\$12,292.
- e) The variation of the investment ThUS\$(3,775) corresponds to the decrease of capital which was compensated in current accounts payable as of such date.
- f) In February 2009 a capital contribution of ThUS\$2,685 was made.
- g) The variation of ThUS\$5,450 is explained by a capital decrease performed during 2009, which have payments still pending in the amount of ThUS\$784.
- h) The decrease of the investment of ThUS\$17,086 in December 2009, is explained by the recognition in equity of the cash flow hedge effect that in the case of ENAP is recognized in the account hedge reserve.
- i) Goodwill is included within the carrying value of the investment in Primax S.A. and amounts to ThUS\$ 8,045 at December 31, 2009.

### c) Detail of financial information

The summary of the main balances of the financial statements of the investees with significant influence is as follows:

Detail	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Total Assets Current	673,593	397,574
Total Assets non-current	1,905,376	1,522,647
Total Liabilities Current	(533,844)	(362,959)
Total Liabilities Non-current	(1,515,710)	(1,189,408)
Total Equity	<u>529,415</u>	<u>367,854</u>
	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Total Income	3,239,791	2,334,825
Total Expenses	(3,186,035)	(2,096,357)
Net income	<u>53,756</u>	<u>238,468</u>

## 15. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment items at December 31, 2010 and 2009 are presented below:

Current Period	Construction in Progress	Land	Buildings, Net	Plant and Equipment, Net	Information Technology Equipment, Net	Fixed Installations and Accessories, Net	Motor Vehicles, Net	Other Property Plant and Equipment, Net	Exploration and Production	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Initial balance at 01.01.2010	396.927	231.547	20.823	1.041.123	1.436	31.567	1.389	212.029	661.395	2.598.236
Additions	99.207	-	248	38.140	830	418	281	71.411	116.212	326.747
Transfers of non-current assets and disappropriation groups	-	(23)	-	-	-	-	-	(1.959)	-	(1.982)
Withdrawals	(2.821)	-	-	(33.318)	-	(4)	-	(5.393)	(22.522)	(64.058)
Depreciation expenses	-	-	(1.829)	(128.285)	(1.123)	(3.824)	(337)	(9.509)	(97.754)	(242.661)
Other increases (decreases)	(219.798)	-	603	203.609	1.095	6.183	53	(14.428)	40.880	18.197
Change, Total	(123.412)	(23)	(978)	80.146	802	2.773	(3)	40.122	36.816	36.243
Ending Balance at 12-31-2010	<u>273.515</u>	<u>231.524</u>	<u>19.845</u>	<u>1.121.269</u>	<u>2.238</u>	<u>34.340</u>	<u>1.386</u>	<u>252.151</u>	<u>698.211</u>	<u>2.634.479</u>
Prior Period	Construction in Progress	Land	Buildings, Net	Plant and Equipment, Net	Information Technology Equipment, Net	Fixed Installations and Accessories, Net	Motor Vehicles, Net	Other Property Plant and Equipment, Net	Exploration and Production	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Initial balance at 01.01.2009	299.560	215.340	14.489	1.082.453	2.343	30.060	1.453	152.921	665.608	2.464.227
Additions	265.781	20.535	3.822	23.532	145	2.930	288	78.732	110.182	505.947
Transfers of non-current assets and disappropriation groups	-	-	-	-	-	-	-	-	(6.202)	(6.202)
Withdrawals	(64.660)	(4.328)	-	734	(17)	-	(81)	(13.461)	(57.227)	(139.040)
Depreciation expenses	-	-	(1.709)	(119.946)	(1.051)	(3.402)	(273)	(9.620)	(89.420)	(225.421)
Other increases (decreases)	(103.754)	-	4.221	54.350	16	1.979	2	3.457	38.454	(1.275)
Other (Changes)	<u>97.367</u>	<u>16.207</u>	<u>6.334</u>	<u>(41.330)</u>	<u>(907)</u>	<u>1.507</u>	<u>(64)</u>	<u>59.108</u>	<u>(4.213)</u>	<u>134.009</u>
Ending Balance at 12.31.2009	<u>396.927</u>	<u>231.547</u>	<u>20.823</u>	<u>1.041.123</u>	<u>1.436</u>	<u>31.567</u>	<u>1.389</u>	<u>212.029</u>	<u>661.395</u>	<u>2.598.236</u>

The balances of the item as of December 31, 2010 and 2009 are presented below:

<b>Property Plant and Equipment, Gross</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Construction in Progress	273,515	396,927
Land	231,524	231,547
Buildings	70,154	69,303
Plant and Equipment	2,158,656	2,010,621
Information Techonology Equipment	13,733	8,793
Fixed Installations and Accessories	68,973	66,032
Motor Vehicles	4,940	4,643
Other Property Plant and Equipment	316,390	245,759
Exploration and Production	<u>3,118,127</u>	<u>2,992,265</u>
<b>Total</b>	<u><b>6,256,012</b></u>	<u><b>6,025,890</b></u>
<b>Property Plant and Equipment, Acumulated Depreciation</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Construction in Progress	-	-
Land	-	-
Buildings	50,309	48,480
Plant and Equipment	1,037,387	969,498
Information Techonology Equipment	11,495	7,357
Fixed Installations and Accessories	34,633	34,465
Motor Vehicles	3,554	3,254
Other Property Plant and Equipment	64,239	33,730
Exploration and Production	<u>2,419,916</u>	<u>2,330,870</u>
<b>Total</b>	<u><b>3,621,533</b></u>	<u><b>3,427,654</b></u>
<b>Property Plant and Equipment, Net</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Construction in Progress	273,515	396,927
Land	231,524	231,547
Buildings	19,845	20,823
Plant and Equipment	1,121,269	1,041,123
Information Techonology Equipment	2,238	1,436
Fixed Installations and Accessories	34,340	31,567
Motor Vehicles	1,386	1,389
Other Property Plant and Equipment	252,151	212,029
Exploration and Production	<u>698,211</u>	<u>661,395</u>
<b>Total</b>	<u><b>2,634,479</b></u>	<u><b>2,598,236</b></u>

There exist no assets corresponding to the property, plant and equipment granted in guarantee, whether as mortgage or as pledge.

### Additional information

#### a) Construction in progress

The amount of construction in progress at December 31, 2010 is ThUS\$273.515 and ThUS\$396,927 at December 31, 2009, amounts that are directly related with the operating activities of the Group, such as: stoppages of plant, purchase of equipment and constructions.

#### b) Leased assets

The following assets acquired under financial leases are presented in Other Property, Plant and Equipment:

i. Corporate offices acquired under financial leases with Banco Santander Chile. At December 31, 2010, the net value is ThUS\$14,706 and at December 31, 2009 it amounted to ThUS\$15,208. Payments are made monthly and the contract terminates in August 2018.

The current value of the future payments from such financial leases are the following:

	12-31-2010			12-31-2009		
	Gross ThUS\$	Interest ThUS\$	Current Value ThUS\$	Gross ThUS\$	Interest ThUS\$	Current Value ThUS\$
Less than one year	1,715	(521)	1,194	2,268	(622)	1,646
Between one and five years	9,591	(1,591)	8,000	11,161	(1,910)	9,251
More than five years	3,610	(118)	3,492	5,372	(263)	5,109
Total	<u>14,916</u>	<u>(2,230)</u>	<u>12,686</u>	<u>18,801</u>	<u>(2,795)</u>	<u>16,006</u>

At the Board Meeting No. 253, the sale of floors 4 and 5, the warehouses and parkings places of the building Malasia located at Avenida Tajamar No. 183, district of Las Condes in Santiago, was approved. This asset has a leasing contract with Metlife Chile Seguros de Vida S.A. The board also gave authorization to exercise the option to purchase, in advance, which materialized in June 2010.

In board meeting N° 254 on February 23, 2010, the offer made by Besalco Construcciones S.A. was accepted, confirming the sale on June 7, 2010. This operation generated a net profit of ThUS\$ 1,775, presented in the comprehensive income statement under "other income by function".

**c) Decommissioning, withdrawal or restoration costs**

As part of its fixed asset costs the Group maintains decommissioning costs of platforms and oil fields, for a net amount at December 31, 2010 of ThUS\$19,753 and at December 31, 2009 of ThUS\$18,311.

**d) Capitalization of Interests**

Item	Project	Company	12-31-2010	12-31-2009
			ThUS\$	ThUS\$
Construction in Progress	Alkylation	Enap Refinerias S.A.	-	1,216
Exploration and Production	Pampa del Castillo	Enap Sipetrol Argentina S.A.	2,191	-
		Total	<u>2,191</u>	<u>1,216</u>
		Applied rate	4.48%	4.97%

**e) Insurance**

The Group has insurance policies to cover any potential risks to property, plant and equipment, as well as any potential claims that could be filed in connection with their use. The directors consider that these policies are sufficient to cover any pertinent risks.

**f) Depreciation cost**

The charge to income for depreciation of fixed assets included in exploitation costs and administrative and selling expenses is as follows:

	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
In cost of sales	240,300	221,296
In administrative expenses	<u>2,361</u>	<u>4,125</u>
Total	<u>242,661</u>	<u>225,421</u>

## g) Investment in exploration and production

The balances of investments in exploration and production at December 31, 2010 and 2009, are as follows:

At the subsidiary Enap Sipepetrol S.A.:

Joint Ventures	Ownership percentage		Investment amount in joint ventures		Less: impairment losses		Net amount of the investment in joint ventures	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
<b>a. Production</b>								
Area Magallanes (*)	50.00	50.00	92,507	99,392	-	-	92,507	99,392
Campamento Central Cañadón Perdido (*)	50.00	50.00	49,125	44,714	-	-	49,125	44,714
Cam 2A Sur (*)	50.00	50.00	12,760	13,056	12,217	12,217	543	839
East Rast Qattara (*)	50.50	50.50	29,963	23,456	-	-	29,963	23,456
<b>b. Exploration</b>								
E2 (ex CAM3 y CAM1) (*)	33.33	33.33	-	155	-	-	-	155
La Invernada (*)	50.00	50.00	-	-	-	-	-	-
Bloque 2 - Rommana (*)	40.00	40.00	2,400	2,400	-	-	2,400	2,400
Bloque 8 - Sidi Abd El Rahman (*)	30.00	30.00	7,710	1,818	7,710	-	-	1,818
Bloque Mehr (*)	33.00	33.00	27,262	27,262	27,262	27,262	-	-
<b>Total</b>			<b>221,727</b>	<b>212,253</b>	<b>47,189</b>	<b>39,479</b>	<b>174,538</b>	<b>172,774</b>

  

Other bussines	Amount of investment in other bussines		Less: Impairment losses		Net amount of the investment	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
<b>Production</b>						
Pampa el Castillo (*)	156,934	147,389	-	-	156,934	147,389
Paraíso, Biguno, Huachito (*)	25,828	26,039	-	-	25,828	26,039
Mauro Dávalos Cordero (*)	75,040	75,831	-	-	75,040	75,831
<b>Total</b>	<b>257,802</b>	<b>249,259</b>	<b>-</b>	<b>-</b>	<b>257,802</b>	<b>249,259</b>

(\*) See Note 17

## 16. IMPAIRMENT LOSSES

### i) Impairment loss

As a consequence of the damages caused by the earthquake of February 27, 2010 in the south-central area of Chile, the results of the Company as of December 31, 2010, were negatively affected due to the need of recognizing impairment losses of the Property, plant and equipment occurred in the premises of the BíoBío Refinery located in the district of Hualpén and to a lesser extent at the Aconcagua Refinery located in the district of Concón. The above situation resulted in the recognition of an impairment charge in the Statement of Income (item Other income (loss)) of approximately ThUS\$ 59,666. As indicated in Note 37, Effects of the Earthquake, ENAP carries insurance policies that aim to obtain total recovery of the losses less the corresponding deductibles established in the policies.

## ii) Provisions

In the Investments in Exploration and Production item there is a reduction registered in connection with the Mehr Block.

OMV, as operator of the Mehr block and representing the consortium constituted by Repsol and ENAP Sipetrol S.A., through its subsidiary Sipetrol International S.A., delivered a letter addressed to the Exploration Director of the National Iranian Oil Company (NIOC) on January 24, 2009, reporting that a unanimous decision had been made to not continue with the negotiations for developing the Band-e-Karkheh field. This decision is due to the fact that it has not been possible to reach an agreement with NIOC regarding the Development Plan needed to exploit this discovery made by the consortium.

Considering that contractual obligations were fulfilled, the consortium informed NIOC that it would be activating the clause entitling it to recover exploration expenses and the remuneration fee, according to the terms stipulated in the Exploration Services Contract signed by the consortium and NIOC.

In spite of the above mentioned, and taking into account management's judgment and analysis, the ENAP Group, constituted a provision for the amount of the investment of ThUS\$ 27,262, in December 2008, which is presented as net of the amount of the investment.

On October 21, 2010, the NIOC informed the operator of the block (OMV) of the acceptance of the exploration costs incurred by the consortium.

## iii) Withdrawals and write-offs

In the item Investments in Exploration and Production, the withdrawals and write-offs performed by the ENAP Group as of December 31, 2010 and 2009, are presented as per the following detail:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Dry well E2 - Argentina	-	40,157
Dry well Sidi Abd El Rahman Offshore - Egypt	5,892	10,501
Abandonment Sidi Abd El Rahman Offshore - Egypt	1,818	-
Exploratory dry holes and exploratory campaigns	14,812	-
<b>Total</b>	<b>22,522</b>	<b>50,658</b>

The write-offs mentioned here are included in the Statement of Comprehensive Income under the section other expenses by function.

## 17. PARTICIPATION IN JOINT VENTURES

Detail of the main joint ventures of exploitation and exploration operations through which revenues are obtained and expenses are incurred, is presented below.

### a) Exploitation

#### (a) Area Magallanes

On January 4, 1991, Sipetrol Argentina S.A. and Yacimientos Petrolíferos Fiscales S.A. entered into a Unión Transitoria de Empresas (UTE, similar to a joint venture) contract, for hydrocarbon development and drilling activities in the Area Magallanes Block, located in the eastern mouth of the Magallanes Strait, Argentina.

Enap Sipetrol Argentina S.A., as operator of this contract, is responsible for performing all operations and activities in this area.

#### (b) Campamento Central - Cañadón Perdido

In December 2000, ENAP Sipetrol S.A. signed an agreement with YPF S.A. whereby the latter assigns and transfers to ENAP Sipetrol Argentina S.A. 50% of the concession that YPF S.A. holds for exploiting hydrocarbons in the areas known as Campamento Central - Cañadón Perdido, in the province of Chubut, Argentina, which is subject to Law 24,145 and its enabling regulations. In this case, the operator is YPF S.A.

#### (c) Cam 2A Sur

Regulatory decision 14 of January 29, 1999, awarded YPF and ENAP Sipetrol Argentina S.A. the right to explore the area known as CAM 2A Sur. On October 7, 2002, ENAP Sipetrol Argentina S.A. and YPF S.A. entered into a UTE (similar to a joint venture) in the Tierra del Fuego Provinces.

#### (d) East Rast Qattara

As part of the bidding process opened in 2002 by the Egyptian General Petroleum Company (EGPC) for tenders to be submitted for various blocks in the Western Desert, the East Rast Qattara block was awarded to the subsidiary Sipetrol International S.A., together with the Australian company Oil Search Ltd., on April 16, 2003.

The contract was signed on March 30, 2004 in the presence of the Egyptian Oil Ministry, with an ownership interest of 50.5% for Sipetrol International S.A., Egyptian branch, as the operator, and 49.5% for Oil Search Ltd.

The exploitation stage started in December 2007.

On August 28, 2008, Oil Search sold its full ownership interest to Kuwait Energy Company.

## **b) Exploration**

### **(a) E2 (Formerly CAM 3 and CAM 1)**

The CAM-1 (Cuenca Austral Marina 1) area was awarded on September 4, 2003 to ENAP Sipetrol Argentina S.A. and Repsol-YPF S.A. by the Energy Secretariat of the Ministry of Federal Planning, Public Investments and Services, which accepted the tender submitted by the companies during the International Public Bidding called for this project. The area is located in the Atlantic Ocean in southern Argentina and is adjacent to other concessions where ENAP Sipetrol Argentina S.A. is currently exploring and producing hydrocarbons.

ENAP Sipetrol Argentina S.A. and YPF have formed a UTE (similar to a joint venture) to carry out hydrocarbon explorations in this area and exploit it commercially, if oil is found.

In October, 2005, ENAP Sipetrol Argentina S.A. was informed by the Energy Secretariat that the CAM-1 exploitation area would be registered to ENARSA (a State-owned company). This was based on the fact that the area had been awarded to ENAP Sipetrol Argentina S.A. and YPF S.A. in 2003 by the Energy Secretariat, but approval by administrative decree issued by the Executive was pending.

On September 26, 2006, ENARSA, ENAP Sipetrol Argentina S.A. and YPF S.A. signed a joint venture agreement, whereby the parties agreed to enter into a UTE with each party holding a 33.33% interest. ENARSA, as the owner of CAM 1 (hereinafter E2), contributed this block, and ENAP Sipetrol Argentina S.A., jointly with YPF S.A., contributed the CAM 3 block. ENAP Sipetrol and Repsol YPF expressly reversed CAM-3 to the Energy Secretariat, so that the latter could then award it to the new the consortium

Within the framework of the agreement signed between ENARSA, YPF S.A. and ENAP Sipetrol Argentina S.A. for the joint exploration, development and possible exploitation of the new E2 area, the Energy Secretariat accepted the transfer of the CAM-3 area to ENARSA, which, together with the former CAM-1 area, now make up the E2 area that is the subject of the agreement. Likewise, the Energy Secretariat accepted offsetting the promised investments pending in the CAM-3 area with the promise to drill a second exploration well in the new E2 area.

On March 31, 2008, the parties signed the E2 Area Hydrocarbon Exploration and Exploitation UTE (similar to a joint venture), with the purpose of regulating the rights and obligations of ENAP Sipetrol Argentina S.A., YPF S.A. and Energía Argentina S.A. (ENARSA) as partners and co-participants in exploring and exploiting the E2 area. This UTE was registered on April 17, 2008 with the Corporate Records Office under number 63, Book 2 of the Company Joint Venture Contracts.

(b) La Invernada

On August 14, 2009, WIAR was notified by the Under-secretariat of Hydrocarbons and Energy of the Province of Neuquén regarding the Decree No. 1338, dated August 6, 2009, which approves the total reversal of the La Invernada Area. Nevertheless, such Decree only made reference to WIAR, reason why Enap Sipetrol Argentina S.A. requested formally together with WIAR through a note, dated September 9, 2009, whether the scope of the mentioned decree could be extended also to Enap Sipetrol Argentina S.A.

On November 30, 2009 the Province of Neuquén notified the Provincial Decree No. 2175/09 which modifies Article 2 of the Provincial Decree No. 1338/09, and which reads now as follows: "The Contract signed with the company Wintershall Energía S.A. on November 11, 2003 is hereby terminated, as well as the rights and obligations which correspond to the company Enap Sipetrol Argentina S.A. in its role as co-owner, for the Exploration Permit over La Invernada Area, as of November 11, 2008 due to the application of article 19 paragraph a) of the Contract, in conformity with the arguments stated in the Considerations included in this document."

Because of this, on March 4 2010, the final act was signed with the members of the joint venture of La Invernada approving the final liquidation balance, the proposed distribution, and the management of the operator. As well as this, on the same date, the termination of the joint venture contract and the request for cancellation of registration of the joint venture was agreed.

On May 6 2010, the liquidation of the joint venture in the IGC (General Inspection of Justice) was signed and on May 20, 2010, the registration was cancelled in front of the federal administration of public revenues (AFIP). This signified the end of existence of the joint venture.

(c) Area 2 - Rommana

At the end of December 2006, through its subsidiary Sipetrol Internacional S.A., ENAP Sipetrol S.A. was awarded two exploration contracts, subject to the terms, procedures and approvals required by the Egyptian authorities.

Block 2 on land will be operated by Sipetrol Internacional S.A., with a 40% interest in a consortium made up of PTT Exploration and Production Public Company Limited ("PTTEP") and Centrica, each with a 30% interest. This area is located to the north of SINAB, covering a surface area of 6,200 km<sup>2</sup>.

On September 18, 2007, the Concession Agreement for the block was signed and the exploration stage began.

(d) Block 8 - Sidi Abd El Rahman

At the end of December 2006, through its subsidiary Sipetrol Internacional S.A., ENAP Sipetrol S.A. was awarded two exploration contracts, subject to the terms, procedures and approvals required by the Egyptian authorities.



Block 8, off-shore, will be operated by Edison International SPA, with a 40% interest in the consortium made up of PTT Exploration and Production Public Company Limited ("PTTEP") and Sipetrol International S.A., each with a 30% interest. This area is located in the northeast of Egypt, in the Mediterranean Sea, and covers a surface area of 4,294 km<sup>2</sup>.

On September 18, 2007, the Concession Agreement for the block was signed and the exploration stage began.

(e) Block Mehr

Through its subsidiary Sipetrol International S.A., ENAP Sipetrol S.A. holds a 33% interest in the Mehr Block, in partnership with Repsol YPF and OMV, with the latter acting as operator. Since obtaining the concession in 2001, the area has been in its exploration phase and one discovery has been made.

On June 30, 2007, the NIOC (National Iranian Oil Company) declared the Block to be commercially viable, thereby kicking off negotiations for a development plan for the area and the respective development contract. In December, 2008, a document was received from NIOC containing comments on the development plan proposed by the consortium. Since it was not economically viable for the companies composing the consortium (Sipetrol, OMV and Repsol), a unanimous decision was made to withdraw from the negotiation process, reserving the right to demand reimbursements of expenses incurred in the exploration stage, as stipulated in the exploration services contract.

OMV, as operator of the Mehr block and representing the consortium constituted by Repsol and ENAP Sipetrol S.A., through its subsidiary Sipetrol Internacional S.A., delivered a letter addressed to the Exploration Director of the National Iranian Oil Company (NIOC) on January 24, 2009, reporting that a unanimous decision had been made to not continue with the negotiations for developing the Band-e-Karkheh field. This decision is due to the fact that it was not possible to reach an agreement with NIOC regarding the Development Plan needed to exploit this discovery made by the consortium.

Considering that contractual obligations were fulfilled, the consortium informed NIOC that it would be activating the clause entitling it to recover exploration expenses and the remuneration fee, according to the terms stipulated in the Exploration Services Contract signed by the consortium and NIOC.

Regardless, based on management's judgments and estimates, the subsidiary Sipetrol International S.A. has deemed it appropriate to record a provision of ThUS\$27,262 in December 2008 for the amount of the investment.

On October 21, 2010, the NIOC informed the operator of the block (OMV) of its acceptance of the exploration costs incurred by the consortium.

The assets, liabilities of each of the joint ventures are detailed next:

Joint ventures	Current assets in joint ventures		Non-current assets in joint ventures		Current liabilities in joint ventures		Non-current liabilities in joint ventures	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
<b>Exploitation</b>								
Area Magallanes (a)	19,144	18,946	112,787	94,595	34,550	38,110	15,818	6,189
Campamento Central Cañadón Perdido (b)	16,056	15,890	94,596	79,338	28,978	31,963	13,266	5,191
Cam 2A Sur (c)	2,470	2,445	14,553	12,206	4,458	4,917	2,041	799
East Rast Qattara (d)	21,499	17,508	28,959	22,741	6,425	4,715	23,166	18,341
<b>b. Exploration</b>								
E2 (ex CAM3 y CAM1) (a)	618	611	3,021	3,051	1,115	1,229	510	200
Bloque 2 - Rommana (c)	129	219	2,431	284	428	59	7,379	229
Bloque 8 - Sidi Abd El Rahman (d)	865	1,532	2,644	1,990	34	413	22,889	1,605
Totales	60,781	57,151	258,991	214,205	75,988	81,406	85,069	32,554

The amounts specified below detail the net sales, costs of sales and results of each of the joint ventures.

Joint Ventures	Ordinary income from joint ventures		Cost of sales in joint ventures		Net income (loss) in joint ventures	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
<b>Exploitation</b>						
Área Magallanes (a)	42,764	66,584	38,358	54,831	(624)	2,764
Campamento Central Cañadón Perdido (b)	40,250	37,358	37,098	35,203	470	110
Cam 2A Sur (c)	4,059	4,328	5,342	4,993	(552)	(3,311)
East Rast Qattara (d)	42,283	26,517	18,390	16,815	22,728	8,457
<b>b. Exploration</b>						
E2 (ex CAM3 y CAM1) (a)	-	-	375	891	(639)	(28,146)
La Invernada (b)	-	-	-	2	(12)	(14)
Bloque 2 - Rommana (c)	184	144	-	232	(5,201)	(981)
Bloque 8 - Sidi Abd El Rahman (d)	-	-	-	1,257	(8,155)	(17,932)
Total	129,540	134,931	99,563	114,224	8,015	(39,053)

### c) Joint Ventures Agreements of ENAP in Chile

Dorado Riquelme Block:

On August 26 2009, the Special Operations Contract was entered into for the exploration and exploitation of the hydrocarbon reservoirs, called the Bloque Dorado Riquelme, between the government of Chile and Methanex Chile S.A. and the Empresa Nacional del Petróleo (national oil company), and the Joint Operating Agreement between the parties involved in the block operation was endorsed, with 50% participation from Methanex and 50% from ENAP, the latter being the operator.

During 2010, 12 wells were drilled, 6 of which were producers, 3 are in the evaluation stage to try and find out their production potential, 1 is at the stage of getting permission to be injected into the water and 2 were abandoned, ie they recovered the pipes and installed cement plugs to seal the well completely as there were no production alternatives.



The production in January and December 2010 reached 273 cubic meters, with an average daily production in December of around 522.000 m3 per day.

#### Lenga Block

On July 24 2008 the General controller of the Republic “gave evidence” of the Special Operations Contract (CEOP) for the exploration and exploitation of the hydrocarbon reservoir, Lenga block, signed between the government of Chile and the companies Apache Chile Energía Spa and the Empresa Nacional del Petróleo (ENAP). On June 15, 2009, the Joint Operating Agreement was signed between the parties partaking in the Block with a 50% participation of ENAP and 50% from Apache Chile Energía Spa, the latter being the operator.

According to the conditions in the contract, ENAP will participate as the carrier in this block, meaning that ENAP recognizes their participation at the moment of success and their subsequent commercial declaration of the block production.

The investments carried out by the operator in the Lenga Block since the CEOP began (July 2008) at December 31, 2010, reached ThUS\$ 28,353 according to the operator.

#### Coirón Block

On July 24 2008, the General Controller of the Republic “gave evidence” of the Special Operations Contract (CEOP) for the exploration and exploitation of the hydrocarbon reserve Coirón Block, signed between the government of Chile and the companies Pan American Energy Chile Limitada and ENAP. Subsequently, on November 10, 2008, the Joint Operating Agreement was signed between the parties involved in the block operation with a 50% participation from ENAP and 50% from Pan American Energy Chile Ltda., the latter being the operator.

According to the conditions in the contract, ENAP will participate as the carrier in this block, meaning that ENAP recognizes their participation at the moment of success and their subsequent commercial declaration of the block production.

The accumulated investment carried out by the operator of the Coirón Block since the CEOP began (July 2008) at December 31, 2010, was ThUS\$ 25,612, according to the operator.

#### Caupolicán Block

On August 28, 2008, the General Controller of the Republic “gave evidence” of the Special Operations Contract (CEOP) for the exploration and exploitation of the hydrocarbon reserve Caupolicán Block, signed between the government of Chile and the companies Pan American Energy Chile Limitada and ENAP.

To date the Joint Operating Agreement (JOA) has not been signed as negotiations have stopped, so the consortium currently governs according to the provisions established in the bidding and the CEOP.

## 18. OTHER BUSINESS

The main operations for the exploitation activities are detailed below.

### a) Pampa del Castillo - La Guitarra

On September 25, 2001, Pecom Energía S.A. assigned to Sipetrol Argentina S.A. 100% of the rights to the exploitation concession of the hydrocarbon area referred to as Pampa del Castillo - La Guitarra, located in the province of Chubut, Argentina.

### b) Paraíso, Biguno, Huachito and Mauro Dávalos Cordero

On October 7, 2002, a contract was signed with Empresa de Petróleos del Ecuador - PETROECUADOR and its subsidiary Empresa Estatal de Exploración y Producción de Petróleos del Ecuador - Petroproducción, to exploit and develop the oilfields Paraíso, Biguno, Huachito (PBH) and Mauro Dávalos Cordero (MDC), located in the eastern Ecuador basin. By means of this specific service contract, the Company committed to making investments in the development of these fields for an amount estimated in US\$90 million, which include drilling 16 wells (9 in PBH and 7 in MDC), the construction of a production station in MDC, the adaptation of facilities and a camp. At the same time, it acquired the exploration and operations rights, assuming 100% of the operation and management costs of the fields.

On August 08, 2006, the MD field contract with PETROECUADOR was modified, and ENAP SIPEC agreed to increase the investment program to include the drilling of 7 wells and expansion of production facilities. These new wells will certify additional reserves, increasing current reserves from 31.6 to 57.0 million barrels of crude oil.

The summarized financial information of each of the projects in which the ENAP Group participates through Enap Sipetrol S.A. as at December 31, 2010 and 2009, is as follows:

Projects	Current assets in other business		Non-current assets in other business		Current liabilities in other business		Non-current liabilities in other business	
	12-31-2010	12-31-2009	12-31-2010	12-31-2009	12-31-2010	12-31-2009	12-31-2010	12-31-2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Production</b>								
Pampa el Castillo (a)	22,950	14,793	137,786	166,760	41,883	90,412	22,950	19,991
Paraíso, Biguno, Huachito (b)	8,300	11,903	21,432	18,780	4,126	5,831	317	187
Mauro Dávalos Cordero (b)	31,223	50,744	80,624	80,061	15,522	24,857	1,193	798
Total	62,473	77,440	239,842	265,601	61,531	121,100	24,460	20,976
Projects	Ordinary income in other business		Cost of sales in other business		Net Income (loss) in other business			
	12-31-2010	12-31-2009	12-31-2010	12-31-2009	12-31-2010	12-31-2009		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
<b>Production</b>								
Pampa el Castillo (a)	88,109	91,475	63,249	74,131	11,146	7,512		
Paraíso, Biguno, Huachito (b)	59,952	14,221	27,306	9,809	21,901	2,827		
Mauro Dávalos Cordero (b)	16,288	53,389	9,410	26,397	4,584	18,791		
Total	164,349	159,085	99,965	110,337	37,631	29,130		

## 19. INVESTMENT PROPERTIES

The detail and movements in investment properties of the ENAP Group at December 31, 2010 and 2009 are as follows:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Opening balance	2,066	2,072
Depreciation expense	<u>(5)</u>	<u>(6)</u>
Final balance	<u>2,061</u>	<u>2,066</u>

Investment properties of the ENAP Group correspond mainly to land and properties held for leasing.

The depreciation method in use is the straight-line method and the useful life period assigned to such items fluctuates between 10 and 20 years.

The amount of the accumulated depreciation increased to ThUS\$48 and ThUS\$43 as of December 31, 2010 and 2009, respectively.

Revenues obtained by the subsidiary Enap Refinerías S.A. from its investment properties, assets that in total have been leased under an operating lease scheme, amount to ThUS\$27 as at December 31, 2010, assets that were fully leased under operating lease. At December 31, 2010, the contract was not renewed therefore revenue will not be recorded for this year.

## 20. OTHER FINANCIAL LIABILITIES

Details of the Group's financial liabilities at December 31, 2010 and 2009, are as follows:

### December 31, 2010

Liabilities	<b>Financial liabilities held for negotiation</b>	<b>Financial liabilities at fair value through profit and loss</b>	<b>Loans and accounts payable</b>	<b>Hedge derivatives</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other current financial liabilities (Interest-bearing loans)	-	-	606,826	-
Other current financial liabilities (Hedge Derivates)	-	-	-	41,051
Trade debtors and other accounts payable	-	-	1,126,828	-
Due to related companies	-	-	17,664	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,751,318</b>	<b>41,051</b>
Other current financial liabilities (Interest-bearing loans)	-	-	2,741,389	-
Other current financial liabilities (Hedge Derivates)	-	-	-	77,199
Trade debtors and other accounts payable	-	-	5,850	-
Due to related companies	-	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>2,747,239</b>	<b>77,199</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,498,557</b>	<b>118,250</b>

December 31, 2009

Liabilities	Financial liabilities held for negotiation	Financial liabilities at fair value through profit and loss	Loans and accounts payable	Hedge derivatives
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other current financial liabilities (Interest-bearing loans)	-	-	602,509	-
Other current financial liabilities (Hedge Derivates)	-	-	-	8,890
Trade debtors and other accounts payable	-	-	1,378,646	-
Due to related companies	-	-	27,624	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>2,008,779</b>	<b>8,890</b>
Other current financial liabilities (Interest-bearing loans)	-	-	2,365,088	-
Other current financial liabilities (Hedge Derivates)	-	-	-	68,484
Trade debtors and other accounts payable	-	-	3,744	-
Due to related companies	-	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>2,368,832</b>	<b>68,484</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,377,611</b>	<b>77,374</b>

Other liabilities financial	Current		Non-current	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Interest bearing loans ( b )	606,826	602,509	2,741,389	2,365,088
Derivative instruments ( a )	41,051	8,890	77,199	68,484
<b>Total</b>	<b>647,877</b>	<b>611,399</b>	<b>2,818,588</b>	<b>2,433,572</b>

#### a) Hedging derivatives

The ENAP Group, in compliance with financial risk management policy described in Note 4, acquires financial derivatives to cover its exposure to the interest rate variations, currency (exchange rate) and fuel prices.

The interest rate derivatives are used to establish or limit the variable interest rate of the financial obligations and correspond to interest rate swaps and zero-cost collars.

The currency derivatives are used to establish the exchange rate of the US dollars in comparison to the Chilean peso (CLP), Unidad de Fomento (UF) and Euros (EUR), among others, due to investments or existing obligations in currencies other than the US dollar. These instruments correspond mainly to Forwards and Cross Currency Swaps.

The WTI derivatives (zero cost collar and 3 way zero cost collar) destined to protect, within a range, the price of a percentage of its crude oil shipments. This strategy is complemented by the use of swap sales contracts of refined products.

The Swaps are used primarily to mitigate exposure to changes in prices of refined products that have been imported, from the time of purchase to their time of sale.

In “normal” inventory cycles this risk is mitigated by fixing sales prices at import parity, as the price of purchase is fixed with the same methodology as the sale price. Therefore, this instrument is only

used in cases when a there is a decrease in demand, or in situations where the inventory is above the target level.

i) Presentation of assets and liabilities

The detail of the hedging assets and liabilities, considering the nature of the operations, is as follows:

<b>Hedge assets</b>	<b>12-31-2010</b>		<b>12-31-2009</b>	
	<b>Current ThUS\$</b>	<b>Non-Current ThUS\$</b>	<b>Current ThUS\$</b>	<b>Non-Current ThUS\$</b>
<b>Exchange rate hedging</b>				
Cash flow hedge	-	67,504	2,824	54,614
<b>Interest rate hedging</b>				
Cash flow hedge	-	-	-	-
<b>WTI hedging</b>				
Cash flow hedge	-	-	-	-
<b>Total</b>	<b>-</b>	<b>67,504</b>	<b>2,824</b>	<b>54,614</b>
<b>Hedge liabilities</b>	<b>12-31-2010</b>		<b>12-31-2009</b>	
	<b>Current ThUS\$</b>	<b>Non-Current ThUS\$</b>	<b>Current ThUS\$</b>	<b>Non-Current ThUS\$</b>
<b>Exchange rate hedging</b>				
Cash flow hedge	3,928	-	-	-
<b>Interest rate hedging</b>				
Cash flow hedge	11,649	77,199	5,340	68,484
<b>WTI hedging</b>				
Cash flow hedge	25,050	-	3,550	-
<b>Product of hedge</b>				
Cash flow hedge	424	-	-	-
<b>Total</b>	<b>41,051</b>	<b>77,199</b>	<b>8,890</b>	<b>68,484</b>

**ii) Fair value of hedging derivatives**

The detail of the hedging instruments portfolio of ENAP, is as follows:

Detail of Hedge Instruments	Description Hedge Instrument	Description of instruments against which is hedged	Fair value of Instruments against which is hedged	
			12-31-10 ThUS\$	12-31-09 ThUS\$
Cross-Currency Swap	Exchange rate and interest rate	Unguaranteed obligations (Bonds)	61,330	51,049
Cross-Currency Swap	Exchange rate and interest rate	Leasing	4,625	3,596
SWAP	Interest rate	Bank loans	(79,836)	(67,259)
Zero Cost Collar	Interest rate	Bank loans	(7,463)	(6,596)
Zero Cost Collar	WTI	Inventories	(6,558)	(2,038)
3W Zero Cost Collar	WTI	Inventories	(18,492)	(1,512)
Swap FO N°6	Fuel Oil N°6	Inventories	(425)	-
Forward	Exchange rate	Trade receivables and other receivables	(3,928)	2,824
Total			<u>(50,747)</u>	<u>(19,936)</u>

**iii) Effect in profit and loss of hedging derivatives**

At December 31, 2010, ENAP has recognized in profits and losses the following amounts for ineffectiveness and for the value of money in time of the derivatives:

		Income (loss) for ineffectiveness 12-31-2010 ThUS\$	Income (loss) in time value 12-31-2010 ThUS\$
Zero Cost Collar	WTI	-	(2,314)
3W Zero Cost Collar	WTI	-	(5,392)
Forward	Exchange rate	(79)	-
Total		<u>(79)</u>	<u>(7,706)</u>

iv) Other data on financial instruments

The maturities of hedges are detailed below:

**December 31, 2010**

Financial derivatives	Fair value ThUS\$	Notional						After at 2016 ThUS\$	Total ThUS\$
		2011 ThUS\$	2012 ThUS\$	2013 ThUS\$	2014 ThUS\$	2015 ThUS\$	2016 ThUS\$		
<b>Exchange rate hedging</b>									
Cash flow hedge	62,027	566,715	137,688	1,846	1,916	1,987	2,062	388,517	1,100,731
<b>Interest rate hedging</b>									
Cash flow hedge	(87,299)	147,073	292,919	304,750	36,639	38,550	38,190	163,526	1,021,647
Total	<u>(25,272)</u>	<u>713,788</u>	<u>430,607</u>	<u>306,596</u>	<u>38,555</u>	<u>40,537</u>	<u>40,252</u>	<u>552,043</u>	<u>2,122,378</u>
	<b>Fair value ThUS\$</b>	<b>Thousands of</b>							
<b>WTI hedging</b>									
Cash flow hedge	(25,050)	9,635	Barrels						
<b>Product of Hedge - Swap FO N°6</b>									
Cash flow hedge	(424)	190	Barrels						

**December 31, 2009**

Financial derivatives	Fair value ThUS\$	Notional						After at 2015 ThUS\$	Total ThUS\$
		2010 ThUS\$	2011 ThUS\$	2012 ThUS\$	2013 ThUS\$	2014 ThUS\$	2015 ThUS\$		
<b>Exchange rate hedging</b>									
Cash flow hedge	57,469	685,230	1,545	137,512	1,663	1,726	1,790	5,110	834,576
<b>Interest rate hedging</b>									
Cash flow hedge	(73,855)	105,571	147,073	292,919	304,750	36,639	38,550	201,716	1,127,218
Total	<u>(16,386)</u>	<u>790,801</u>	<u>148,618</u>	<u>430,431</u>	<u>306,413</u>	<u>38,365</u>	<u>40,340</u>	<u>206,826</u>	<u>1,961,794</u>
	<b>Fair value ThUS\$</b>	<b>Thousands of</b>							
<b>WTI hedging</b>									
Cash flow hedge	(3,550)	5,950	Barrels						

The contractual notional amount of the contracts celebrated does not represent the risk taken on by ENAP and the SPE's, as this amount only responds to the basis on which the calculations of the derivative liquidation has been made.

v) Hierarchies of the Fair Value

The Group calculates the fair value for the financial derivatives by using market parameters, which are adjusted to the maturity profile of each operation.

The forward operations hedging the exchange rate exposure of the accounts receivable from sales invoices in Chilean pesos are recorded using as reference the forward peso-US dollar curve available in the market.

The cross currency swap operations hedging the exposure to the fluctuation of the US dollar of the financial liabilities denominated in UF are recorded as the present value of the future flows in UF

(asset) and US dollar (liability). To calculate such present values the rate curves of the UF and market LIBOR are used, which are adjusted to the relevant dates of the flows included in each operation.

The interest rate swap operations hedging the exposure to the fluctuation of the LIBO rate of the financial liabilities that accrue a variable rate based on LIBOR are recorded as the present value of future flows. To calculate such present values the rate curves of the market LIBOR are used, which are adjusted to the relevant dates of the flows included in each operation.

The operations with options on WTI, hedging the exposure to the variation of the international price of the crude oil imports of ENAP, are recorded by using calculation tools provided by financial information platforms. Such tools use the future curves of the WTI prices in the market, adjusting these to the maturity profile of each operation.

The financial instruments recognized at fair value in the statement of financial situation, are classified according to the following hierarchies:

(a) Level 1: Quoted price (not adjusted) in an active market for identical assets and liabilities.

(b) Level 2: Different inputs to the quoted prices which are included in Level 1 and which are observable for assets and liabilities, whether directly (as price) or indirectly (as derived from a price); and

(c) Level 3: Inputs for assets and liabilities that are not based on observable market information (non-observable inputs)

**Financial instruments measured at fair value**

	<b>12-31-2010</b> ThUS\$	<b>Level 1</b> ThUS\$	<b>Level 2</b> ThUS\$	<b>Level 3</b> ThUS\$
<b>Hedge assets</b>				
Cash flow hedge	67,504	-	67,504	-
Total	67,504	-	67,504	-
<b>Hedge Liabilities</b>				
Cash flow hedge	118,251	-	118,251	-
Total	118,251	-	118,251	-

**b) Loans accruing interests**

The detail of the loans accruing interests as of December 31, 2010 and 2009 is the following:

<b>Not guaranteed</b>	<b>Current</b>		<b>Non-current</b>	
	<b>12-31-2010</b>	<b>12-31-2009</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Borrowings from financial institutions	436,916	457,433	519,743	647,530
Bonds payable(*)	35,175	23,846	1,824,116	1,269,112
Credit lines	22,292	-	-	-
Financial lease	1,741	1,766	13,200	17,458
<b>SubTotales</b>	<u>496,124</u>	<u>483,045</u>	<u>2,357,059</u>	<u>1,934,100</u>
 <b>Guaranteed</b>				
Borrowings from financial institutions	<u>110,702</u>	<u>119,464</u>	<u>384,330</u>	<u>430,988</u>
<b>SubTotal</b>	<u>110,702</u>	<u>119,464</u>	<u>384,330</u>	<u>430,988</u>
<b>Total</b>	<u>606,826</u>	<u>602,509</u>	<u>2,741,389</u>	<u>2,365,088</u>

### i) Detail of loans accruing interests

The detail per currency and maturity of the loans from financial entities (guaranteed and not guaranteed) accruing interests as of December 31, 2010 and 2009 is the following:

										Current					Non-current				
										Undetermine	Up to 1 month	From 1 to 3 months	From 3 to 12 month	Total at 12-31-10	From 1 to 5 years	5 years and more	Total at 12-31-10		
Tax number	Companies	Country	Tax number	Name	Country	Currency	Payment interests	Nominal Rate	Effective Rate	Guarantee	Nominal Value				ThUS\$	ThUS\$	ThUS\$	ThUS\$	
99519820-7	Enercon	Chile	0-E	BNP - Paribas	USA	US dollars	Half-yearly	3.75%	3.75%	Guarantee	410,000	-	-	21,405	14,091	35,496	123,731	196,484	320,215
96913550-7	Etaka	Chile	0-E	Kreditanstalt für Wiederaufbau	Germany	US dollars	Half-yearly	4.52%	4.52%	Guarantee	29,940	-	-	2,524	2,450	4,974	-	-	-
96969000-4	Petrosul	Chile	0-E	Kreditanstalt für Wiederaufbau	Germany	US dollars	Half-yearly	6.98%	6.98%	Guarantee	20,554	-	-	1,553	1,400	2,953	4,280	-	4,280
99548320-3	Prodisa	Chile	0-E	BNP - Paribas	Spain	US dollars	Half-yearly	6.04%	6.04%	Guarantee	13,917	-	584	-	530	1,114	4,240	3,180	7,420
99548320-3	Prodisa	Chile	0-E	BNP - Paribas	Spain	US dollars	Half-yearly	3.10%	3.10%	Guarantee	34,459	-	2,024	-	1,601	3,625	14,644	2,094	16,738
99548320-3	Prodisa	Chile	0-E	BNP - Paribas (Cesce)	Spain	US dollars	Half-yearly	4.38%	4.38%	Guarantee	53,215	-	2,732	-	2,198	4,930	19,408	8,189	27,597
99519810-K	CHBB	Chile	0-E	Société Générale	France	US dollars	Half-yearly	6.43%	6.43%	Guarantee	21,981	-	-	2,532	-	2,532	8,080	-	8,080
	Enap Sipetrol			Banco Latinoamericano de															
0-E	Argentina	Argentina	0-E	Exportaciones S.A. (3)	Panamá	US dollars	Single time	4.48%	4.48%	Guarantee	65,000	-	-	-	55,078	55,078	-	-	-
92604000-6	ENAP	Chile	97004000-5	Banco de Chile	Chile	US dollars	Single time	1.82%	1.82%	No Guarantee	130,000	-	1,967	-	130,000	131,967	-	-	-
92604000-6	ENAP	Chile	0-E	Scotiabank	Canada	US dollars	Single time	1.20%	1.20%	No Guarantee	100,000	-	597	-	100,000	100,597	-	-	-
92604000-6	ENAP	Chile	97032000-8	BBVA	Chile	US dollars	Single time	1.79%	1.79%	No Guarantee	70,000	-	1,174	-	70,000	71,174	-	-	-
92604000-6	ENAP	Chile	0-E	JP Morgan Chase Bank (1)	USA	US dollars	Single time	4.27%	0.60%	No Guarantee	220,000	-	506	-	-	506	227,086	-	227,086
92604000-6	ENAP	Chile	0-E	Calyon N.Y Branch (2)	USA	US dollars	Half-yearly	5.84%	0.80%	No Guarantee	150,000	-	41	-	50,000	50,041	100,478	-	100,478
92604000-6	ENAP	Chile	0-E	Banco HSBC (4)	USA	US dollars	Half-yearly	2.60%	0.60%	No Guarantee	50,000	-	25	-	32,500	32,525	17,144	-	17,144
92604000-6	ENAP	Chile	0-E	BNP Paribas (4)	USA	US dollars	Half-yearly	2.10%	0.80%	No Guarantee	100,000	-	38	-	50,000	50,038	25,100	-	25,100
92604000-6	ENAP	Chile	0-E	Banco Santander London (4)	USA	US dollars	Single time	2.59%	0.60%	No Guarantee	150,000	-	68	-	-	68	149,935	-	149,935
Total												-	9,756	28,014	509,848	547,618	694,126	209,947	904,073
										Current					Non-current				
										Undetermine	Up to 1 month	From 1 to 3 months	From 3 to 12 month	Total at 12-31-09	From 1 to 5 years	5 years and more	Total at 12-31-09		
Tax number	Companies	Country	Tax number	Name	Country	Currency	Payment interests	Nominal Rate	Effective Rate	Guarantee	Nominal Value				ThUS\$	ThUS\$	ThUS\$	ThUS\$	
99519820-7	Enercon	Chile	0-E	BNP - Paribas	USA	US dollars	Half-yearly	3.75%	3.75%	Guarantee	410,000	-	-	21,300	13,404	34,704	151,528	196,484	348,012
96913550-7	Etaka	Chile	0-E	Kreditanstalt für Wiederaufbau	Germany	US dollars	Half-yearly	4.52%	4.52%	Guarantee	29,940	-	-	2,490	2,243	4,733	4,794	-	4,794
96969000-4	Petrosul	Chile	0-E	Kreditanstalt für Wiederaufbau	Germany	US dollars	Half-yearly	6.98%	6.98%	Guarantee	20,554	-	-	1,547	1,308	2,855	7,251	-	7,251
99548320-3	Prodisa	Chile	0-E	BNP - Paribas	Spain	US dollars	Half-yearly	6.04%	6.04%	Guarantee	13,917	-	700	-	544	1,244	5,441	3,264	8,705
99548320-3	Prodisa	Chile	0-E	BNP - Paribas	Spain	US dollars	Half-yearly	3.10%	3.10%	Guarantee	34,459	-	1,991	-	1,508	3,499	17,798	2,094	19,892
99548320-3	Prodisa	Chile	0-E	BNP - Paribas (Cesce)	Spain	US dollars	Half-yearly	4.38%	4.38%	Guarantee	53,215	-	2,717	-	2,105	4,822	23,757	8,189	31,946
99519810-K	CHBB	Chile	0-E	Société Générale	France	US dollars	Half-yearly	6.43%	6.43%	Guarantee	21,981	-	68	1,360	1,154	2,582	9,234	1,154	10,388
	Enap Sipetrol			Banco Latinoamericano de															
0-E	Argentina	Argentina	0-E	Exportaciones S.A. (3)	Panamá	US dollars	Single time	4.60%	4.60%	Guarantee	65,000	-	-	25	65,000	65,025	-	-	-
92604000-6	ENAP	Chile	0-E	Export Dev Canada	Canada	US dollars	Single time	1.62%	1.62%	No Guarantee	50,000	-	327	50,000	-	50,327	-	-	-
92604000-6	ENAP	Chile	97004000-5	Banco de Chile	Chile	US dollars	Single time	0.97%	0.97%	No Guarantee	100,000	-	63	100,000	-	100,063	-	-	-
92604000-6	ENAP	Chile	97004000-5	Banco de Chile	Chile	US dollars	Single time	1.65%	1.65%	No Guarantee	30,000	-	19	30,000	-	30,019	-	-	-
92604000-6	ENAP	Chile	97004000-5	Banco de Chile	Chile	US dollars	Single time	0.97%	0.97%	No Guarantee	26,000	-	14	26,266	-	26,280	-	-	-
92604000-6	ENAP	Chile	97004000-5	Banco de Chile	Chile	US dollars	Single time	0.97%	0.97%	No Guarantee	45,000	-	24	45,115	-	45,139	-	-	-
92604000-6	ENAP	Chile	76645030-K	Banco Itau	Chile	US dollars	Single time	1.20%	1.20%	No Guarantee	25,000	-	41	25,000	-	25,041	-	-	-
92604000-6	ENAP	Chile	0-E	JP Morgan Chase Bank	USA	US dollars	Single time	1.25%	1.25%	No Guarantee	75,000	-	125	75,000	-	75,125	-	-	-
92604000-6	ENAP	Chile	0-E	The Royal Bank	Netherlands	US dollars	Single time	1.28%	1.28%	No Guarantee	79,000	-	128	79,443	-	79,571	-	-	-
92604000-6	ENAP	Chile	0-E	JP Morgan Chase Bank (1)	USA	US dollars	Single time	4.27%	2.46%	No Guarantee	220,000	-	675	-	-	675	226,226	-	226,226
92604000-6	ENAP	Chile	0-E	Calyon N.Y Branch (2)	USA	US dollars	Half-yearly	5.84%	2.80%	No Guarantee	150,000	-	23	-	-	23	149,051	-	149,051
92604000-6	ENAP	Chile	0-E	Banco HSBC (4)	USA	US dollars	Half-yearly	2.60%	0.75%	No Guarantee	50,000	-	39	-	-	39	49,495	-	49,495
92604000-6	ENAP	Chile	0-E	BNP Paribas (4)	USA	US dollars	Half-yearly	2.10%	0.85%	No Guarantee	100,000	-	25,045	-	-	25,045	73,510	-	73,510
92604000-6	ENAP	Chile	0-E	Banco Santander London (4)	USA	US dollars	Single time	2.59%	0.71%	No Guarantee	150,000	-	86	-	-	86	149,248	-	149,248
Total												-	32,085	457,546	87,266	576,897	867,333	211,185	1,078,518

The nominal interest rates informed for credits with semi-annual maturities are annual and in the case of the other credits the rates are per month.

#### (1) J.P. MORGAN CHASE BANK

On June 15, 2006, ENAP refinanced 220 million US dollars of the existing syndicated loan, with a September 5, 2006, effective date. Through this operation, ENAP signed a contract with fifteen international banks under the laws of New York called Second Amended and Restated Term Loan Agreement, which modifies the August 31, 2004 credit contract, which at the time modified a previous August 29, 2003, contract. The current modifications refer to: (i) the consolidation in a single loan of the principal due from 2007 to 2009 of the current credit's two existing tranches (Tranche 1 and Tranche 2) and (ii) the modification of principal maturity dates into a 7 year term single payment ("bullet"), with a September 2013 maturity date.

The interest rate applied to the operation was LIBOR+0.20% for the first four years, LIBOR+0.225% for years five and six and LIBOR+0.25% for year seven.

The change in the loan's term, which originally matured between 2006 and 2009, provided additional funds to finance ENAP's investments for the coming years. The interest rate spread remains practically unaltered regarding the original loan (LIBOR+0.20% between 2006 and 2008 and LIBOR+0.225% in 2009). Since it is a refinancing of liabilities, this transaction did not affect ENAP's liability level.

#### (2) CALYON NEW YORK BRANCH

In December 2006, the Company obtained a ThUS\$150,000 syndicated loan from a group of banks, with Calyon Bank New York Branch as the agent. Through this operation, ENAP signed a syndicated loan contract (called Term Loan Agreement) with 12 international banks under the laws of New York. The loan has a 7 year term and will be amortized in 6 equal semiannual installments, the first due on June 14, 2011.

The annual interest rate applied to the operation is LIBOR+0.175% for the first three years, LIBOR+0.20% for years four and five and LIBOR+0.225% for years six and seven.

#### (3) Banco Latinoamericano de Exportaciones S.A. (Bladex)

On June 30, 2009, Enap Sipetrol Argentina S.A. obtained a loan of ThUS\$65,000 which matures on June 28, 2010, with payment of capital upon maturity and semiannual payments of interests. This loan is guaranteed by the ENAP Group. The interest rate is LIBOR+3.5%.

Later, its maturity was extended to December 27, 2010, agreeing a new rate of LIBOR+3.0%.

On September 15, 2010, a new rate of LIBOR+2.5% was agreed.

On December 27, 2010 a ThUS\$ 10,000 amortization was made.

#### (4) HSBC Bank

On September 30, 2010, ENAP signed two loan agreements of ThUS\$100,000 each with banks BNP Paribas and Société Générale, to build an alkylation plant in the Aconcagua Refinery, both credits are available as committed credit lines, from which partial disbursements can be made when certain conditions are met.

## ii) Detail of Bonds Payable

The detail and maturities of the bonds payable is indicated in the following table:

															12-31-2010	12-31-2009		
															ThUS\$	ThUS\$		
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.1 )	Foreign	0-E	JP Morgan	USA	USD	290,000,000	Half-yearly	Upon maturity	6.75%	3.80%	No Guarantee	10	2,620	2,567
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.2 )	Foreign	0-E	Deutsche Bank	USA	USD	150,000,000	Half-yearly	Upon maturity	4.88%	2.90%	No Guarantee	10	2,169	2,170
92.604.000-6	ENAP	Chile	N° 303 A1 y A2	( a.1 )	Local	97004000-5	Banco de Chile	Chile	UF	3,250,000	Half-yearly	Upon maturity	4.25%	2.50%	No Guarantee	10	1,606	1,406
92.604.000-6	ENAP	Chile	B-ENAP - B	( a.2 )	Local	97004000-5	Banco de Chile	Chile	UF	9,750,000	Half-yearly	Upon maturity	4.33%	2.10%	No Guarantee	10	9,570	8,536
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.3 )	Foreign	0-E	Santander	USA	USD	300,000,000	Half-yearly	Upon maturity	6.25%	3.30%	No Guarantee	10	9,018	9,167
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.4 )	Foreign	0-E	Banc of America Securities LLC	USA	USD	500,000,000	Half-yearly	Upon maturity	5.25%	2.70%	No Guarantee	10	10,192	-
Total															35,175	23,846		

  

Tax number	Company	Country	Description	Placement	Tax number	Name creditor	Country	Currency	Nominal Value	Payment interests	Amortization Capital	Nominal Rate	Effective Rate	Guarantee	Period in year	Non current		
																12-31-2010	12-31-2009	
																ThUS\$	ThUS\$	
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.1 )	Foreign	0-E	JP Morgan	USA	USD	290,000,000	Half-yearly	Upon maturity	6.75%	3.80%	No Guarantee	10	287,989	285,773
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.2 )	Foreign	0-E	Deutsche Bank	USA	USD	150,000,000	Half-yearly	Upon maturity	4.88%	2.90%	No Guarantee	10	148,838	148,873
92.604.000-6	ENAP	Chile	N° 303 A1 y A2	( a.1 )	Local	97004000-5	Banco de Chile	Chile	UF	3,250,000	Half-yearly	Upon maturity	4.25%	2.50%	No Guarantee	10	147,640	138,647
92.604.000-6	ENAP	Chile	B-ENAP - B	( a.2 )	Local	97004000-5	Banco de Chile	Chile	UF	9,750,000	Half-yearly	Upon maturity	4.33%	2.20%	No Guarantee	10	451,514	400,307
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.3 )	Foreign	0-E	Santander	USA	USD	300,000,000	Half-yearly	Upon maturity	6.25%	3.30%	No Guarantee	10	295,726	295,512
92.604.000-6	ENAP	Chile	Tipo 144 A	( b.4 )	Foreign	0-E	Banc of America Securities LLC	USA	USD	500,000,000	Half-yearly	Upon maturity	5.25%	2.70%	No Guarantee	10	492,409	-
Total																1,824,116	1,269,112	

**a) Local Bonds**

1. On October 4, 2002, the Company registered at the Securities Record of the Superintendency of Securities and Insurance under No. 303, the issuance of adjustable bonds in Unidades de Fomento (UF) in the local market, which was executed on October 22, 2002. This placement was performed in two subseries A-1 and A-2, with the following characteristics:

The placement of bonds in the local market amounted to UF 3,250,000. The maturity period is of 10 years, the payments of interests are semiannual, the annual interest rate is of 4.25% and the amortization of the principal is at the end of the period (bullet).

2. On January 15, 2009, the Company registered at the Securities Register of the Superintendency of Securities and Insurance under No. 303, the issuance of adjustable bonds in UF in the local market.

The placement of bonds in the local market was performed in January and amounted to UF 9,750,000. The maturity period is of 10 years, the payments of interests are semiannual, the annual interest rate is of 4.33% and the amortization of principal is at the end of the period (bullet).

**b) International Bonds:**

1. On November 5, 2002, the Company issued and placed 144A bonds in the US market, at an annual interest rate of 6.75%, in an amount of US\$290 million.

2. On March 16, 2004, the Company issued and placed 144 A bonds in the US market, at an annual interest rate of 4.875%, in an amount of US\$150 million.

The maturity period of both placements is 10 years. Interests are paid on a semiannual basis and the amortization of capital will be performed upon maturity (bullet).

3. On June 30, 2009, the Company issued and placed 144 A bonds in the US market, at an annual interest rate of 6.25%, in an amount of US\$300 million.

The maturity period is of 10 years. Interests are paid on a semiannual basis and the amortization of capital will be performed upon maturity (bullet).

4. On August 5, 2010, the company carried out the issuance and placement of a type 144 A bond in the US market, at a yearly interest rate of 5.25% for an amount of ThUS\$ 500.000.

The maturity period is 10 years. Interest payments are paid on a semiannual basis and the amortization of capital will be performed upon maturity (bullet).

## 21. TRADE DEBTORS AND OTHER ACCOUNTS PAYABLE

### a) The detail is as follows:

	<b>Current</b>		<b>Non-current</b>	
	<b>12-31-2010</b>	<b>12-31-2009</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade accounts payable	1,106,225	1,320,756	3,139	3,403
Other creditors	1,613	1,166	-	-
Other payables	18,990	56,724	2,711	341
<b>Total</b>	<b>1,126,828</b>	<b>1,378,646</b>	<b>5,850</b>	<b>3,744</b>

### b) Detail of future maturities

	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$
Up to 30 days	549,749	367,769
Between 31 and 60 days	144,439	-
Between 61 and 90 days	311,103	606,763
Between 91 and 180 days	121,492	354,481
Over 180 days	45	49,633
<b>Total</b>	<b>1,126,828</b>	<b>1,378,646</b>

## 22. OTHER ACCRUALS

As of December 31, 2010 and 2009 the detail is as follows:

<b>Concept</b>	<b>Current</b>		<b>Non-current</b>	
	<b>12-31-2010</b>	<b>12-31-2009</b>	<b>12-31-2010</b>	<b>12-31-2009</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for contracts	-	8,099	-	-
Dismantling, restoration and rehabilitation costs (a)	-	18,000	51,407	51,474
Income tax provision (DL)	-	-	13,192	8,565
Equity in loss of investments (b)	5,598	9,129	-	-
Sobrestadia	2,807	10,900	-	-
Onerous contracts (d)	-	-	13,243	18,115
Other provisions (c)	4,941	11,475	1,602	350
<b>Total</b>	<b>13,346</b>	<b>57,603</b>	<b>79,444</b>	<b>78,504</b>

- a) Under this kind of provision the estimated disbursements which the Group should perform in the future for the concepts of environmental remediation, platforms and wells are considered. These are supported by a detailed activities plan which is currently being applied.
- b) Corresponds to the provisions for negative equity of the investments held in Innergy Holding S.A. and GNL Chile S.A.
- c) Under this kind of provisions the disbursements that the Group will perform in the future for received services, asserts acquired and estimation of expenses with a sufficient basis waiting for its formalization or execution, are accounted for.
- d) Correspond to the recognition of obligations for the concept of onerous contract with Gas Valpo S.A.

	<b>Provision for contracts</b>	<b>Dismantling restoration and rehabilitation costs</b>	<b>Onerous contracts</b>	<b>Negative equity</b>	<b>Other Provisions</b>	<b>Total</b>
	ThUS	ThUS	ThUS	ThUS	ThUS	ThUS
<b>December 31, 2010</b>						
Total provision, Initial balance at 01-01-10	8,099	69,474	18,115	9,129	31,290	136,107
Additional provisions	777	2,339	-	5,015	15,309	23,440
Used provision	(8,876)	(20,406)	(4,872)	-	(15,494)	(49,648)
Reversal of provision	-	-	-	(8,546)	(8,565)	(17,111)
Other increase (decrease)	-	-	-	-	2	2
Total provision, Final Balance at 12-31-10	<u>-</u>	<u>51,407</u>	<u>13,243</u>	<u>5,598</u>	<u>22,542</u>	<u>92,790</u>
<b>December 31, 2009</b>						
Total provision, Initial balance at 01-01-09	28,431	81,004	62,155	96,835	41,838	310,263
Additional provisions	12,598	-	-	1,991	21,718	36,307
Used provision	(15,230)	-	(44,040)	-	(23,793)	(83,063)
Reversal of provision	(17,700)	(708)	-	(89,697)	(12,018)	(120,123)
Increase (decrease) in the Foreign Currency Exchange	-	-	-	-	5	5
Other increase (decrease)	-	(10,822)	-	-	3,540	(7,282)
Total provision, Final Balance at 12-31-09	<u>8,099</u>	<u>69,474</u>	<u>18,115</u>	<u>9,129</u>	<u>31,290</u>	<u>136,107</u>

## 23. ACCRUALS FOR EMPLOYEE BENEFITS

The detail of the accruals for employee benefits as of December 31, 2010 and 2009, is the following:

Concept		Current		Non-current	
		12-31-2010	12-31-2009	12-31-2010	12-31-2009
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Severance payments	( a )	22,413	-	114,542	160,345
Share in profits and bonds for employees	( b )	23,031	19,717	-	-
Others provisions	( c )	27,389	22,406	229	119
Total		<u>72,833</u>	<u>42,123</u>	<u>114,771</u>	<u>160,464</u>

- a) This corresponds to the all events severance payments held by ENAP with its employees, which are detailed in the collective agreements active as of such date.
- b) Correspond to all benefits associated to bonuses and participation in results that ENAP has to pay to its employees and that is established in the current collective agreement contracts or employment contracts, as appropriate.
- c) The amounts recorded in this item correspond to other benefits to personnel, as for example vacations, rewards, year-end bonus, etc.

	Current				Non-current	
	Share in profits and bonds for employees ThUS\$	Severance payments ThUS\$	Other Provisions ThUS\$	Total ThUS\$	Severance payments ThUS\$	Other Provisions ThUS\$
<b>December 31, 2010</b>						
Total provision, Initial balance at 01-01-10	19,717	-	22,406	42,123	160,355	109
Additional provisions	31,808	25,057	38,893	95,758	11,648	120
Used provision	(29,234)	(8,218)	(34,530)	(71,982)	-47,153	-
Increase (decrease) in the Foreign Currency Exchange	740	12	620	1,372	5,344	-
Other increase (decrease)	-	5,562	-	5,562	-15,652	-
Total provision, Final Balance at 12-31-10	<u>23,031</u>	<u>22,413</u>	<u>27,389</u>	<u>72,833</u>	<u>114,542</u>	<u>229</u>
	Current				Non-current	
	Share in profits and bonds for employees ThUS\$	Severance payments ThUS\$	Other Provisions ThUS\$	Total ThUS\$	Severance payments ThUS\$	Other Provisions ThUS\$
<b>December 31, 2009</b>						
Total provision, Initial balance at 01-01-09	27,376	-	18,214	45,590	123,850	73
Additional provisions	31,361	3,708	42,833	77,902	9,891	31
Used provision	(40,753)	(3,708)	(40,853)	(85,314)	-1,775	-
Increase (decrease) in the Foreign Currency Exchange	2	-	5	7	15,052	5
Other increase (decrease)	1,731	-	2,207	3,938	13,327	10
Total provision, Final Balance at 12-31-09	<u>19,717</u>	<u>-</u>	<u>22,406</u>	<u>42,123</u>	<u>160,345</u>	<u>119</u>

## 24. SHAREHOLDERS' EQUITY

### a) Changes in equity:

Through Order No. 1,272 of December 28, 2007, the Ministry of Finance temporarily suspended, for the period 2007, the policy of transferring profits from ENAP to the Chilean Government. At the same time, it temporarily annulled for that year, the transfer of net income under any circumstance, to complete the 14% profit on equity with retained earnings from previous periods.

Article 2 of Law No. 20,278 authorized the Ministry of Finance to perform for a single time, an extraordinary contribution of capital to ENAP in the amount of ThUS\$250,000, which will be financed with available resources in financial assets of the National Treasury. Such contribution was carried out through Supreme Decree No. 1,389 of October 29, 2008 through which the Treasury Department proceeded to the modification of the current budget of the National Treasury which allowed the capital contribution that was made effective on November 10, 2008.

Through Order No. 64 of January 23, 2009 the Ministry of Finance authorized the following:

- a) Temporarily suspend for 2009, the transfer policy of 100% of the annual dividends of the subsidiaries to ENAP, corresponding to those for the year ended December 31, 2008;
- b) Temporarily suspend for 2009, the transfer policy of profits from ENAP to the Chilean Government (for the profits generated in 2008).

The dividend distribution policy that governs ENAP, established by Treasury Resolution No. 25 of August 11, 2005, which established that ENAP had to transfer a minimum amount of resources to the Chilean State, whether as income tax (40%) and/or as anticipated revenues, corresponding to 14% of profitability over equity, with retained earnings from prior periods.

On July 15, 2010, the twenty-second shareholder meeting of the subsidiary Enap Sipetrol S.A. was held where the capitalization of the profits generated in 2009, which amounted to US\$13.838.322 was approved, resulting in a capital of US\$ 345,987,830.

On September 30, 2010, the twenty-fourth shareholders meeting of the subsidiary Enap Sipetrol S.A. approved the capitalization of the profits generated in 2008, which amounted to US\$ 18,978,640, resulting in a capital of US\$ 364,966,470.

On December 23, 2010, the Ministry of Finance, according to Ord. N° 1495, authorized the profits corresponding to 2007 to be capitalized, for ThUS\$ 49,632, whose transfer to tax was temporarily suspended by Ord. N° 1272 from 2007.

#### **b) Paid-in capital**

The detail of the paid in capital as of December 31, 2010 and 2009 is the following:

	<u>12-31-2010</u> ThUS\$	<u>12-31-2009</u> ThUS\$
Paid-in capital	<u>1,232,332</u>	<u>1,182,700</u>
Total	<u>1,232,332</u>	<u>1,182,700</u>

#### **Capital management**

The main purpose of the capital management, referred to the management of the equity of the Company, is the administration of the capital of the ENAP Group, as per the following detail:

- Ensure the normal functioning of its operations and the continuity of its Business in the long-term.
- Ensure the financing of new investments in order to maintain a continuous growth in the future.

- Maintain an adequate capital structure according to the economical cycles that impact the business and the corresponding nature of the industry.
- Maximize the value of the ENAP Group in the long and medium term.

According to the above, the capital requirements are incorporated based on the financing needs of the Group, trying to maintain an adequate liquidity level and complying with the financial requirements established in the current debt contracts and in the commitments agreed on with the owner. The ENAP Group manages its capital structure and performs adjustments based on the predominating economic conditions, in order to mitigate the risks associated to the adverse market conditions and to materialize the opportunities that could be generated to improve the liquidity position of the ENAP Group.

### c) Other Reserves

As of December 31, 2010 and 2009 this item is composed as follows:

<b>Detail</b>	<b>12-31-2010</b> ThUS\$	<b>12-31-2009</b> ThUS\$
Transalation of foreign currency (ii)	(70,765)	(70,683)
Held to sale	1,190	-
Cash flow hedge (i)	(77,152)	(45,514)
Other sundry reserves (iii)	<u>10,741</u>	<u>19,763</u>
<b>Total</b>	<u><u>(135,986)</u></u>	<u><u>(96,434)</u></u>

### i) Cash flow hedging

	<b>Total</b> <b>12-31-2009</b> ThUS\$	<b>Movement</b> <b>2010</b> ThUS\$	<b>Total</b> <b>12-31-2010</b> ThUS\$
Income /(loss) recognized in the cash flow hedges of:			
Cross Currency Swap / Bonds and Financial lease	(10,835)	(1,409)	(12,244)
Opción ZCC. 3WZCC,SWAP / WTI	542	(18,308)	(17,766)
SWAP y Option ZCC interest rate bank loans	(49,864)	(3,788)	(53,652)
Contratos Forward of foreign exchange	2,803	(6,651)	(3,848)
Swap investee GNL Quintero	(20,586)	(10,760)	(31,346)
Deferred income tax derivatives	<u>32,426</u>	<u>9,278</u>	<u>41,704</u>
<b>Total</b>	<u><u>(45,514)</u></u>	<u><u>(31,638)</u></u>	<u><u>(77,152)</u></u>

**ii) Translation reserves of foreign currencies**

	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Balance at the beginning of the year	(70,683)	(75,396)
Result of changes in investees with accounting in local currency	<u>(82)</u>	<u>4,713</u>
Total	<u><u>(70,765)</u></u>	<u><u>(70,683)</u></u>

**iii) Other sundry reserves**

	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Initial balance	19,763	25,067
Equity adjustment in Petropower Energia Ltd.	(374)	(3,786)
Adjustment to reserves in Manu Peru y Primax Holding	1,893	-
Adjustment to reserves in Gas de Chile S.A	2,536	-
Adjustment to reserves in Oleoducto Trasandino Chile S.A	3,443	-
Adjustment to reserves in Sonamar S.A	(753)	-
Adjustment to reserves in Innergy Holdings S.A.	59	(1,518)
SPE's buys	<u>(15,826)</u>	<u>-</u>
Total	<u><u>10,741</u></u>	<u><u>19,763</u></u>

**d) Accumulated earnings (losses)**

	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Balance at the beginning of the year	(680,044)	(913,725)
Adjustment Sipetrol Argentina (a)	(31,931)	-
Income (loss) for the year	61,394	195,923
Net variation retained earnings (accumulated loss)	<u>(1,391)</u>	<u>37,758</u>
Total	<u><u>(651,972)</u></u>	<u><u>(680,044)</u></u>

a) The adjustment corresponds to the effects of calculations' revision of the of deferred taxes associated with fixed assets, arising from the first adoption of IFRS carried out by the subsidiary Enap Sipetrol Argentina.

## 25. NON – CONTROLLING INTEREST

The detail per company of the effects originated by the participation of third parties in the equity and results of the subsidiaries as of December 31, 2010 and 2009, is the following:

Entity	Non-Controlling Interest		Equity in income	
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Other companies (Special Purpose Entities)	11,962	37,501	8,732	4,430
Enap Refinerías S.A.	116	117	6	30
Total	<u>12,078</u>	<u>37,618</u>	<u>8,738</u>	<u>4,460</u>

## 26. OPERATING SEGMENTS

### Segment criteria

The segment structure used by ENAP and defined by the Board of Directors of ENAP, is firstly related to its business lines and secondly, according to its geographical distribution.

The aforementioned lines of business are Exploration and Production; and Refining, Logistics and Distribution.

### *Main business segments of the consolidated group:*

- Exploration and production, including the exploration operations of hydrocarbons (oil and natural gas) and of geothermal resources, as well as its development, production and marketing.
- Refining, logistics and distribution, including the activities destined to the acquisition of crude oil and other supplies for the production; development of the fuel production (gasoline, diesel, fuel oil, kerosene, liquid gas, among others) and other products derived from crude oil (solvents, bases for the production of asphalt, ethylene and other petro-chemical products); the storage, transportation and marketing of these products in the local and international markets, including the wholesale distribution business in Peru.

The Board of Directors and the General Manager of ENAP are in charge of the decision making process regarding the administration, allocation of resources and regarding the performance assessment of each of the above described operating segments.

Segment information of these businesses as of December 31, 2010 and 2009 is as follows.

	<b>12-31-2010</b>			
	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Other ( 1 )	Total
Revenues	568,043	8,490,252	(878,406)	8,179,889
Cost of sales	(388,082)	(8,423,734)	877,972	(7,933,844)
Gross margin	179,961	66,518	(434)	246,045
Other operating revenues	5,896	17,996	8,650	32,542
Administrative expenses	(36,376)	(44,990)	(22,860)	(104,226)
Other sundry operating expenses	(34,053)	(5,358)	(7,651)	(47,062)
Other income (loss)	(4,195)	38,224		34,029
Financial Revenues	632	2,215	793	3,640
Financial Costs	(5,825)	(110,452)	(64,854)	(181,131)
Equity in Earnings (Loss) of Associates, recorded according to the equity method	(17)	14,170	8,472	22,625
Foreign Currency Exchange Differences	(1,465)	49,972	319	48,826
Income (loss) after taxes	104,558	28,295	(77,565)	55,288
(Expense) Revenues for income taxes	(28,019)	30,695	12,168	14,844
Income (Loss) after tax	76,539	58,990	(65,397)	70,132
Ganancia (Pérdida) procedente de operaciones discontinuadas	-	-	-	-
Income (Loss)	76,539	58,990	(65,397)	70,132
Income (loss) attributable to owners of the Parent Company	76,488	48,030	(63,124)	61,394
Income (loss) attributable to non-controlling	51	10,960	(2,273)	8,738
Income (Loss)	76,539	58,990	(65,397)	70,132
	<b>12-31-2009</b>			
	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Other ( 1 )	Total
Revenues	544,032	7,666,584	(1,113,113)	7,097,503
Cost of sales	(389,812)	(7,539,990)	1,094,959	(6,834,843)
Gross margin	154,220	126,594	(18,154)	262,660
Other operating revenues	4,133	65,250	10,329	79,712
Administrative expenses	(29,528)	(34,795)	(17,667)	(81,990)
Other sundry operating expenses	(78,792)	(20,749)	(670)	(100,211)
Other income (loss)	2,406	345	4,971	7,722
Financial Revenues	126	1,421	1,466	3,013
Financial Costs	(11,508)	(111,617)	(49,313)	(172,438)
Equity in Earnings (Loss) of Associates, recorded according to the equity method	(156)	12,543	60,301	72,688
Foreign Currency Exchange Differences	(3,247)	65,416	(10,594)	51,575
Income (loss) after taxes	37,654	104,408	(19,331)	122,731
(Expense) Revenues for income taxes	(17,197)	80,219	(31,121)	31,901
Income (Loss) after tax	20,457	184,627	(50,452)	154,632
Ganancia (Pérdida) procedente de operaciones discontinuadas (2)	45,751	-	-	45,751
Income (Loss)	66,208	184,627	(50,452)	200,383
Income (loss) attributable to owners of the Parent Company	66,317	179,390	(49,784)	195,923
Income (loss) attributable to non-controlling	(109)	5,237	(668)	4,460
Income (Loss)	66,208	184,627	(50,452)	200,383

(1) This line presents the elimination adjustments in consolidation and the revenues generated by the ENAP Group, being the most relevant items: i) the transactions of revenues and costs for the purchase/sale of products and raw material between the companies of the ENAP Group in the amounts of ThUS\$ (878,406) and ThUS\$877,972, respectively for 2010 and ThUS\$(1,113,113) and ThUS\$1,094,959 for 2009; and ii) the income taxes of ThUS\$7,481 for 2010 and ThUS\$(31,121) for 2009, which correspond to 40% of the additional tax that affects the ENAP Group, in conformity with the indicated in L.D. 2,398.

(2) Corresponds to the revenues generated by the sale of the North Bahariya block, which was realized on June 30, 2009, for an amount of ThUS\$45,751.

Detail of revenues for sale to third parties:

	12-31-2010			12-31-2009		
	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Total	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Geographical sales</b>						
National	133,437	7,464,559	7,597,996	162,422	6,201,528	6,363,950
Foreign	308,291	273,602	581,893	234,322	499,231	733,553
<b>Total</b>	<b>441,728</b>	<b>7,738,161</b>	<b>8,179,889</b>	<b>396,744</b>	<b>6,700,759</b>	<b>7,097,503</b>
	12-31-2010			12-31-2009		
	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Total	Exploration and Production (E&P)	Refining, Logistics and Marketing (RL&C)	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Sale of products</b>						
Crude	198,170	-	198,170	163,794	-	163,794
Gas	91,084	199,988	291,072	83,832	49,110	132,942
Liquefied Petroleum Gas	1,575	518,973	520,548	1,625	388,490	390,115
Gasoline	-	1,824,145	1,824,145	-	1,759,615	1,759,615
Kerosene	-	655,098	655,098	-	490,196	490,196
Diesel	-	3,438,074	3,438,074	-	2,935,269	2,935,269
Fuel Oil	-	821,890	821,890	-	760,477	760,477
Petrochemical	-	86,351	86,351	-	100,275	100,275
Other Products	-	179,380	179,380	-	203,080	203,080
Sale of services, national	32,424	-	32,424	38,261	-	38,261
Sale of services, foreign	87,656	-	87,656	66,235	-	66,235
Other Income (services, transport), national	9,928	14,262	24,190	40,329	14,247	54,576
Other Income (services, transport), foreign	20,891	-	20,891	2,668	-	2,668
<b>Total</b>	<b>441,728</b>	<b>7,738,161</b>	<b>8,179,889</b>	<b>396,744</b>	<b>6,700,759</b>	<b>7,097,503</b>

The marketing of refined products by Enap Refinerías S.A., is channeled through wholesale distribution companies of fuels and other products. The subsidiary ERSA maintains supply contracts with its major clients, ensuring an adequate supply of fuel throughout the country.

Along with the abovementioned, in 2010 ERSA continued selling part of its production to regional markets, in particular Peru, Ecuador and Central America.

The ENAP Group's main clients at a national level are Copec, Petrobras, Terpel, Shell, Lipigas, Abastecedora de Combustibles and Methanex.

## Assets and liabilities for Operating Segments

Currently the ENAP Group does not maintain a control and register of the assets for reportable segments in its internal reporting system; consequently such information is not used by the Board as part of the decision-making process and allocation of resources. The financial liabilities of ENAP are centralized and controlled at the corporate level and are not presented by reportable segments.

### 27. REVENUES FROM ORDINARY ACTIVITIES

The detail of this item at December 31, 2010 and 2009 is as follows:

Detail	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Sale of crude oil	198,170	163,794
Sale of Gas	291,072	132,942
Sale of refined products	7,525,486	6,639,027
Sale of oil services	120,080	104,496
Other operating income	45,081	57,244
Total	<u>8,179,889</u>	<u>7,097,503</u>

On the basis of the lowest value of the sale of natural gas in the twelfth region compared to the rest of the country, ENAP shows in its income statement at December 31, 2010, a lower income than management estimated of approximately ThUS\$ 48,000, a figure which does not appear in the accounts and was therefore not subject to review by our external auditors.

### 28. FINANCIAL COSTS

The detail of this item at December 31, 2010 and 2009 is as follows:

Concepts	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Interests from overdraft and bank borrowings	36,104	49,530
Interests from bonds payable	85,235	59,585
Interests from lease obligations	528	533
Expense for other	4,590	5,210
Expenses for interests accounts payable	14,231	24,631
Total expenses for interests	<u>140,688</u>	<u>139,489</u>
Income / Loss for liquidations from derivatives (swap)	38,073	32,049
Other effects for the valuation of derivatives (time value and ineffectiveness)	(843)	996
Accrued interests for swap	5,404	1,120
Less: Capitalized interests	<u>(2,191)</u>	<u>(1,216)</u>
Total	<u>181,131</u>	<u>172,438</u>

## 29. PERSONNEL COSTS

The detail of this item at December 2010 and 2009 is as follows:

	<b>12-31-2010</b>	<b>12-31-2009</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Wages and salaries	158,859	151,763
Short term benefits for employees	123,810	105,600
Other personnel expenses	6,470	6,514
Other long-term benefits	<u>34,707</u>	<u>29,592</u>
<b>Total</b>	<b><u>323,846</u></b>	<b><u>293,469</u></b>

## 30. EXCHANGE DIFFERENCES

At December 31, 2010 and 2009, the detail of the assets and liabilities generating exchange differences are as follows:

	<b>12-31-2010</b>	<b>12-31-2009</b>
<b>Concepts</b>	<u>ThUS\$</u>	<u>ThUS\$</u>
Cash and cash equivalents	(35)	4,922
Financial assets	69,298	92,022
Other non-financial assets, current	42,074	49,637
Trade and other receivables	55,247	129,941
Due from related companies, current	9,541	11,780
Income tax receivable	(4,925)	(3,104)
Inventories	450	156
Other non-financial assets, non-current	(120)	37
Rights receivable	(295)	1,146
Other non-financial liabilities, current	(10,834)	(8,056)
Trade debtors and other accounts payable	(11,978)	(17,628)
Due to related companies, current	(6,046)	(7,287)
short-term accruals	(2,638)	(6,692)
Long term accruals	(11,003)	(31,462)
Liabilities long term - Other	(57,526)	(94,160)
Forward income (loss)	(20,968)	(67,546)
Other	<u>(1,416)</u>	<u>(2,131)</u>
<b>Total</b>	<b><u>48,826</u></b>	<b><u>51,575</u></b>

### 31. FOREIGN CURRENCY

<b>Assets</b>	<b>Currency</b>	<b>Funcional Currency</b>	<b>12-31-2010 ThUS\$</b>	<b>12-31-2009 ThUS\$</b>
Cash and cash equivalents	US Dollars	Dollars	55,290	13,024
	Chilean Pesos	Dollars	5,402	56,816
	Argentine Pesos	Dollars	1,648	6,922
	British Pound	Dollars	82	50
Other financial assets, current	US Dollars	Dollars	-	2,824
Other non-financial assets, current	Chilean Pesos	Dollars	1,823	13,625
	US Dollars	Dollars	9,170	-
Trade and other receivables current	US Dollars	Dollars	200,196	189,467
	Chilean Pesos	Dollars	663,773	636,874
	UF	Dollars	1,112	1,275
	Argentine Pesos	Dollars	17,504	9,660
Due from related companies, current	Chilean Pesos	Dollars	3,734	57,009
	US Dollars	Dollars	49,924	-
Inventories	US Dollars	Dollars	1,089,615	1,060,353
Current tax assets, current	US Dollars	Dollars	18,587	16,649
	Chilean Pesos	Dollars	22,990	13,948
	UF	Dollars	123,409	148,486
	Argentine Pesos	Dollars	19,031	4,427
Assets classified as held for sale.	US Dollars	Dollars	23	-
Other financial assets, non-current	US Dollars	Dollars	7,704	82,258
	UF	Dollars	73,637	8
Other non-financial assets, non-current	UF	Dollars	12,779	5,552
Rights receivable, non-current	Chilean Pesos	Dollars	20	19
	UF	Dollars	24,885	25,946
Due from related companies, non-current	US Dollars	Dollars	11,942	12,964
Investment recorded using the equity method	US Dollars	Dollars	183,184	127,878
	UF	Dollars	543	392
Intangible assets other than goodwill	US Dollars	Dollars	3,084	-
Property, plant and equipment	US Dollars	Dollars	2,634,479	2,598,236
Investment property	US Dollars	Dollars	2,061	2,066
Deferred taxes assets	US Dollars	Dollars	495,560	461,792
	Chilean Pesos	Dollars	197	11,232
<b>Total</b>			<b>5,733,388</b>	<b>5,559,752</b>



Liabilities	Currency	Funcional Currency	12-31-2010				12-31-2009			
			Up to 90 Days	91 days 1 year	Over 1 year up to 5 years	More than 5 years	Up to 90 Days	91 days 1 year	Over 1 year up to 5 years	More than 5 years
Other financial liabilities current	US Dollars	Dollars	122,492	512,468	-	-	509,858	89,833	-	-
	UF	Dollars	10,019	2,898	-	-	8,970	2,738	-	-
Trade debtors and other accounts payable	Dólar	Dollars	982,371	-	-	-	70,945	1,189,825	-	-
	Chilean Pesos	Dollars	144,234	-	-	-	105,580	1,566	-	-
	Argentine Pesos	Dollars	223	-	-	-	10,730	-	-	-
Due to related companies, current	US Dollars	Dollars	14,332	-	-	-	27,296	328	-	-
	Chilean Pesos	Dollars	3,332	-	-	-	-	-	-	-
Other short-term accruals	US Dollars	Dollars	9,876	3,406	-	-	11,571	44,217	-	-
	Chilean Pesos	Dollars	64	-	-	-	877	938	-	-
Deferred tax liabilities	US Dollars	Dollars	9,159	-	-	-	318	-	-	-
	Chilean Pesos	Dollars	71,314	-	-	-	28,711	-	-	-
	UF	Dollars	121	237	-	-	465	-	-	-
	Argentine Pesos	Dollars	1,698	-	-	-	3,006	-	-	-
Current accruals for employee benefits	US Dollars	Dollars	7,517	29	-	-	6,181	-	-	-
	Chilean Pesos	Dollars	21,915	-	-	-	18,556	-	-	-
	UF	Dollars	-	41,463	-	-	-	17,386	-	-
	Argentine Pesos	Dollars	1,909	-	-	-	-	-	-	-
Other non-financial liabilities, current	US Dollars	Dollars	284	98	-	-	1,266	72	-	-
Other financial liabilities non-current	US Dollars	Dollars	-	-	1,208,152	998,082	-	-	1,370,463	506,697
	UF	Dollars	-	-	160,840	451,514	-	-	156,105	400,307
Liabilities non-current	US Dollars	Dollars	-	-	343	-	-	-	3,403	-
	Chilean Pesos	Dollars	-	-	5,507	-	-	-	341	-
Other long-term accruals	US Dollars	Dollars	-	-	66,201	13,243	-	-	16,890	61,614
Deferred tax liabilities	US Dollars	Dollars	-	-	88,425	166,570	-	-	103,065	172,539
	Chilean Pesos	Dollars	-	-	195	-	-	-	238	-
	Argentine Pesos	Dollars	-	-	39,520	-	-	-	10,333	-
Non-current accruals for employee benefits	US Dollars	Dollars	-	-	229	-	-	-	119	-
	Chilean Pesos	Dollars	-	-	-	3,646	-	-	1,440	3,349
	UF	Dollars	-	-	29,879	81,017	-	-	42,217	113,339
Other non-financial liabilities non-current	US Dollars	Dollars	-	-	2,044	70	-	-	2,007	213
<b>Total</b>			<b>1,400,860</b>	<b>560,599</b>	<b>1,601,335</b>	<b>1,714,142</b>	<b>804,330</b>	<b>1,346,903</b>	<b>1,706,621</b>	<b>1,258,058</b>

## 32. ENVIRONMENT

The detail of the expenses incurred for of environmental activities as of December 31, 2010 and 2009, is as follows:

### a. ENAP

Project	Classification	Description	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Riles	Expense	Transport of reinjection water Isla Tierra del Fuego	38	234
Normalization of facilities	Expense	Handling of sewage water Bahía Laredo.	530	656
Gestión de Permisos ambientales	Expense	Obtaining of environmental permits for projects	381	595
Environmental liabilities project	Expense	Remediation of pits	1,574	7,675
Environmental restorations	Expense	Environmental works executed by the Island and	514	1,469
		Contract for the withdrawal disposal of Solid Industrial		
Handling of residues	Expense	Residues and Dangerous Residues	307	126
<b>Total</b>			<b>3,344</b>	<b>10,755</b>

The detail of disbursements after December 31, 2010 is as follows:

Project	Classification	Description	Amount ThUS\$	Date on which the disbursement
Riles	Resultado	Transport of reinjection water Isla Tierra del Fuego	185	Net with project
Normalization of facilities	Resultado	Handling of sewage water Bahía Laredo.	304	Net with project
Gestión de Permisos ambientales	Resultado	Obtaining of environmental permits for projects	875	Net with project
Environmental liabilities project	Resultado	Remediation of pits	180	Net with project
Environmental restorations	Resultado	Environmental works executed by the Island and Continent Administration	428	Monthly paymants
Handling of residues	Resultado	Contract for the withdrawal disposal of Solid Industrial Residues and Dangerous Residues	263	Monthly paymants
Total			<b>2,235</b>	

## b. Enap Refinerías S.A.

Project	Classification	Concept	12-31-2010	12-31-2009
			ThUS\$	ThUS\$
New rental unit	Asset	Construction, advisories, material and equipment contracts	31,847	25,693
Extension of production capacity of diesel low sulphur	Asset	Construction, advisories, material and equipment contracts	8,986	29,109
Improvement in tank drainage handling Gasoline and Kerosene	Asset	Construction, advisories, material and equipment contracts	10	-
Installation sistem to handle drainage and rainwater Qtro	Asset	Construction, advisories, material and equipment contracts	21	341
Improvement treatment system of oil water	Asset	Construction, advisories, material and equipment contracts	103	3,367
Installation of double seals process pumps	Asset	Construction, advisories, material and equipment contracts	630	1,578
Subtotal Project			<b>41,597</b>	<b>60,088</b>

Operating Expenses Environmental Unit	Classification	Concept	12-31-2010	12-31-2009
			ThUS\$	ThUS\$
Environmental services	Expense	Advisories	183	285
Maintenance services	Expense	Advisories	0	6
Depreciation	Expense	Depreciation	68	62
Disposal of residues	Expense	Advisories	1,370	4,057
Subtotal Expenses of Environmental Unit			<b>1,621</b>	<b>4,410</b>

Environmental Expenses of Operating Units	Classification	Concept	12-31-2010	12-31-2009
			ThUS\$	ThUS\$
Acid plant	Expense	Operating costs of the plant	498	498
Sulphur plant	Expense	Operating costs of the plant	166	169
Desulphuration plant of gasoline	Expense	Operating costs of the plant	4,596	4,607
Desulphuration plant of diesel	Expense	Operating costs of the plant	110	50
Striper acid waters	Expense	Operating costs of the plant	217	612
Treatment of effluents	Expense	Operating costs of the plant	642	612
Subtotal Environmental expenses of Operating Units			<b>6,229</b>	<b>6,548</b>
Total			<b>49,447</b>	<b>71,046</b>

The detail of disbursements after December 31, 2010 is as follows:

Projet	Clasificación	Concept	Amount of Disbursement MUS\$	Estimated date of disbursement
New rental unit	Cost of asset	Construction, advisories, material and equipment contracts*	122,915	06-30-2012
Extension of production capacity of diesel low sulphur	Cost of asset	Construction, advisories, material and	396	06-30-2010
Totales			<u>123,311</u>	

(\*) All future commitments represent works in progress of construction and infrastructure.

### c. Enap Sipetrol S.A.

Country	(Expense or asset)	Description	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Ecuador	Expense	Environmental expense operating units	1,901	1,137
Argentina	Expense	Environmental expense operating units	2,057	1,879
Egypt	Expense	Environmental expense operating units	8	144
Total			<u>3,966</u>	<u>3,160</u>

The detail of disbursements after December 31, 2010 is as follows:

Country	Projet	Descripción	Classification	Amount ThUS\$	Estimated dates of disbursements
Ecuador	MDC	Sanitation environmental liabilities MDC3	Assets	296	Against Project
	MDC	Sanitation drill cuttings buried in the CPF in 2004 drilling campaign in MDC. It will the first phase of remediation 25% gravel	Assets	222	Against Project
Ecuador	PBH	Sanitation environmental liabilities E. PARADISE	Assets	222	Against Project
Argentina	Pampa del Castillo	Oil Waste Disposal Site Suitability	Assets	180	Against Project
	Pampa del Castillo	Tank Inspection (Res 785/05)	Assets	300	Against Project
	Pampa del Castillo	Capturing gas emissions	Assets	240	Against Project
	Pampa del Castillo	Aquífer Environmental Study	Assets	90	Against Project
	Pampa del Castillo	Environmental Studies - Legal	Assets	40	Against Project
	Pampa del Castillo	Revegetation of disturbed areas	Assets	40	Against Project
	Pampa del Castillo	Environmental Monitoring	Assets	45	Against Project
	Pampa del Castillo	Environmental Fees	Expense	80	Against Project
	Pampa del Castillo	Export Management Elect material. c / PCB	Expense	200	Against Project
Argentina	Área Magallanes	Containment barriers sea	Assets	200	Against Project
	Área Magallanes	Reconstruction of marine outfall	Assets	75	Against Project
	Área Magallanes	Campus Platea Chemicals	Assets	75	Against Project
	Área Magallanes	Oil Waste Treatment	Expense	70	Against Project
	Área Magallanes	Research, monitoring and simulation	Expense	97	Against Project

The rest of the companies that belong to the consolidated group have not made expenditures on environmental activities during the year.

### 33. LAWSUITS AND COMMERCIAL COMMITMENTS

The Parent Company and its subsidiaries have not accrued provisions for contingent liabilities, because in the opinion of management, the various lawsuits described below do not represent, neither individually nor combined, any contingency of significant loss for the Company.

#### **Lawsuits:**

#### **The Parent Company (ENAP) has the following lawsuits.**

Cárdenas Álvarez Manuel Antonio with ENAP, Case No. 1011-2005, 3° Civil Court of Punta Arenas. Matter: Indemnity for damages: Lawsuit for moral damages of a former employee who suffered a labor accident and to whom ENAP did not provide, during a period of 11 years, the benefits of Article 29 of Law 16,744. Status: The evidence stage has expired. The plaintiff requested the summons of the parties to hear the sentence, to which ENAP requested a statement of abandonment of the proceeding. Resolution of this incident is pending. Case se currently filed and without movement, amount ThUS\$75.

Jorge Alderete with María Isabel Haro and ENAP, Case No. 1.112/2006, 1st Civil Court of Punta Arenas. Claim for damages indemnity due to infringement of Law 19,628. The court decided to separate both proceedings: The claim against the Social Worker (in order to continue in conformity with the ordinary proceeding) and the claim filed against ENAP (in order to continue with the summary proceeding). ENAP appealed to the Court's resolution and the Court accepted our appeal establishing that both proceedings shall be resolved in a single trial under the ordinary proceeding. The Social Worker still has to be notified in order to answer the claim. Cause has been filed.

ENAP with Pedro Antonio Mihovilovic Kuzmanic and other, Case No. 86/2007 of the Third Civil Court of Punta Arenas. Claim regarding the constitution of transitory mining right-of-ways in the estate of the defendants for the execution of a seismic exploration project in the continental area of Magallanes, the provisory use of the right-of-ways has been authorized. The notification of the Claim to one of the owners is still pending. The works have been executed and the case has been filed.

ENAP with Sociedad Ganadera Canal Tortuoso Ltda, Case No. 46/2007 of the Third Civil Court of Punta Arenas. Claim regarding the constitution of transitory mining right-of-ways in the estate of the defendants for the execution of a seismic exploration project in the continental area of Magallanes, the provisory use of the right-of-ways has been authorized. The notification of the lawsuit to one of the legal representatives of the Company is still pending. The works have been executed and the case has been filed.



ENAP with Ricardo Covacevich Cvitanich, Case No. 3.533 of the Civil Court of Porvenir. Claim regarding the constitution of transitory mining right-of-ways on the land of the defendant for the execution of the seismic exploration project in Tierra del Fuego. Status: The provisory use of the right-of-ways has been authorized. The notification of the lawsuit is still pending. The works have been executed and the case has been filed.

PIPESA S.A. with ENAP, Case No. 917-2007, Arbitration Court of the Arbitration Center of the Santiago Chamber of Commerce A.G. due to damage indemnity. A contractor to whom ENAP entrusted the construction of a gas pipeline, is suing ENAP in an arbitration lawsuit regarding the equity effects and alleged damages caused by the delay of the execution of the entrusted work to the Contractor, allegedly due to reasons attributable to ENAP. Current state: ENAP appealed to the Supreme Court, by filing appeal on the merits against the final sentence of the 2<sup>nd</sup> instance. The application was declared admissible and is pending. The 1<sup>st</sup> instance sentence being applied for will pay ENAP for damages, as soon as it is asked for, ThUS\$226. Against the first instance sentence issued by the Arbitrator Judge, both sides are appealing to the Tribunal. On September 22, the second sentence will be notified, as soon as ENAP pays the sum of ThUS\$ 717 for damages, for the 15 day delay which is charged to ENAP, rejecting what the others demand.

Américo Almzarza Gallardo with ENAP, Case No. 470-2009, 1st Civil Court of Punta Arenas, due to the non-compliance of contract with damage indemnity and environmental damage with damages indemnity. ENAP constituted a mining right-of-way of occupation to protect certain facilities with this owner, who claims that modifications have been made to the design of the facilities and other damages. Current state: final conviction of first instance rejected the claim in its entirety. The applicant appealed the 1<sup>st</sup> instance sentence before the Court of Appeals in Punta Arenas. Court orders "proceedings in conjunction". Case hearing pending. Amount ThUS\$1,201.

Nicky Radonich Morrison with Empresa Nacional del Petróleo, Case No. 1143-2009, 2nd Civil Court of Punta Arenas. Lawsuit for damages due to extra contractual responsibility caused by an accident in which a driver and a vehicle of ENAP participate. The responsibility was established based on a sentence of the local police judge. Amount ThUS\$5. Current state: Case result received. Pending notification.

Transporte Fuentes Ramos with Empresa Nacional de Petróleo, Rol N°: C-608-2010. Court or seat: 3rd Civil Court of Punta Arenas. Judicial notice of bills. Carrier is taking steps to recover allegedly unpaid bills by ENAP. Bills were returned by ENAP on time, challenging them for not corresponding to any provision of service for ENAP, current status: evidence up. Pending opposition from ENAP. Amount ThUS\$5.



Rodrigo Ojeda Osorio Osorio with Empresa Nacional de Petróleo. Rol N°: 726-2010. Court or seat: 1st civil court of Punta Arenas. Claims damages consisting of moral damage that former fixed-term worker of ENAP suffered as a result of an industrial incident in 2009. Accident occurred during the development of drilling tasks involving the worker, when attempting to lift the structure, the hooks which held the structure up, which would have caused a whip effect that caused the steel sling to hit the worker's forehead (worker had leave until 03/31/2010. On 03/20/2010 he ended his term contract with ENAP). Current state: Dilatory exception is welcomed by ENAP. Notification pending. Amount ThUS\$ 385.

PANTALEÓN PÉREZ PÉREZ with EMPRESA NACIONAL DEL PETRÓLEO. Rol N°: 766-2010. Court or seat: 1st civil court of Punta Arenas. Claims damages in the form of emerging damages (ThUS 9), lost profit (ThUS\$ 210) and moral damage (ThUS\$ 427) that the ex worker of ENAP suffered in an accident at work. Indefinite former worker of ENAP who has availed voluntary retirement scheme established in a collective contract for workers, selected by the company because of their incapacity to work and who agreed to pay additional compensation of UTM 700, claims does not require data nor the origin of the accident at work which would have caused harm. Current state: Demand reported. ENAP opposes delaying the deadline exceptions that are received by the court. The applicant corrected defects, granted transfer for a replica. Amount ThUS\$646.

Bankruptcy: "VHF Ingenieria y Derechos S.A" Rol N°: C- 22.342766-2009. Court or seat: 11th Civil Court of Santiago. Bankruptcy Verification of ENAP in extraordinary period of preferred credits in bankruptcy of ex contractor of ENAP, with the motive of legal surrogacy that was produced after remuneration payments and work obligations and pensions of the contractor carried out by ENAP (total payments ThUS\$ 390, those known ThUS\$ 245, which correspond to withheld values by the contractor and ThUS 145 with funds from ENAP. This was verified by the latter sum). Amount: ThUS\$ 145.- (amount verified by ENAP). Current state: Verification shows it is notified and challenged by failure. Pending notice of appeal and transfer of ENAP.

ENAP with Solo de Zaldívar María Isabel. Case No. 3.703-2008 of the Civil Court of Porvenir, claim regarding the constitution of mining right-of-ways over wells, pipelines, facilities, etc., existing at the Estate Bahía Lomas, indicated in compliance with that established in the case related to the statement of acquisition prescription of right-of-ways mentioned in number 1 of this report; the case is in evidence stage on 03.07. 2011, amount claimed ThUS\$5,537.

Claims for the lack of payment of invoices for gas sales. Currently, ENAP has filed 12 lawsuits in its favor related to the lack of payment of invoices by clients in the amount of ThUS\$512.

Claims for non-payment of debt: Currently the company is the plaintiff in the courts of Punta Arenas and Santiago, in 13 causes for the breach of obligations of third parties and former officials. Amount ThUS\$ 512.



Sued in labor lawsuits in the courts of Punta Arenas and Santiago: There are 23 claims in which the company is sued for vicarious liability and /or solidarity. Amount ThUS\$ 96. On appeal.

Sued in civil lawsuits in Santiago: 7 cases, of which 3 are in favor of ENAP in an amount of ThUS\$71 and the other 4 claims are against ENAP in an amount of ThUS\$634.

Sued in right-of-ways lawsuits: 2 claims, for an undetermined amount. Favorable ruling is issued in the first instance to ENAP. Defendants turn to I. Appeals Court, confirming failure of the first instance. Damage regulation pending.

#### **Other Lawsuits:**

Criminal lawsuit against Julio Enrique Rojas Peñaloza, Case No. 346-2008, Fraud crime against the Chilean Treasury due to situations prior to July 16, 2005. This lawsuit is accumulated to the lawsuit presented by the District Attorney, for the same situations mentioned above, occurred after June 16, 2005. First instance, summary stage. Amount: ThUS\$4,152.

Opposition to the registration of the brand Magallanes, ENAP as habitual user of the name “ENAP Magallanes”, presents an opposition on June 8, 2008, to the registration request of the brand “Magallanes” requested by Mr. Miguel Leighton Puga, first instance, discussion stage.

#### **Subsidiary Enap Refinerías S.A. (ERSA)**

ERSA and its subsidiaries do not register provisions for contingent liabilities as in management’s opinion, in no case, the various trials that are described below, represent individually or collectively, a contingency of loss of significant value for the company.

a.) lawsuits or other legal action that the parent company and its subsidiaries are involved in:

Sued in labor lawsuits: 17 lawsuits, 7 of which involve subsidiary liability for a total of ThUS\$326 (2 of these are undetermined), 2 lawsuits deal with simulated contracts or legal acts and amount to ThUS\$980; 2 cases were filed claiming an indemnity for labor accidents in an amount of ThUS\$857; 6 cases were filed claiming the rendering of labor services in an amount of ThUS\$137 (4 of these claims are still undetermined).

Sued in civil lawsuits: 4 lawsuits, one claiming a damages indemnity due to the death of an employee in an amount of ThUS\$1,026; 1 claiming civil damages due to unjustified dismissal in an amount of ThUS\$427; 1 for damages indemnity of ThUS\$165 and 1 for appeal of moral damage by occupational illness of ThUS\$342.



Plaintiff in a tax lawsuit: Tax liability for Empresa Almacenadora de Combustibles S.A. (EMALCO), a company merged with Enap Refinerías S.A., due to differences affected by a tax rate of 35% as disallowed expenses of ThUS\$213.

## **Enap Sipetrol S.A. and foreign subsidiaries**

### **Enap Sipetrol Argentina S.A.**

#### **a) Customs Fees**

### **Enap Sipetrol Argentina S.A.**

1. **Dirección General de Aduanas de Río Gallegos Expte. 14692-6-2009**, establishes a charge due to differences of export rights in an amount of ThUS\$4. On September 24, 2009 a Challenge resource was presented. Since October 2, 2009 it has been in evidence stage. A letter was presented asking for the revocation of charges and the filing of the proceedings before the passing of Resolution 599/2010 of the Public Ministry of Economics and Finance, amending article 7 of Resolution 394/2007 – with which customs based their charges – bearing in mind that its literal application produced a gap in the customs valuation and caused operative problems in the customs-tax system named ‘‘MARIO’’, given that the facts of the case are a result of a mismatch that the ministry now agrees to correct.

2. **Argentinean Tax Court, Case No. 22.923-A**, trial to determine the supplementary liquidations of export taxes, date of appeal April 11, 2007, amount ThUS\$1,414. On September 24, 2009, the Argentinean Tax Court pronounced its sentence, establishing unanimously: Revocation of Resolution No. 13/07 (AR RIGA) and, consequently, the charges 54 to 65 all belonging to 2004, at their own expenses. The Company appealed to the sentence of the Argentinean Tax Court in relation to the determination of the Expenses on their Behalf. On September 7, 2010, the Chamber revoked the decision of the TFN due to the distribution of the costs, and in both cases imposed by customs. Therefore, as soon as the proceedings return to the Tax Court, the settlement of costs will be presented (including the justice rate) so that the amount of the fee can be returned to the company from customs.

3. **Argentinean Tax Court Dirección, Case No. 26.204-A** (Claim Dirección General de Aduanas de Río Gallegos. Case No.13289-32930-2006), trial to determine the supplementary liquidations of export taxes, in the amount of ThUS\$3,516. Against the resolution that decides to confirm the challenged charges, on June 4, 2009 the appeal at the Argentinean Tax Court was presented. On December 22, 2009, the DGA answered the appeal. The Argentinean Tax Court decided to refer the records to room F with the hope of assessing its accumulation in file 26203 – A on account of identity in the field. After rejecting the accumulation of the case, on June 10, 2010, the trial opening of the file was notified. The Court ended the trial period on November 12, 2010, passing the verdict of the sentence. The Court decided to better resolve the request to customs, to report their calculation methodology applied to the charger to get FOB value.

4. **Argentinean Tax Court Dirección, Case No. 26.203-A** (Claim Dirección General de Aduanas de Río Gallegos Case No.13289-31034-2006). In these cases the Official Bulletin published on September 21, 2006 and October 25, 2006 a list of pre-adjustments at the applicable value in conformity with Article 748 inc. b) of the Customs Code, claimed amount ThUS\$3,235. Against the resolution that decides to confirm the challenges charges, was presented on June 4, 2009 an appeal at the Argentinean Tax Court. The TFN resolved on 30 April 2010, rejecting the accumulation of cases because despite being the same parties and subject, it considers the procedural economic reasons not envisaged by the law of proceedings in order to justify such accumulation. On November 17, 2010 the Supreme Court ordered declaration of the cause of pure law.

5. **Dirección General de Aduanas de Río Gallegos, Case No. SIGEA 14692-1-2009** trial to adjust the export liquidations corresponding to the custom charges No. 02 to 07, in an amount of ThUS\$131. On May 15, 2009 an appeal was made to challenge these charges. A written request asking for the revocation of charges and the filing of the proceedings before the passing of Resolution 599/2010 of the Public Ministry of Economics and Finance, amending article 7 of Resolution 394/2007 – on which customs based their charges – bearing in mind that its literal application produced a gap in the customs valuation and caused operative problems in the customs-tax system named ‘‘MARIA’’, given that the facts of the case are a result of a mismatch that the ministry now agrees to correct.

6. **Dirección General de Aduanas de Río Gallegos. Case No. 13289-2302-2007 (Challenged 02/2007)**, trial to adjust the export liquidations corresponding to the custom charges No. 126 to 130 in an amount of ThUS\$812. On June 3, 2009 an appeal to challenge these charges was presented. It opened the trial case and the General Customs Management asked the company to reiterate an official note Argentinean Energy Secretary in order to terminate the investigation stage. The company proves completion of the reports to the Argentinean Energy Secretary.

7. **Dirección General de Aduanas de Río Grande, Province of Tierra del Fuego. Case No. DGA 494873/2009**, trial to adjust the export liquidations corresponding to the custom charges No. 13 to 15 in the amount of ThUS\$9. On June 3, 2009 an appeal was presented to challenge these charges. On April 23, 2010, they proved completion of an official letter asking for reports from the Argentinean Management of Refining and Marketing. A letter was presented asking for the revocation of the charges and the filing of the proceedings before the passing of Resolution 599/2010 of the Public Ministry of Economics and Finance, amending article 7 of Resolution 394/2007 – with which customs based their charges – bearing in mind that its literal application produced a gap in the customs valuation and caused operative problems in the customs-tax system named ‘‘MARIA’’, given that the facts of the case are a result of a mismatch that the ministry now agrees to correct. Customs decided to take this opportunity for what was said.

8. **Dirección General de Aduanas de Río Grande, Provincia de Tierra del Fuego. Case No. DGA 13289-328-2010**, trial to adjust the export liquidations corresponding to the custom charges No339/07 to 397/07, in the amount of ThUS\$5,280. On January 7, 2010 was presented an appeal to challenge these charges.

9. **Dirección General de Aduanas de Río Gallegos, Provincia de Santa Cruz. Case No.. DGA 12782- 68-2009**. Adjustment of export liquidations corresponding to the custom charges No. 31 / 2009, claimed amount ThUS\$9. The period to present an appeal to challenge this as defense is still pending.

10. **Dirección General de Aduanas de Río Gallegos, Provincia de Santa Cruz. Case No.. DGA 14689- 43-2009**. Adjustment of export liquidations corresponding to the custom charges No. 61 and 62 / 2009, claimed amount ThUS\$94. An appeal of the charges was presented. A letter was presented requesting the revocation of the charges and the file of the proceedings against the passing of Resolution 599/2010 of the Ministry of Economy and Public Finance by which amends article 7 of the Resolution 394/2007 with which Customs based the formulation of charges, considering that it recognizes that its literal application caused a phase shift in customs valuation and caused operational problems in customs and tax system called "MARIA" purely because the fact that the cars are the product of the phase shift that now The Ministry agrees to correct.

11. **Dirección General de Río Gallegos, Providencia de Santa Cruz. Case no DGA 12782-69-2009**. Adjustment of export liquidations corresponding to the custom charges N° 89 / 2009. Amount claimed ThUS\$ 43. An appeal of the charges was presented. It was presented on time and objection was made. On 28.12.2010 customs notified the first provided, and decided to open the case to trial.

#### **Enap Sipetrol Argentina S.A. - YPF S.A. - UTE Magallanes**

1. **Dirección General de Aduanas de Río Gallegos. Case SIGEA N° 12-52279/06, (12235-29-2004, 125278/06, SICOEX 15396-37-03, Case 411-205/04)**. In relation to case No. 340-82-04 of the Ministry of Economy and Production (Res. MEyP N°101/207), process to determine the import taxes of merchandise to Territorial Sea in conformity with the established in the regulation of Decree 679/99.

On July 20, 2005 was filed an Appeal at the Argentinean Ministry of Economy against the resolution of AFIP in the terms of Art. 94 of Law 19,359.

The Ministry of Economy of Argentina on November 3, 2009 and through Resolution 246, rejected the appeal and put an end to the administrative proceeding, causing the Provisional Measures to cease their effect. Accordingly, the Customs Service is once again entitled, on one hand, to claim the VAT, and on the other, to apply the indicated verification procedure of merchandise.

After some negotiations with the AFIP and the DGA, a settlement agreement was reached and the file of proceedings continued.

The Customs of Rio Gallegas decided to elevate the proceedings of the legal division of the Argentinean Customs Management of Comodoro Rivadavia.

Amount: Although there are no clearance taxes to date, calculations made internally in the company would yield an amount to pay of ThUS\$ 448 (nominal capital, interests, and fine).

**2. Dirección Provincial de Recursos Hídricos, Consejo Agrario Provincial, Province of Santa Cruz.** Note 16/DPRH/2010.Fee and Fine for Water consumption.

The amount is of ThUS\$22 (Tariff) plus ThUS\$864 (Fine). The Management of Water Resources of the province of Santa Cruz established a fine due to the lack of presenting monthly spreadsheets of water consumption during the period from January 2006 to November 2009 and requested the payment of the tariff for the m3 of water consumed during such period. Sight of the proceedings was requested, discovering the period for filing an administrative appeal as a defense pending. An appeal for reconsideration and appeal in subsidy was filed. The provincial management of water resources issued disposition N°1/DPRH/10 on March 16, 2010, without issuing on the appeal and intimating the payment of the fee and fine amounts. An appeal before the supreme Provincial agricultural board was presented. The Provincial management of water supply(DPRH) decided to suspend the deadline by ten days in order to issue a new disposition. The DPRH issued disposition N° 20/DPRH/10, thus rejecting the appeal for reconsideration, and brought to the chairman of the Provincial Agricultural Board the hierarchy claim, and opportunely to the Legal and Technical Secretary of government with the hope of issuing a verdict that corresponds.

Note: Enap Sipetrol Argentina S.A. needs to credit 50% of the amount mentioned above in relation to its participation in the UTE Magallanes. The remaining 50% is contributed by its partner YPF S.A.

**b) Other Lawsuits:**

**Enap Sipetrol Argentina S.A.**

**1. Lower Court N°2 for Civil, Business, Labor and Mining Issues of the city of Rio Gallegos. Case N°2.278/04** entitled “Haberkom, Luis Alberto vs. Ultramar Argentina S.A. and Other. Layoff”. Labor lawsuit. Plaintiff demands payment of differences regarding the final liquidation. The amount involved is ThUS\$10. Enap Sipetrol Argentina S.A. is being sued for subsidiary labor liability. Proceedings at stage where parties may submit evidence.

2. **Lower Court N° 2 for Civil, Business, Labor and Mining Issues of the city of Rio Gallegos. Case N°13,379/08** entitled “Cisneros, Maria Cristina vs. Enap Sipetrol Argentina S.A.”. Labor lawsuit. The amount involved is ThUS\$274. The hearing seeking a conciliation of the parties was held (as required by article 47 of law 1444 of Provincial Labor Proceedings). Enap Sipetrol Argentina S.A. answered the lawsuit and requested to submit evidence
3. **Lower Court N°2 for Civil, Business, Labor and Mining Issues of the city of Rio Gallegos. Case N°12,492/08** entitled “Toledo, Fernando vs. Enap Sipetrol Argentina S.A.”. Labor lawsuit. The amount involved is ThUS\$37. Plaintiff sues Enap Sipetrol Argentina S.A. and YPF S.A. Plaintiff then decided not to sue YPF S.A. The hearing seeking a conciliation of the parties was held (as required by article 47 of law 1444 of Provincial Labor Proceedings). Enap Sipetrol Argentina S.A. answered the lawsuit. Investigation stage opened.
4. **Comodoro Rivadavia Lower Labor Court. Single Secretariat. Case N°4540/07** entitled “Gomez, Rodrigo Sebastian vs. NYC S.R.L. and Another”. Labor lawsuit (Statutory severance indemnity). The amount involved is ThUS\$22. Plaintiff sues NYC S.R.L. as employer and Enap Sipetrol Argentina S.A. for subsidiary liability. Still in starting and integration stage of the lawsuit.
5. **Buenos Aires Lower Labor Court No. 60. Case N°16284/08**, “Ovando, Abel vs. Servicios Petroleros S.A. and Others. Law 22,250”, the plaintiff claims the salary differences, amount is ThUS\$6. The plaintiff filed an appeal at the Court of Appeals against the first instance sentence which rejected the claim against Enap Sipetrol Argentina S.A.
6. **Lower Labor Court of the Southern Legal Area, Comodora Rivadavia. Case No. 5513/09** “Cerdeña Florín del Carmen vs. Key Energy Services S.A. and others”. The plaintiff claims for salary differences and the final liquidation, in the amount of ThUS\$115. Enap Sipetrol Argentina SA is sued for subsidiary liability. Currently in integration stage of the lawsuit.
7. **Lower Labor Court No. 49 of the City of Buenos Aires, Case No. 669/09** “Villar, Carlos Alberto vs. Enap Sipetrol Argentina S.A. Matter: Termination” amount involved ThUS\$238. On July 22, 2009 was notified the labor lawsuit ordering the transfer of the lawsuit for the period of 10 working days. At current is in force the period to answer the claim. The claim was answered, and a reconciliation hearing was held without positive results. Appealing stage. Allegations are made on the evidence before Court.
8. **Lower Labor Court N° 33 Record N° 35074/10**. “Fuentes Alejanro C/Enap Sipetrol Argentina S.A.”, amount ThUS\$9. The actor’s claim for the failure to hand in work certificates and social security contributions was notified. On October 8, the claimant answered, asking to reject. The Judge decided to call the parties together on February 28, 2011 to attempt a reconciliation.

9. **Civil and Business Federal Lower Court N°10, Secretariat N°9. Case N°12,500/07** entitled “Granson, Pedro and Heirs vs. Enap Sipetrol Argentina S.A.. Easements” Plaintiff seeks payment of damages amounting to ThUS\$1,210. In the evidencing stage. There exists a preventive embargo in the amount of ThUS\$476. This amount is not accumulative in relation to the previously established amount. The plaintiff requested an extension of the application and a trial for ThUS\$242 for damages and injuries incurred between September 2008 to February 2010, gravel extraction and new works. The claimant answered in more detail, offering new evidence. The plaintiff opposed the new evidence. The opposition responded. The court arranged to present the evidence offered. The case opened to trial.

10. **Dirección General de Rentas del Chubut. Record DGR 779/08.** Lawsuit to determine officially in conformity to Provision SSC No. 1/2008 the amount of the royalty payment of ThUS\$1,266. On July 2, 2009 was filed a Reconsideration Appeal against such determination. As per the preventive measure pursuing not to innovate sentenced by the Argentinean Supreme Court of Justice (see following paragraph), for the moment the Province of Chubut is forbidden from trying to collect this claim.

11. **Supreme Court of Justice of Argentina, Originating Instance Secretary "Case Enap Sipetrol Argentina SA vs. Province of Chubut. Matter: Action Declaring the Inconstitutionality"** Case No. E 113-09 Enap Sipetrol Argentina S.A. Action to Declare Certainty – Preventive measures in the amount of ThUS\$1,266. Considering the intention of the Province of Chubut to collect retroactively the difference of the hydrocarbon royalties timely credited by the company over the actual sales prices obtained by the firm, supported by Provision 1/2008 dated 09/01/2008 (BO 21/01/2008) of the undersecretary’s office of Fuel of Argentina, which is in conflict with constitutional guidelines. A legal proceeding was presented for a Certainty Statement at the originating competence of the Supreme Court of Justice of Argentina (Arts. 116 and 117 of the National Constitution), requesting Preventive Measures in order not to Innovate, which would allow continuing with the payment of royalties according to law, until the controversy is substantiated and there exists a final sentence. The Argentinean Supreme Court of Justice declared itself suitable and granted the Company the Preventive Measure not to Innovate. The deadline for the appeal of the government of the province of Chubut is pending. We made the issuance by the Argentinean Secretary of Energy of the resolution N°813/10 known to the court, so it is ratified as the effective floor price for the liquidation of royalties already fixed by disposition 1/08 of the fuel secretary. A Representative of the province of Chubut made a new claim. Request to urgently lift the injunction and to seek an abstract declaration. Transfer of the protests. On October 10, 2010 they responded and requesting rejection of the costs. By order on 10.15. 10 the court rejected the request and had to pass the case to resolve the order to lift the injunction. By order on 12.22. 10, the order of lifting the injunction has been withdrawn from the Province, and rejected the estimate of the costs. In conclusion, the injunction remains in full force.

## **Ecuadorian Branch Enap Sipetrol S.A. (SIPEC)**

### **a) Tax Lawsuits**

#### **Tax Lawsuits for business years 2002, 2003 and 2004**

1. Audit of the National Board of Hydrocarbons for the economic years 2002, 2003 and 2004. In 2008 the NATIONAL BOARD OF HYDROCARBONS, started a special audit process to the investments, revenues, costs and expenses of SIPEC, corresponding to the period from October 30 to December 31, 2002, 2003 and 2004.

From this audit and in spite of the arguments of SIPEC, which were only accepted in part, the NBH established an adjustment of ThUS\$2.492 for the expenses incurred in the drilling of an horizontal stretch, the initial tests and the remediation of well MDC-5 (sidetrack); an adjustment for the charge of Fees for service rendering for the planning, assistance and technical evaluation between Sipec and Sipetrol de Colombia in the amount of ThUS\$1,914, excess of amortization of production investments ThUS\$397 (2003); excess of amortization of production investments of ThUS\$1,502 (2004).

Through a written document delivered to the secretary of the Minister of Energy and Mines, on November 30, 2006, SIPEC proposed its objections to the comments of the National Director of Hydrocarbons before the Minister of Energy and Mining. On December 28, 2009, a resolution was issued by the Minister of Non-Renewable of National Resources (before the Minister of Mines and Oil and before the Minister of Energy and Mines), denying the presented objections. SIPEC presented the corresponding objection demand.

The Ministry of Energy and Mines cannot impose tax corrections, therefore its reports and conclusions shall serve as reference for any action taken by the Internal Revenue Service, IRS.

2. First Room of Tax District Court. Case N°24645 filed by PERENCO against the Ecuadorian IRS in connection with income tax in business year 2002. In February 2002, SIPEC sold its interest in Blocks 7 and 21. The Ecuadorian IRS launched an audit of blocks 7 and 21. In this case in particular, the Ecuadorian IRS considers that beginning in 2002 the companies should have filed a unified income tax return, but the partners continued to file individual tax returns. To date there is no Tax Court ruling. There is no amount at stake for SIPEC, because in business year 2002 SIPEC posted losses, and would not be affected by taxation.

### **Tax Lawsuits for business year 2003**

1. Second Room of Tax District Court. Case N°26241 against Ecuadorian IRS in connection with income tax in business year 2003, filed due to IRS tax assessment No. RNO-ATRADPU2008-0003. Faced with this IRS administrative action, SIPEC filed a tax lawsuit with the District Tax Court on October 28, 2008. Through a resolution dated November 27, 2008, the Second Room of the Tax District Court acknowledged the lawsuit and gave the Ecuadorian IRS 20 days to answer it. The claim was answered.

The judges of Second Room of Tax District Court performed an accounting inspection proceeding and appointed experts who have already presented their reports, which were observed by the SIPEC. The case was submitted to a new allocation of court and was consequently re-assigned to the Fourth Room of Tax District Court. This Room is currently reviewing the evidence presented, while SIPEC is in process of preparing the written submission.

On September 10, 2010, a hearing was held in Court where SIPEC and SRI presented their arguments orally. On October 15, SIPEC presented a written copy as expressed by SRI at the hearing. Pending court verdict.

Amount involved, plus interest, is approximately ThUS\$510.

### **Tax Lawsuits for business year 2004**

1. Administrative Complaint filed with Ecuadorian IRS for audit of business year 2004. Through assessment No. 1720080100202, of November 27, 2008, the Ecuadorian IRS determined SIPEC's income tax and advances relating to business year 2004, calculating a total of ThUS\$ 9.896. On December 29, 2008, SIPEC filed with the Northern Regional Director of the Ecuadorian IRS. Through administrative resolution No. 117012009RREC008428 of June 15, 2009 (hereinafter "Challenged resolution"), notified to SIPEC on the same date, the Ecuadorian IRS accepted partially the administrative Claim proposed by SIPEC, accepting a portion of the detail related to Fuels, decreasing it from ThUS\$52.4 to ThUS\$20.7, ratifying the content of the rest of the detail that were object of challenge and ordering the payment of the allegedly owed tax in the amount of ThUS\$2,357, plus interests as of April 17, 2005, up to the payment date, plus the amount of ThUS\$471 corresponding to the sanction for surcharge of the determined tax obligation, establishing a total amount of ThUS\$2,828. To date, the amount involved, plus interest, is ThUS\$3,786. The interests do not cease with the presentation of the challenging claims. On July 13, 2009 SIPEC filed at the Tax Court a challenging claim of the previously mentioned lists, for which it presented a bank guarantee of 10% of the challenged amount. The case has already been assigned to the Second Room of the Tax District Court. On November 11, 2009 was presented the corresponding evidence. On March 2, 2010 the accounting and financial inspection has been established and an exhibition of administrative records, which were collected in a single record. Expert reports have been presented.

2. Third Room of Tax District Court No. 1, Exceptions lawsuits No. 24626-A, against Metropolitan District Municipality of Quito for tax of 1.5 per thousand on total assets of 2004. The amount involved is ThUS\$4.0. Through resolution No. 02305 issued on October 22, 2008, the Tax Financial Metropolitan Director for Quito cancelled the tax assessment of 1.5 per thousand on total assets in 2004. The case was subjected to a new draw of court and thus was reassigned to the Fourth Room of the district court prosecutor. This room has issued a ruling asking the Municipality of Quito to agree if the resolution 02305 made no coercive effect on the trial. At this date, the Third Room has not pronounced sentence on the request of SIPEC to file the case, according to the previously mentioned resolution.

### **Tax Lawsuits for business year 2005**

1. Audit of the Hydrocarbons National Bureau for commercial year 2005. In 2007 the Hydrocarbons National Bureau started a special audit of the investments, operating costs and expenses, and services rate of the Branch of Sociedad Internacional Petrolera S.A. for business year 2005.

As a result of this audit, and in spite of the arguments of SIPEC which were only partially accepted, the Hydrocarbons National Bureau concluded that there are non-deductible financial expenses for payment of interest amounting to ThUS\$1,744; for excessive posting of income tax amounting to ThUS\$191; for excessive calculation of production amortization amounting to ThUS\$959; for purchase of a PETREL software license amounting to ThUS\$61.

On a document filed with the secretariat of the Mining and Petroleum Ministry on December 20, 2007, SIPEC presented its objections to the Hydrocarbons National Bureau audit before the Mining and Petroleum Minister. On December 31, 2009, the resolution was issued from the minister of natural non-renewable energy (before the Minister of mining and oil), denying the alleged objections. To date, SIPEC presents demand for contestation.

The Ministry of Energy and mines cannot impose tax corrections, therefore its reports and conclusions shall serve as reference for any action taken by the Internal Revenue Service, IRS. The IRS has not begun, up to the moment, any process to determine the concepts mentioned in this subheading. In case the IRS accepts the current report of the HNB it could generate a contingency at this date with interests of ThUS\$3,626.

2. Administrative Complaint filed with Ecuadorian IRS for audit of business year 2005 and Lawsuit at the Tax Court for Business Year 2005. Through assessment No. 117012009RREC015262 of September 2, 2009, through which the Regional Director North denied the administrative complaint proposed by ENAP SIPETROL on March 18, 2009, challenged the Act of Determination of Income Taxes for Business year 2005. On September 30, 2009, Enap Sipetrol S.A. presented a Chaim challenging the resolution that rejected the administrative complaint filed against the Act of Determination of Income Taxes for Business year 2005. The hearing of Lawsuit No.17504-2009-0069 will be performed at the Fourth Room of the Tax District Court No.1. On December 20, 2009 was presented the corresponding evidence. On April 6, 2010 there was an accounting and financial inspection. The period of 30 days for the witnesses to submit their reports has commenced. It is difficult to determine the duration of the trial and to predict the results.

3. Second Room of Tax District Court No. 1, against Metropolitan District Municipality of Quito for tax of 1.5 per thousand on total assets of 2005. The amount involved is ThUS\$57. Through resolution No. 02305 issued on October 22, 2008, the Tax Financial Metropolitan Director for Quito cancelled the tax assessment of 1.5 per thousand of total assets in 2005, background of this case of exceptions. At the present date, the second Room knows the trial No. 17502-2008-25902 and has not pronounced itself on the petition of SIPEC to file the case, in conformity with the previously mentioned resolution.

#### **Tax Lawsuits for business year 2006**

1. Through Determination Act 1720090100465, of December 23, 2009, the Ecuadorian IRS determined SIPEC's income tax and advances relating to business year 2006, calculating a total of ThUS\$3,475. On January 22, 2010, an Administrative Complain was presented challenging the all the amounts indicated in such determination act. The IRS opened a completion of testing within this claim, in which SIPEC presented a evidence document on April 13, 2010. IRS denied the administrative complaint. SIPEC is evaluating whether to take legal action before the tax court. Deadline to file the suit August 9, 2010. Approximate amount ThUS\$ 600. In order to file the suit, 10% of the value should be secured. The suit was already filed on August 9 2010, and since there has not been any notification of the court bailing. The bail will be ThUS\$ 59. The according draw is in the fourth room of the fiscal courtroom.

## **b) Labor Lawsuits**

1. 4th Labor Court of Pichincha. Case No. Case N°2008-0390 filed by Ricardo Vinicio Garcia Linto against subcontractors URAZUL, ARB, SAE, and SIPEC as contractor. Plaintiff claims being owed severance payment and profits. Documentation was submitted on January 19, 2009. Final hearing set for February 12, 2009. Amount involved is ThUS\$190. SIPEC considers that it is not bound by any contract with the plaintiff. Sentence is still pending. Judge declared nullity of the proceedings due to lack of proper notification of one of the defendants. (CONAZUL) The process was restarted from the preliminary hearing which was held on July 23 2010. The plaintiff did not make an appearance and requested the filing of the case which has already been decided by the judge, without which, at the present date it would have been appealed by the plaintiff.

2. 2nd Labor Court of Pichincha. Case No. Case N°2008-0801 filed by Tapia Cuji, Marco Antonio against SIPEC. Plaintiff claims being owed severance payment of ThUS\$120 relating to 15% of income of year 2007, from January 1 to November 2, 2007. Preliminary hearing was performed on November 30, 2009. The final hearing has been established for September 30, 2010.

Insepector of the work of Orellana. Complaint filed by former employees of ECUAMBIENTE. Submitted by ex-employees of the environmental services contractor ECUAMBIENTE. Hearing took place on June 11, 2009, SIPEC argued that it was about specialized technical services. It is impossible to predict how far forward this issue will advance or if there are political undertones as it concerns people from the community. We do not consider that this case will prosper but it is undeniable that neighboring communities often try to use facts or laws to increase the benefits they receive from oil companies operating in their area. A general consensus was reached with the communities. There have been no new claims.

## **c) Environmental lawsuits**

On March 18, 2010, a large oil spill occurred of approximately 32 barrels of oil in the system VRF of the well BIGUNO 1of the camp PBH. This incident meant the filing of the following legal actions:

1. The Prosecutor of Orellana started a preliminary inquiry process as to determine the existence or not of negligence and if so, to continue with the lawsuit. On March 22, 2010 the Engineer Pablo Moreno, field superintendent on the day of the events, provided partially his version to the prosecutor, which he shall continue during another hearing.

On March 23, the police expert presented his report regarding the recognition of the scene of the incident. The previous inquiry can last up to one year, period in which the prosecutor can reject the lawsuit by issuing a rejection sentence which needs to be ratified by a judge, or start a fiscal proceeding against the legal representatives and/or responsible employees of the operations as he considers that there exist sufficient evidence regarding the crime. In this case, the proceedings are being presented before a criminal judge. A final ruling of the ministry of the environment concerning the full and satisfactory repair by SIPEC is pending. On November 25, the engineer Pablo Moreno produced his version and presented evidence of repair made by SIPEC.

2. Benigno Palacios and his family, due to the oil spill, have presented a claim at the Office of the Public Defender, claiming indemnities for the damages suffered at his plantation of African Palmtrees affected by the spill. On April 13 a transactional agreement was signed through which SIPEC indemnified Mr. Palacios and his family with an approximate amount of ThUS\$34. The proceedings before the defense of the town is detained and so an official file has been requested.

**d) Other**

Ordinary trial No. 623-2010-ECS, proposed against ENAP SINETROL S:A., on June 24, 2010, by Mrs María Germania Zambrano Ortiz, who was employed by MISHAN SERVICES S.A., a company offering complementary services with which we have a commercial contract for the provision of catering services. The plaintiff is claiming damages for ThUS\$300. The trial was held on July 15, 2010. On October 7, 2010, the conciliation hearing requested by the plaintiff took place, which appeared to confirm the plaintiff's plea without reaching any agreement. The opening of the case to trial is being awaited.

## **Egypt**

Appeal filed with the court of appeals of Cairo against sentence passed in lawsuit No. 379/2006 dealing with the voidance of a lease agreement, return of offices, and collection of rentals. The plaintiff is seeking the Company to pay 90 million Egyptian pounds (ThUS\$15). The appeals filed were reviewed in November 2009 with favorable results for the plaintiff; another session will be held with the technical expert in February 2010. The company is waiting for the result of the appeal. Appeal on trial for rescission of the lease contract, return of offices and rent payments before the Court of Appeals in Cairo for case N° 379/2006. It demands the company pays 90 thousand Egyptian pounds, the equivalent of ThUS\$ 15. The appeals were seen in November 2009 resulting in the favor of the plaintiff, and there was another session with the technical expert in February 2010. The outcome of the appeal is being awaited. The appeal was rejected again and they are waiting for case N° 379/2006. The South Court of Cairo postponed the test papers until January 27, 2011. Although the Company is not able to make a forecast of the result of the trial, it is highly probable that the sentence will be unfavorable, and therefore the loss has been recognized in the statement of income.

### **Commercial Commitments:**

The Company has the following commercial commitments related to its operations:

#### 1- Petropower Energía Ltda.

Upon celebration of the partners' agreement between Enap Refinerías S.A. and Foster Wheeler related to the project Petropower in January 1996, Enap Refinerías S.A. granted a liability statement regarding the obligations arising from such agreement.

In relation to the project Petropower, the Parent Company entered in 1994 into an agreement committing itself to the payment of an annual processing fee of approximately US\$17.4 million for the right to operate its delayed coking and hydrotreatment plant and an annual fee of approximately ThUS\$ 9.9 for the supply of certain energy products. This agreement is subject to annual increases until the expiration of the agreement in 2018.

Other conditions in the agreement require, in case of a reduction in the annual income defined in the processing contract and business agreements and after the Operator of the plant has contributed 10% of such shortfall that ENAP and its subsidiary Enap Refinerías S.A. participate in 50% and Foster Wheeler in 50% of the balance of such shortfall, which should not exceed ThUS\$1.400 per year.

In addition, Enap Refinerías S.A. is obligated to either purchase or arrange for the sale of assets of Petropower Energía Ltda. for not less than ThUS\$43.000 at the expiration of the agreement (2018) or on any other date agreed by the parties.

## 2. Innergy Holding S.A.

Enap Refinerías S.A has signed a contract with Innergy Soluciones Energéticas S.A., for the supply of three hundred and seventy thousand cubic meters of natural gas until 2018.

On June 18, 2009, Innergy Soluciones Energéticas and Enap Refinerías S.A., signed an addendum to the purchase and sales contracts of Natural Gas current as of June 2009, in which several modifications are incorporated and through which several obligations are eliminated. The main changes established in such addendum are the following:

- a) Enap Refinerías will only be forced to pay the transport tariffs of gas both in Chile as in Argentina for the volumes actually provided by Innergy.
- b) Only pay export tariffs and the incremental amounts for the gas actually supplied by Innergy.
- c) The take or pay obligation of any natural gas volume established in the previous contracts is eliminated.

## 3. GNL Chile S.A.

On May 31, 2007, Enap Refinerías S.A. signed a natural gas sales contract with GNL Chile S.A. that guarantees the necessary supply for the operation of its Aconcagua Refinery in the district of Concón.

This contract is for a 21-year period as of the ECOD, and it allows accessing a degasification capacity of 3.2 million cubic meters per day, and to the same amount of natural gas, as long as it has the corresponding contracts for the LNG supply. On the same date, GNL Chile S.A. signed a contract with BG allowing Enap Refinerías S.A. to access a maximum annual contractual amount of LNG, equivalent to 2.2 million cubic meters of natural gas per day. The supply of liquefied natural gas began in August 2009. The contract obligations for Enap Refinerías S.A. under the natural gas supply contract have been guaranteed by its parent company Empresa Nacional del Petróleo (ENAP).

This sales contract is part of a series of commercial contracts of the LNG Project that were definitely signed on May 31, 2007. This project has the purpose of purchasing liquefied natural gas (LNG) abroad, storing it and regasifying it in the Regasifying Facility located in the municipalities of Quinteros and Punchuncaví in the country's Region V, and the supply of natural gas to the central zone of the country.

#### 4. Petróleos Marinos de Chile Ltda.

On May 1, 2006, Enap Refinerías S.A. entered into a contract with Petróleos Marinos de Chile Ltda. to have the latter provide transportation services of Fuel Oil, IFOS, and Cutter stock through a pipeline that connects the Quintero Terminal owned by Enap Refinerías S.A. to the fuels terminal located in Greda Alta and owned by Puerto Ventanas S.A. Under the contract, ENAP Refinerías S.A. is obligated, for each year the contract is in force and regardless of the circumstances, to move a minimum of 550,000 tones. The contract will be in force for 36 months as from May 1, 2008, a date on which the pipeline starts operations.

#### 5. Empresas de Gas de la V Región

On February 9, 2005, Empresa de Gas de la V Región S.A. (GasValpo) and Enap Refinerías S.A. (ERSA) signed a natural gas supply contract, through which GasValpo would supply natural gas to ERSA for use in its production processes in the V Region and who's expiration date is April 25, 2018.

In April 2009, due to the starting of operations of the storage and degasification terminal owned by the company GNL Quintero S.A., which allows ERSA to purchase natural gas at better commercial conditions, GasValpo made its current terms and conditions in such contract more flexible, eliminating the take or pay obligation for the reception of gas, it included the payment of a marketing fee that would give to right to access the natural gas coming from Argentina at the same price paid by GasValpo from its supplier. Nevertheless, ERSA shall continue paying the corresponding transport tariff; however, GasValpo is currently negotiating a modification to the Transport Contract with GasAndes, in order to reduce such tariff, but maintaining the same transportation capacity available for ERSA.

During 2009, the company achieved a decrease in the transportation tariff of 55.05%, maintaining the same available capacity for ERSA and from October 2010, a new agreement was made through which ERSA obtained a new reduction in the monthly cost, reducing the available capacity from 500 Mm<sup>3</sup>/d to 297 Mm<sup>3</sup>/d.

#### 6. New commercial contracts

During the last quarter of 2010, the ENAP Group, within a new Commercial Policy, started a negotiation process with the distributing companies among which Copec, Terpel, Petrobras and Shell are included, among others. The main purpose of this new policy, together with the signing of new contracts, is to sell products with one-year contracts, in order to plan and guarantee the delivery of fuel, according to the volumes and dates programmed by our customers. This would allow the granting of discounts for programming according to the signed agreements. This negotiation process is currently still open, the company having signed contracts with Terpel and Petrobras, achieving benefits for both parties that allow them to operate under better and safer conditions.

**Restrictions:****ENAP**

At December 31, 2010, the Company has no restrictions or covenants to comply with its creditor banks and public bonds.

**Enap Sipetrol Argentina S.A.**

According to applicable Argentine legislation the company must allocate 5% of the year's income to building a statutory reserve, which is an account forming part of the net shareholders' equity, until such reserve is equal to 20% of the adjusted paid-in capital.

**Other contingencies:****ENAP**

At this date the Company has been notified of 22 claims filed by entities such as INP, Mutual de Seguridad, Compin, Conac, Seremi de Salud, SEC and work inspection, related to the payment of indemnities, which is currently in the preliminary stage and the amounts involved are undetermined as of this date.

San Vicente Spill: There are 23 claims for the total amount of ThUS\$222.209 corresponding to the damages indemnities for the extra contractual obligation regarding the oil spill incident occurred on May 25, 2007.

**Enap Refinerías S.A. (ERSA).**

On May 25, 2007, an oil spill occurred in the San Vicente Bay, Bío Bío Region, during the unloading of oil from the ship "New Constellation" to the Terminal B of the Bío Bío Refinery, owned by Enap Refinerías S.A. (ERSA).

As a consequence of this spill 11 damage indemnity claims were filed as of December 31, 2007 against ERSA, in the total amount equivalent to ThUS\$101,964. The lawsuits, except from the one of the Consejo de Defensa del Estado, are from fishermen and from individuals who collect seaweed and shellfish; the corresponding claims filed under numbers 4, 6, 7, 25, 26, 28, 33, 34, 37, 38, and 39, all from 2007, are being treated in conformity with the established in Law Decree 2.222 at the Court of Appeals of Concepción. There are two lawsuits filed at the Civil Courts of Talcahuano, one started by the Municipality of Talcahuano under No. 3020, whose amount has not been determined yet and the other civil lawsuit has been filed by several owners of restaurants of Caleta Lengua, under No. 2099, in the amount of ThUS\$801.

The amount of ThUS\$102,765 is composed, approximately, in 17% for the concept of moral damage, 14% for possible damages, 40% for loss of future earnings or loss of profits and 28% for environmental damages.



During 2008, the Company was notified of 11 lawsuits, 9 of which at the Court of Appeals of Concepción, under No. 40, 42, 44, 45, 46, 47, 1, 9, 10 and 13, in the amount of ThUS\$191,119 and another at the Civil Court of Talcahuano, No. 108 in the amount of ThUS\$84.

During 2009, the Company was notified of 4 lawsuits, under No.'s 5, 6, 10 and 17 in the amount of ThUS\$71,933.

During 2010 the company was notified of 13 lawsuits, rol 4-2008, 5-2008, 8-2008, 15-2008, 16-2008, 8-2009, 9-2009, 10, 11, 13, 15, 16, 17, 18, 19, 20, and 21 from 2010 for the sum of ThUS\$ 160,175.

The Company has qualified these lawsuits as insignificant events, as it has sufficient legal arguments and supporting evidence to estimate, reasonably, that it will enervate the filed legal proceedings, through the demonstration of the existence of the following facts: a) Lack of active legal standing of a significant portion of the plaintiffs; b) Attribution to the accident of inexistent environmental damages on behalf of the plaintiffs; c) Inaccuracy regarding the cause of the accident as indicated by the plaintiffs; d) Lack of causality relationship between the alleged damages and the Accident: as indicated by several studies, the pollution claimed by the plaintiffs is prior to the accident; e) Legal exclusion of a large portion of the alleged damaged by the plaintiffs: the applicable legal standards (Navigation Law) only contemplates as possible indemnity causes the loss of future earnings and the reasonable restoration measures of the environment and f) Lack of consistency between the magnitude of the claimed amounts and the economic significance or size of the supposedly affected activities, because the total damages are claimed to be approximately US\$195 million, in relation to an economic industry whose annual income does not exceed ThUS\$500.

In relation to the lawsuits, please note that the Court of Appeals of Concepción in its sentence of November 14, 2007, confirmed by the Supreme Court on December 18, 2007, rejected all petitions to the Court of Appeals filed against ERSA in relation to this accident, stating that “the plaintiffs are not allowed to file a legal proceeding as an arbitral act or omission, e.g. only due to a personal desire or whim, because as explained previously, it has been proven that the underwater pipelines has been supervised and controlled prior to the activities of transferring the oil ...” and “... that the alleged scenario of lack of real measures in case of an environmental emergency that has been alleged by the plaintiffs, is not accurate, as the broken line or pipeline was replaced and therefore the operation had been authorized ...”, considering that it should be related to the eleventh, in which the Court considers as complied by the Company the “Contingency Plan for the Control of Spills of Hydrocarbons, LPG and Chemical Products”.

ERSA has civil liability insurances that have been activated and which will cover this possible contingency.

Management believes that the possible contingency could correspond to a possible monetary fine or sanction established by the competent authority, which due to its sanctioning nature is not covered by any insurance, but in such case the amount will not modify significantly the equity situation shown by the Company in its financial statements.

## **Enap Sipetrol Argentina S.A.**

### **a) Exchange Summons – Argentine Central Bank (BCRA)**

The Argentine Central Bank (BCRA). Exchange Summons BCRA No. 3221. Case No. 40288/02. “Sipetrol Argentina S.A. and Another. Law No. 19,359”. Alleged omissions of paragraphs e) and f) of Article No. 1 of the Exchange Regulations occurred in 2002. Enap Sipetrol Argentina S.A. did not incorporate/liquidate 100% of the currencies from its sales of hydrocarbons in the local market, as it believed that the Regime on Free Disposal of Currencies was still in force, with the underlying obligation to incorporate/liquidate only 30% of these currencies in the internal market.

Current status: The BCRA concluded the Instructive State (Charge, Discharge, Evidence Stage, Allegations) and the Case is currently ready to be sent to the corresponding court.

#### **Enap Sipetrol Argentina S.A. - YPF S.A. UTE Magallanes**

1. The Argentine Central Bank (BCRA). Exchange Summons BCRA No. 3582. Case No. 21.427/02. “Sipetrol Argentina S.A. and Another. Law No. 19,359”. Alleged omissions of paragraphs e) and f) of Article No. 1 of the Exchange Regulations occurred in 2002. Enap Sipetrol Argentina S.A. did not incorporate/liquidate 100% of the currencies from its sales of hydrocarbons in the local market, as it believed that the Regime on Free Disposal of Currencies was still in force, with the underlying obligation to incorporate/liquidate only 30% of these currencies in the internal market. The BCRA concluded the instructive state (charge, discharge, evidence stage, allegations) and the case is currently ready to be send to the corresponding court).

Royalty Board, Public Undersecretary office of Energy, Ministry of Production, Province of Santa Cruz. Case No. 400300/07 Enap Sipetrol Argentina SA - YPF SA UTE (MAGALLANES). Royalties over fuels. Amount involved ThUS\$1,423.3. A request was presented to the view of the proceeding. A written statement was presented asking for the claim and the alleged disregard for royalties. The Energy Institute of the Province Santa Cruz (IESC), did not rise to the reply made by the company and demanded the same amount of payment. There were meetings between the parties which did not reach any agreement, so the company filed an administrative appeal to the president of IESC.

AFIP with Enap Sipetrol Argentina S.A. Case No. 33.486-I. View and Determination of Debt due to the non Filing of Income Taxes for the fiscal years 2004 and 2005, Consideration of the Accounting Provisions for Closing and Abandoning of Wells – Adjustments of Sworn Statements.

Due to compensation action between the fiscal periods 2004/2005, the involved amount is ThUS\$495 plus a fine of US\$76. On December 22, 2009, the Company filed an appeal to the determination of the AFIP at the Argentinean Tax Court. The Argentinean Tax Court appointed the case to room D to understand the issue. The rate was paid. On August 3, 2010, the resolution of July 13 2010 was announced, so the room was unnecessary, before the treasury, the accounting evidence offered in subsidy by the company, and had the fee paid.

Perfectura Naval Argentina with Enap Sipetrol Argentina S.A. administrative proceedings 08/09 – RGAL. Administrative proceedings for investigation of REGINAVE offense (Regimen de Navegación).

Amount: No amount claimed because it is still in instruction stage.

Then if the PNA determines that there was an offense, recently, in this stage, they will notify us of the corresponding fine.

NOTE: According to article 801.9907 of REGINAVE the offenses by the regime of oil discharges at sea will be punished with fines of up to ThUS\$ 19 as well as a warning, suspension of use for 2 months to 2 years or disqualification for the operational management of the platforms.

Brief summary of the facts: In the wake of the oil spill which occurred in the vicinities of the Offshore Platform AM-3, the PNA began administrative procedures to assess the possible violations of the laws concerning REGINAVE. They proceeded to take various declarations and testimonies to the manager of Activo Cuenca Austral, to the operators of the platforms and company contractors. Due to the analysis carried out by PNA, the institution did not consider it appropriate to close the proceedings and summon in an official declaration the president of the company, or, failing that, an attorney with sufficient authority to make such a declaration.

Current state: They took possession of the manager of Activo Cuenca Austral, who proceeded to give the official declaration. The PNA notified ENAP SIPETROL ARGENTINA S.A. about the accusation of the offense of the Regime about the oil discharges in the sea, contained in REGINAVE . A defense was requesting absolution was submitted.

Prefectura Naval Argentina c/Enap Sipetrol Argentina S.A. administrative proceedings 17/2010 – RGAL. Investigation of REGINAVE offense (Régimen de Navegación).

Amount: There is no amount claimed because this enquiry is in the preliminary stage.

Then if the PNA determines that there was an offense, recently, in this stage, they will notify us of the corresponding fine.

NOTE: According to article 801.9907 of REGINAVE the offenses by the regime of oil discharges at sea will be punished with fines of up to ThUS\$ 19 as well as a warning, suspension of use for 2 months to 2 years or disqualification for the operational management of the platforms.

Brief summary of the facts: Enap Sinetrol Argentina S.A. is attributed to the contravention of article 807.0107 in accordance with article 807-9902 of REGINAVE in the wake of the incident that



occurred in the Magallanes area, observing in the vicinity of platform AM 3, hydrocarbon in the sea measuring approximately 200 meters by 1 meter.

Current state: A written discharge has been made, requesting the acquittal.

### Pledges from third parties

#### ENAP

On December 31, 2010, ENAP received certificates of deposit from suppliers or contractors to guarantee compliance of service and construction contracts, for ThUS\$8,509.

#### Enap Siptrol S.A.

As of December 31, 2010, Enap Siptrol S.A. has received from different suppliers and contractors, the following guarantees:

Provider	Guarantee Contract	ARS	US\$
DAP Helicopteros Argentina S.A.	HELICOPTEROS AREA MAGALLANES		300,000
DAP Helicopteros Argentina S.A.	HELICOPTEROS CAM 2		300,000
CINTRA (Jorge Luis Rebagialti SRL)	Spill response	4,928	1,232
GEOSERVICIOS S.A.	SlickLine Magallanes	20,000	5,000
RISK CONTROL GROUP SRL	Services Platforms and BRM END	150,000	37,500
TRANS PATAGONIA SERVICIOS S.A.	Minibuses AM Passenger Transport Service	30,000	7,500
RONTGEN TECHNISCHE DIENST BV (RTD)	INSPECTION PLATFORM RISERS OFFS	18,000	4,500
MARIA ESTER GARCIA	RGL Warehouse Installation Service Provision	73,226	18,307
MARIA ESTER GARCIA	RGL Warehouse Installation Service Provision	73,226	18,307
SMITH INTERNATIONAL INC. S.A.	PC/CRV/023/2008 SERV.IND TBG Y VARILLAS	172,623	43,156
ARAQUE DANIEL OSVALDO	PC/CRV/046/2008 UPS Maintenance Service	10,000	2,500
MARIA DE LOS ANGELES LORENTE	Documentary Control Service	25,400	6,350
GEOPATAGONIA S.R.L.	PP PC 37-2007 Technical inspection service work	173,360	43,340
GEOPATAGONIA S.R.L.	PC/CRV/021/2008 Personal Assistance Service	90,107	22,527
KEY ENERGY	Drilling Campaign 2010	290,823	72,706
Baker Hughes Argentina S.R.L.	Provision of Bits	20,200	5,050
DLS ARGENTINA LIMITED	PC/CRV/052/2008 Serv.Lodo Si.SUPREHYD	607,557	151,889
TUBOSCOPE VETCO DE ARGENTINA S.A.	PC/CRV/050/2008 Automatic Driller	44,342	11,086
INDUSTRIAS JUAN F. SECCO S.A.	PC/CRV/025/2008 Energy Provision (ARS)	456,296	114,074
INDUSTRIAS JUAN F. SECCO S.A.	PC/CRV/025/2008 Energy Provision (USD)	456,295	114,074
LUIS NELSON OLIVA	PC/CRV/015/2008 STENDIDO LIN.Y SERV.AUX.	629,205	157,301
LUIS NELSON OLIVA	Tariffed service crews	221,866	55,467
KINDRUK, TEODORO	PC/CRV/053/2008 Topographic Service	25,622	6,406
OMNITRONIC S.A.	PC/CRV/040/2008 Cathodic Protection Service	28,321	7,080
MAXICON SRL	PC/CRV/038/2009 Pierce liquid loads.	330,432	82,608
MAXICON SRL	PC/CRV/038/2009 Pierce liquid loads.	330,432	82,608
SAN ANTONIO INTERNACIONAL S.R.L.	PC/CRV/006/2008 Service PULLING	2,336,785	584,196
SAN ANTONIO INTERNACIONAL S.R.L.	PC/CRV/006/2008 Service PULLING	2,336,786	584,197
BOLLAND & CIA S.A.	PC/CRV/043/2008S. MENS.PROV. P.QCO.PTA	388,939	97,235
TELEDRIFT ARGENTINA S.A.	PC/CRV/005/2008 Tilt measurement service	74,400	18,600
COPGO WOOD GROUP ARGENTINA S.A.	SLICKLINE		390,000
TECSS S.R.L	PP PC 43-2007 Telesupervision maintenance service	105,508	26,377
ALEJANDRO FIORI	Food Service Facilities and Camping Ground, Battery Front Tierra del Fuego (BRTF), Area CAM2/ASUR	234,873	59,161.96
SERVAIND S.A.	Maintenance of the bridge measuring 312 PM	20,623	5,194.77
SERVAIND S.A.	Maintenance of oil transfer unit through automatic measurement unit - Unit Lact	12,372	3,116.42
SERVAIND S.A.	Maintenance, upgrades and troubleshooting SCADA system and peripheral SUP	14,669	3,695.03

## 34. GUARANTEES COMMITTED WITH THIRD PARTIES

### a) Direct guarantees Empresa Nacional del Petróleo

Creditor of the guarantee	Debtor		Description	Type of Guarantee	Release of guarantee	
	Name	Relationship			2011 ThUS\$	2012 and following ThUS\$
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Adequate execution of work "Temporary access to exploration well tropilla F, on highway 255-ch, with maturity in December 2010, for UF 170	Bank Guarantee Ballot	8	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees adequate application of work "Temporary access to exploration well tropilla F, on highway 255-ch with maturity in December 2010, for UF 40	Bank Guarantee Ballot	2	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees execution of the works go through the work of the Cross called Route Y-466, maturing in February 2011, UF 100	Bank Guarantee Ballot	5	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees correct signaling of the works go through the work of the Cross called Route Y-466, maturing in February 2011, UF 50	Bank Guarantee Ballot	2	
BG LNG Trading LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Letter of credit, guarantees the faithful performance of the contract of sale of Liquefied Natural Gas, maturing in January 2011	Letter of Credit BBVA	1.599	
BG LNG Trading LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Letter of Credit No. 21, guaranteeing the faithful performance of the contract of sale of Liquefied Natural Gas, maturing in January 2011	Letter of Credit BBVA	10.378	
BG LNG Trading LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Letter of Credit No. 22, guaranteeing the faithful performance of the contract of sale of Liquefied Natural Gas, maturing in January 2011	Letter of Credit BBVA	12.027	
BG LNG Trading LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Letter of Credit No. 23, guaranteeing the faithful performance of the contract of sale of Liquefied Natural Gas, maturing in January 2011	Letter of Credit BBVA	11.363	
Dirección Regional de Territorio Marítimo y Marina Mercante	Empresa Nacional del Petróleo	Parent Company	Guarantees the good condition of the fiscal improvements identified in the Supreme Decree 483, for \$ 419,963	Bank Guarantee Ballot	1	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees corrects implementation of signage works "temporary access road 255-CH"	Bank Guarantee Ballot	2	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees correct execution of works "temporary access road 255-CH"	Bank Guarantee Ballot	8	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Guarantees correct execution of the work "temporary access to exploratory well springs west B, Y-65 route km, 4.89 for UF 170	Bank Guarantee Ballot	8	
Dirección Regional de Vialidad, Región de Magallanes y Antártica Chilena.	Empresa Nacional del Petróleo	Parent Company	Correct application signaling "temporary access to exploratory well springs west B, Y-65 route km, 4.89 for 40 UF	Bank Guarantee Ballot	2	
Undersecretary of Mining	Empresa Nacional del Petróleo	Parent Company	Guarantees compliance with investment and block work of CEOP Caupolicán MUS \$ 4,428, maturing in April 2012	Bank Guarantee Ballot	4.428	
State of Chile	Empresa Nacional del Petróleo	Parent Company	Guarantee delivery of the Customs Service, for the entry of materials from Bolivia, maturing in March 2011 for \$ 12 MUS	Bank Guarantee Ballot	12	
Regional directions Maritime Territory and Merchant Marine	Empresa Nacional del Petróleo	Parent Company	Ballot warranty, due in May 2011, at a cost to \$ 16,534,100	Bank Guarantee Ballot	35	

BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantees full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	10.105	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantees full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	9.773	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantees full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	10.873	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantees full compliance with the contract of sale of Liquefied Natural Gas, valid until January 2011	Letter of Credit BBVA	2.325	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantee full compliance with the contract of sale of Liquefied Natural Gas, valid until January 2011	Letter of Credit BBVA	249	
Regional directions Maritime Territory and Merchant Marine	Empresa Nacional del Petróleo	Parent Company	Guarantee good condition of the fiscal improvements identified in the Supreme Decree 483, for \$ 29,452,500	Bank Guarantee Ballot	63	
Regional directions Maritime Territory and Merchant Marine	Empresa Nacional del Petróleo	Parent Company	Guarantee good condition of the fiscal improvements identified in the Supreme Decree 483, for \$ 9,250,000	Bank Guarantee Ballot	20	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantee full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	11.884	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantee full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	10.774	
BG LNG Trading, LLC-GNL	Empresa Nacional del Petróleo	Parent Company	Guarantee full compliance with the contract of sale of Liquefied Natural Gas, valid until March 2011	Letter of Credit BBVA	11.147	

## b) Direct Guarantees Subsidiaries

Creditor of the guarantee	Description	Type of Guarantee	Release of guarantees	
			2011	2012 and following
Pacific Hydro Chile S.A.	Guarantee full compliance with the contract for the sale of electric power, performance bond issued in foreign currency by the bank BBVA, valid until February 28, 2013 Escuchar	Bank Guarantee Ballot	ThUS\$4.200	
Regional directions Maritime Territory and Merchant Marine	Guarantee the good condition of the fiscal improvements identified in the Supreme Decree 483, Bank Guarantee issued by the Bank Chile pesos, valid until September 29, 2011.	Boleta de Garantía Bancaria	ThUS\$1	
State of Chile	Guarantee temporary admission of equipment and instruments for analysis of sulfur units, bank issued dollar ballot by the Banco de Chile, valid until January 14, 2011	Bank Guarantee Ballot	ThUS\$5	
Dirección General de Aeronáutica Civil	Guarantee the provision at the airport in Easter Island Mataverí, bank slip issued by the Bank UF Chile, valid until January 2, 2012. Escuchar	Bank Guarantee Ballot	ThUS\$67	

### c) Indirect guarantees Empresa Nacional del Petróleo

Creditor of the guarantee	Debtor		Description	Type of Guarantee	Committed assets		Release of guarantees	
	Name	Relation-ship			Type	Book Value	2010 and following	Assets
Banco KfW	Petrosul S.A.	Subsidiary	Pledge of shares in Petrosul S.A. owned by ENAP Refinerías S.A., to guarantee repayment of credit obtained for funding of project for ThUS\$20,921, current up to year 2012.	Pledge of shares	8.421 shares of Petrosul S.A.		(*)	8.421 shares of Petrosul S.A.
Banco KfW	Eteres y Alcoholes S.A. (Etalsa)	Subsidiary	Pledge of shares in Etalsa S.A. owned by ENAP Refinerías S.A., to guarantee repayment of credit obtained for funding of project for ThUS\$30,500, current up to year 2012.	Pledge of shares	7.913 shares of Etalsa		(*)	7.913 shares of Etalsa
Banco BNP Paribas	Productora de Diesel S.A. (Prodisa)	Subsidiary	Pledge of the Productora de Diesel S.A. shares owned by ENAP Refinerías S.A., guaranteeing the payment of the loan obtained to finance the project for ThUS\$110,451 current up to year 2016.	Pledge of shares	19.979.879 shares of Prodisa		(*)	19.979.879 shares of Prodisa
Société Générale	Compañía de Hidrogeno del Bio Bio S.A.	SPE	Pledge of the Compañía de Hidrogeno del Bio Bio S.A. shares owned by ENAP Refinerías S.A., guaranteeing the payment of the loan obtained to finance the project until 2015.	Pledge of shares	50.000 shares of Compañía de Hidrogeno del Bio Bio S.A.		(*)	50.000 shares of Compañía de Hidrogeno del Bio Bio S.A.
Citigroup	Energía Concón S.A. (ENERCON)	Subsidiary	Pledge of the Energía Concón S.A. shares owned by ENAP Refinerías S.A., guaranteeing the payment of the loan obtained to finance the project until 2020.	Pledge of shares	833.254 shares of Energía Concón S.A.		(*)	833.254 shares of Energía Concón S.A.

(\*) The release of these guarantees is associated to the compliance of the contracts that originated them.

### d) Indirect Guarantees Enap Refinerías S.A.

Creditor of the guarantee	Debtor		Description	Type of Guarantee	Committed assets		Release of guarantees	
	Name	Relation-ship			Type	2010 and following	Assets	
Methanex	Enap Sipetrol Argentina S.A.	Indirect subsidiary	Guarantees compliance with obligations of Sipetrol in the Sales Contract of Gas between Sipetrol/YPF- Methanex (equivalent to 30% of the contract). The remaining obligation amounts to 2.357.250.000 SCM(9300 Kcal/m <sup>3</sup> ), at a base price of 0.75 US\$/MMBtu (sca)	Severally liable			(*)	
Banco KfW	Eteres y Alcoholes S.A. (Etalsa)	Indirect subsidiary	Pledge on shares of Etalsa S.A. owned by ENAP to guarantee the repayment of credit obtained to finance the project, which is valid until 2012.	Pledge of shares	2.087 shares de Etalsa		(*)	2.087 shares de Etalsa
Banco KfW	Petrosul S.A.	Indirect subsidiary	Pledge on shares of Petrosul S.A. owned by ENAP to guarantee the repayment of credit obtained to finance the project, which is valid until 2012. 12.	Pledge of shares	1.579 shares of Petrosul S.A.		(*)	1.579 shares of Petrosul S.A.
Banco BNP Paribas	Productora de Diesel S.A. (Prodisa)	Indirect subsidiary	Pledge on shares of Productora de Diesel S.A. owned by ENAP to guarantee the repayment of credit obtained to finance the project, which is valid until 2016.	Pledge of shares	2.219.987 shares of Productora de Diesel S.A.		(*)	2.219.987 shares of Productora de Diesel S.A.
Société Générale	Compañía de Hidrogeno del Bio Bio S.A.	SPE	Pledge on shares of Compañía de Hidrogeno del Bio Bio S.A. owned by ENAP to guarantee the repayment of credit obtained to finance the project, which is valid until 2015.	Pledge of shares	50.000 shares of Compañía de Hidrogeno del Bio Bio S.A.		(*)	50.000 shares of Compañía de Hidrogeno del Bio Bio S.A.
Citigroup	Energía Concón S.A. (ENERCON)	Indirect subsidiary	Pledge of the Energía Concón S.A. shares owned by ENAP Refinerías S.A., guaranteeing the payment of the loan obtained to finance the project until 2020.	Pledge of shares	176.749 shares of Energía Concón S.A.		(*)	176.749 shares of Energía Concón S.A.

(\*) The release of these guarantees is associated to the compliance of the contracts that originated them.

e) **Indirect Guarantees Enap Sipetrol S.A.**

Creditor of the guarantee	Description	Type of Guarantee	Date Maturity	Committed assets		Release of guarantees			
				Type	Book Value ThUS\$	2011 ThUS\$	Assets ThUS\$	2012 ThUS\$	Assets ThUS\$
EGAS	Guarantee for the minimum exploration obligation for Area 2- Rommana in Egypt.	Stand by	Open	Indirect		10.000	10.000		
Misr Petroleum	Guarantee for the purchase of fuel - Rommana in Egypt	Guarantee for immediate collection	Open	Direct	35			35	35
Servicio de Rentas Internas Ecuador	Guarantee for 10% of complaint for incorrect payment in 2005	Guarantee for immediate collection	Open	Direct	262			262	262
Servicio de Rentas Internas Ecuador	Guarantee for 10% of complaint for incorrect payment in 2004	Guarantee for immediate collection	Open	Direct	283			283	283
Servicio de Rentas Internas Ecuador	Guarantee for 10% of complaint for incorrect payment in 2003	Guarantee for immediate collection	Open	Direct	32			32	32
Servicio de Rentas Internas Ecuador	Guarantee for 10% of complaint for incorrect payment in 2006	Guarantee for immediate collection	Open	Directa	59			59	59
Consejo nacional de electricidad	Faithful performance of contract	Guarantee for immediate collection	04-01-2011	Direct	26	26	26		
Consejo nacional de electricidad	Guarantee the obligations of Enap Sipetrol SA	Insurance Policy	11-13-2011	Direct	17	17	17		
Ministerio de medio ambiente	Faithful performance of contract	Insurance Policy	08-02-2011	Direct	20	20	20		
Ministerio de medio ambiente	Faithful performance of contract	Insurance Policy	02-28-2011	Direct	37	37	37		
Ministerio de medio ambiente	Faithful performance of contract	Insurance Policy	03-04-2011	Direct	1	1	1		
Ministerio de medio ambiente	Faithful performance of contract	Insurance Policy	03-04-2011	Direct	1	1	1		
Ministerio de medio ambiente	Faithful performance of contract, Bloque 40	Insurance Policy	08-01-2011	Direct	120	120	120		

35. **DISCONTINUED OPERATIONS**

**North Bahariya**

The Board of Directors' Meeting N° 214, held on August 28, 2007, authorized the beginning of the North Bahariya project sales process.

On April 14, 2008, the subsidiary Sipetrol International S.A., and the Egyptian company Sahara North Bahariya Limited, signed a Sale and Purchase Agreement through which Sipetrol International S.A. agreed to sell its total participation in the North Bahariya Block, located in the Western Desert of Egypt.

This operation was completed on March 9, 2009, and at the same time the Ministry of Oil granted its approval for the sale and control of North Bahariya was transferred to the buyer. The sales price was of ThUS\$65,000, plus interests, generating revenues of ThUS\$45,751.

### 36. CONSOLIDATION ENVIRONMENT

Company	Country	Functional currency	Ownership percentage		Percentage with voting rights		Relationship	Activity
			12-31-2010	12-31-2009	12-31-2010	12-31-2009		
Enap Refinerías S.A.	Chile	US dollar	99,98%	99,98%	99,98%	99,98%	Direct Subsidiary	Purchase and refining of crude oil and by-products
Enap Sipetrol	Chile	US dollar	100%	100%	100%	100%	Direct Subsidiary	Exploration, production and marketing of hydrocarbons and render advisory services in Chile and abroad
Petro Servicios Corp. S.A. (Argentina)	Argentina	US dollar	100%	100%	100%	100%	Direct Subsidiary	Oil services
Gas de Chile S.A.	Chile	Pesos	100%	100%	100%	100%	Direct Subsidiary	Import, export and operation in general of all kinds of fuels and by-products, specially natural gas in any of its phases.
Manu Perú Holding S.A.	Perú	US dollar	100%	100%	100%	100%	Direct Subsidiary	Import and marketing of fuels and lubricants through wholesalers
Éteres y Alcoholes S.A. (Etalsa)	Chile	US dollar	100%	41,74%	100%	41,74%	Indirect Subsidiary	Manufacturing of other chemical products N.C.P.
Petrosul S.A.	Chile	US dollar	100%	47,39%	100%	47,39%	Indirect Subsidiary	Data processing services and Refinería Concón S.A., of its accounts
Energía Concón S.A. (Enercon)	Chile	US dollar	100%	49,00%	100%	49,00%	Indirect Subsidiary	Feasibility study
Productora de Diesel S.A. (Prodisa)	Chile	US dollar	100%	45,00%	100%	45,00%	Indirect Subsidiary	Processing and construction services of refineries, by-products
Cía. de Hidrógeno del Bío - Bío S.A. (CHBB)	Chile	US dollar	10,00%	10,00%	10,00%	10,00%	Special purpose entity	Construction and operation of an industrial plant, located in the facilities of Enap Refinerías S.A., in the district of Taleahuano and destined to the production of high quality hydrogen
Enap Sipetrol Argentina S.A. (Filial de Enap Sipetrol S.A)	Argentina	US dollar	100%	100%	100%	100%	Indirect Subsidiary	Generation of Uniones Transitorias de Empresas (UTE) [similar to Joint Ventures], collaboration groups, joint venture, consortiums or other kinds of associations to explore, exploit and transport hydrocarbons
Enap Sipetrol (UK) Limited (Filial de Enap Sipetrol S.A)	Reino Unido	US dollar	100%	100%	100%	100%	Indirect Subsidiary	Prospections, explore, develop, maintain and work with land, wells, mines and mining exploitation rights, drilling rights and concessions in areas containing oil, gas or other minerals.
Sipetrol Internacional S.A. (Uruguay) (Filial de Enap Sipetrol S.A.)	Uruguay	US dollar	100%	100%	100%	100%	Indirect Subsidiary	Make and administrate investments. One or more of the activities related to the exploration, exploitation or benefits from fields containing hydrocarbons.
Sociedad Internacional Petrolera Enap Ecuador (filial de Enap Sipetrol S.A.)	Ecuador	US dollar	100%	100%	100%	100%	Indirect Subsidiary	Exploration, exploitation, processing, distribution, marketing, transport and oil services

On December 20, 2010, Enap Refinerías S.A., carried out the following shares purchases:

- 515,106 shares of Energía Concón S.A. (ENERCON), representing 51% of the shares of the company. With this purchase, Enap Refinerías S.A. holds 82.5% of ENERCON's shares at December 31, 2010.
- 5,826 shares in Éteres y Alcoholes S.A. (ETALSA), representing 58.26% of the shares of the company. With this purchase, Enap Refinerías S.A. holds 79.13% of ETALSA's shares at December 31, 2010.
- 5,261 shares in Petrosul S.A., representing 52.61% of the shares of the company. With this purchase, Enap Refinerías S.A. holds 84.21% of Petrosul S.A.'s shares at December 31, 2010.
- 12.209.926 shares in Productora de Diesel S.A. (PRODISA), representing 55% of the shares of the company. With this purchase, Enap Refinerías S.A. holds 90% of PRODISA's shares at December 31, 2010.

12-31-2010								
Company	Assets		Liabilities		Equity	Ordinary	Ordinary	Net income
	Current	Non-current	Current	Non-current		revenue	expenses	(loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Enap Refinerías S.A.	1,936,683	2,241,276	2,941,693	656,849	579,417	7,953,821	(7,926,185)	29,903
Enap Sipetrol S.A.	46,705	402,725	88,446	111,604	249,380	86,117	(43,268)	37,295
Petro Servicios Corp. S.A. (Argentina)	1,761	104	248	-	1,617	1,154	(931)	98
Gas de Chile S.A.	754	2,890	2	-	3,642	-	-	12
Manu Perú Holding S.A.	74,347	62,666	40,128	-	96,885	254,295	(241,492)	18,504
Éteres y Alcoholes S.A. (Etalsa)	4,011	18,594	4,979	3,533	14,093	3,742	(568)	1,965
Petrosul S.A.	2,842	23,095	3,334	8,518	14,085	2,365	(700)	1,137
Energía Concón S.A. (Enercon)	36,868	434,532	41,232	424,137	6,031	32,651	(5,150)	7,682
Productora de Diesel S.A. (Prodisa)	13,010	75,675	10,432	68,025	10,228	8,311	(2,601)	1,832
Cía. de Hidrógeno del Bío - Bío S.A. (CHBB)	3,092	26,084	3,521	12,363	13,292	3,768	(1,210)	2,208
Enap Sipetrol Argentina S.A. (Filial de Enap Sipetrol S.A.)	60,396	302,199	110,218	51,025	201,353	187,071	(154,131)	10,206
Enap Sipetrol (UK) Limited (Filial de Enap Sipetrol S.A.)	1,215	-	168	-	1,047	-	-	-
Sipetrol Internacional S.A. (Uruguay) (Filial de Enap Sipetrol S.A.)	34,715	64,869	8,629	30,315	60,640	47,027	(18,861)	11,943
Sociedad Internacional Petrolera Enap Ecuador (filial de Enap Sipetrol S.A.)	6	-	22	-	(16)	-	-	(1)

12-31-2009								
Company	Assets		Liabilities		Equity	Ordinary	Ordinary	Net income
	Current	Non-current	Current	Non-current		revenue	expenses	(loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Enap Refinerías S.A.	1,951,227	2,133,848	2,787,693	710,944	586,438	7,207,398	(7,131,227)	149,625
Enap Sipetrol S.A.	49,527	381,379	13,172	136,313	281,421	69,264	(39,736)	13,838
Petro Servicios Corp. S.A. (Argentina)	1,493	181	154	-	1,520	1,058	(909)	(78)
Gas de Chile S.A.	3,350	-	-	2,669	681	-	-	(15)
Manu Perú Holding S.A.	64,639	48,784	37,747	-	75,676	237,704	(226,657)	11,994
Éteres y Alcoholes S.A. (Etalsa)	3,820	22,122	4,742	8,618	12,582	4,092	(550)	1,947
Petrosul S.A.	2,756	25,567	2,864	11,727	13,732	2,501	(700)	866
Energía Concón S.A. (Enercon)	47,951	445,690	34,723	448,633	10,285	31,081	(2,633)	(123)
Productora de Diesel S.A. (Prodisa)	13,444	86,810	9,887	77,557	12,810	16,405	(10,159)	1,789
Cía. de Hidrógeno del Bío - Bío S.A. (CHBB)	2,070	27,827	3,166	14,892	11,839	4,822	(1,210)	2,132
Enap Sipetrol Argentina S.A. (Filial de Enap Sipetrol S.A.)	61,117	305,145	122,935	19,965	223,362	199,745	(170,016)	(21,793)
Enap Sipetrol (UK) Limited (Filial de Enap Sipetrol S.A.)	1,215	-	168	-	1,047	-	-	75
Sipetrol Internacional S.A. (Uruguay) (Filial de Enap Sipetrol S.A.)	21,885	28,427	5,895	22,926	21,491	26,798	(16,491)	32,963
Sociedad Internacional Petrolera Enap Ecuador (filial de Enap Sipetrol S.A.)	6	-	21	-	(15)	-	-	-

### 37. EFFECTS OF THE EARTHQUAKE

The earthquake that struck the south-central area of the country at daybreak of February 27, altered the operations of the Bío Bío and Aconcagua refineries, mainly due to the power cut off as well as the structural damages which due to safety reasons forced the shutdown of production. Both refineries were submitted to an exhaustive inspection to establish the amount of damage and to determine the necessary measures to be taken in order to start operating again in a secure manner. A preliminary analysis of the situation indicated that the start-up of operations of the Aconcagua refinery would take less time than the start-up of operations of the Bío Bío refinery. The Aconcagua refinery started its operations, gradually, during the month of March. In relation to the Bío Bío refinery, it presented severe damage, hence the operations were only restarted last June 22.

The Group carries insurances that allow for coverage of the damage to the property, damages due to stoppages and civil damages caused as a consequence of the quake. These insurances have already been activated and our brokers, as well as the insurance companies and liquidators are working on this situation.

The financial statements as of December 31, 2010 incorporate an effect for amounts claimed, due to the earthquake, for the sum of ThUS \$98,375 (income), of which ThUS\$ 38,709 reduce from costs of sales (business interruption) and ThUS\$ 38,019 are registered in other income (losses), corresponding to ThUS 59,666 for insurance claims for physical damage and ThUS\$ 21,647 for the impairment of damaged fixed assets.

### 38. SUBSEQUENT EVENTS

From January 1, 2011 up to the issue date of these financial statements, there have been no subsequent events that could significantly affect the reasonability of them.

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