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Chairman's Letter

Dear Shareholder:

Following the complications and difficulties of 1999 of which you are well aware, we were expecting 2000 to be a year of reactivation, growth and increasing employment. But it turned out to be a complex year for the Latin American economy in general and for Chile in particular. This, however, did not prevent Endesa-Chile from ending the year with positive results and increasing investment.

Although the factors that affected 1999, like the drought, the Asian crisis and low tariffs, are left behind, the recovery has been slower than expected. The company nevertheless was able to overcome the obstacles and move forward to growth.

The Genesis project, which was initiated in August 1999 and which intends to improve the company's operations, began to provide its first results during 2000 when it was able to change the result to a profit following the losses of the previous year.

Last year, the company produced a net income of Ch\$ 108,223 million compared to a net loss of Ch\$ 185,040 million in 1999.

IMPORTANT GROWTH

The operating income for the year was Ch\$ 251,362 million, 43.6 % higher than in 1999, mainly explained by heavier rainfalls in Chile and better operating income produced by subsidiaries in Colombia, Peru and Brazil.

In Chile, even though the rainfalls in 2000 were relatively normal (although dry at the start and very wet at the end), operating income was significantly higher than in 1999

which was considered to be the driest of the century.

The hydrological situation last year changed drastically in the second half of June 2000 and thus assured electricity supplies for the year on the Central Grid System (SIC).

Also as a result of the improved hydrology, the operating income of the subsidiary Betania, in Colombia, grew by Ch\$ 6,935 million and those of Emgesa increased by Ch\$ 12,702 million.

In Brazil, there was increased production and a stabilization of the local currency (real) which, in the first half of 1999, suffered a severe devaluation that had the effect of trebling the operating income of Cachoeira Dourada compared to 1999. In the first half of 2000, there were reduced hydro-generated supplies of electricity from the south as a result of a prolonged drought. This improved in June when the 1,000 MW interconnection between Brazil and Argentina came into operation. Our company operates this through the CIEN consortium in which it has a 45 % holding.

Thanks to this increased generation and firmer average prices for energy sales, due to the escalation in oil prices, the operating income of Edegel, Peru, increased by 25 %.

In Argentina, Central Costanera achieved an operating income of Ch\$ 36,541 million, a sharp fall compared to 1999. This was basically due to the programmed termination in April of the contract for approximately 6,000 GWh annually with the distributors Edenor and Edesur, and because the company had to meet greater demand with energy at a higher marginal cost (purchases and own production). This occurred because the winter produced the most intense and prolonged cold spell in recent years and led to increased spot prices due to restrictions

on gas supplies for generation. This, together with the fall in average energy sales prices, mainly affected the subsidiary Central Buenos Aires (CBA). Hidroeléctrica El Chocón S.A., however, improved its results basically due to better hydrology and the modification of the hourly payment for power.

ENERGY SALES

Energy sales volumes of Endesa-Chile increased by 25.9 % in 2000, reaching 20,085.9 GWh. Endesa-Chile's sales on the Central Grid System (SIC) represented 68.5 % of the grid total, and on the Northern Grid (SING), it provided 11.8 % of the grid's total sales. Hydroelectric generation was 11,213 GWh and thermal generation 4,133 GWh.

In Argentina, energy sales totaled 15,549 GWh, while in Peru they amounted to 3,604 GWh. Colombia and Brazil produced sales of 13,356 GWh and 3,887 GWh respectively.

TRANSELEC

The non-operating result for the year 2000 was a loss of Ch\$ 33,972 million, an improvement on the loss of Ch\$ 330,179 million in 1999. This improvement was basically due to the sale of the share capital of Transelec, again on the sale of transmission lines to Transelec; a smaller loss for price-level restatements, a book profit from dollar exchange-rate hedging operations and extraordinary income from Hidroeléctrica El Chocón for recognizing the contributions made to Cammesa for financing the fourth Comahue line. The non-operating result includes higher financial expenses mainly due to higher interest rates.

The extraordinary meeting of Endesa-Chile shareholders held on August 29, 2000 approved the sale of the transmission subsidiary, Transelec. The transaction was completed on October 12 with its adjudication to the Canadian company Hydro Québec International Inc.. The latter paid a sum of US\$ 1,076 million, an amount higher than the minimum set by Endesa-Chile and budgeted for the transaction.

The sale of Transelec produced a net gain of US\$ 225 million, being the premium paid for the shares. The proceeds of this sale enabled Endesa-Chile to sharply reduce its liabilities and improve its financial structure. The company also now stands in a good position to take advantage of new business opportunities for securing a more solid base in generation and maintaining its interest in future interconnections in Latin America.

The Company made its first issue of eurobonds for an amount of 400 million euros. At the same time, it arranged a dollar-euro currency swap through its subsidiary Endesa-Chile Overseas Co.

INVESTMENTS OF US\$ 223.4 MILLION

The company's investments totaled US\$ 223.4 million, evidencing its constant growth path.

In Chile, Endesa-Chile has two on-going projects. In April and July 2000, it commissioned the first stage of the Taltal plant, consisting of two 120 MW gas turbines fed by a gas pipeline connected to GasAtacama which brings natural gas from Argentina.

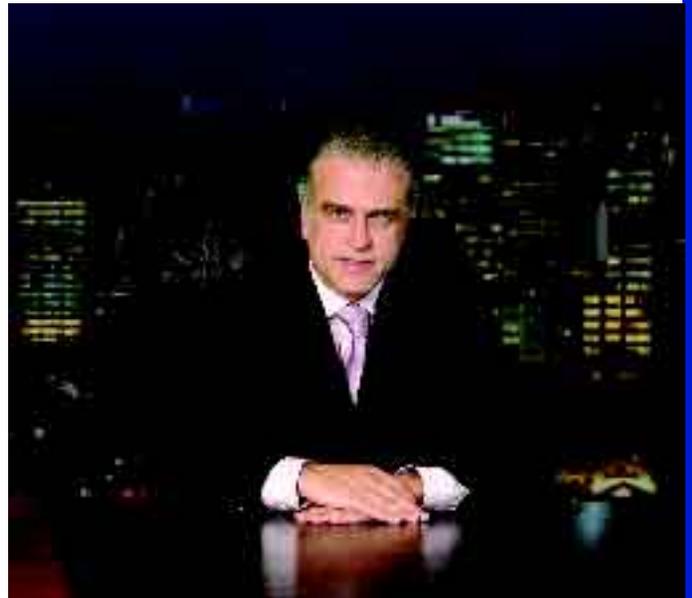
The works of the Ralco 570 MW hydroelectric plant show 31 % progress which is in line with the program

for meeting start-up in the second half of 2003. The company continues to develop its environmental plans and programs set out in the environmental impact study and project resolutions. The Pehuenche family relocation plan is being actively implemented and includes the provision of plots of land, the construction of community infrastructure and complementary programs.

We should like to emphasize that the tariff setting last November, which increased node prices by 6.8 % (measured in dollars), reflected a change in the systematic tendency to reduce prices in previous years which discouraged new investment to meet future electricity supplies. Even so, present prices, combined with the risks faced by companies since 1999 in drought conditions, have still prevented a true reactivation of investment in the sector. This makes companies more conservative in their commercial policies and creates a still worrying scenario from the perspective of meeting a growing electricity demand over time.

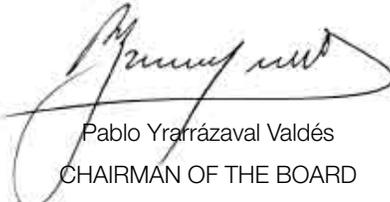
It should also be mentioned in this context that Endesa-Chile in 2000 became aware of the terms of the reform bill to the Electricity Law promoted by the National Energy Commission, making constructive comments to the bill so that it will effectively improve the operation of the electricity sector. The development of this subject during 2001 will be decisive in indicating whether this objective will be met.

On the international scene, the interconnection line transferring energy from Argentina to Brazil, with a 1,000 MW capacity, began operating in June. A second line with similar characteristics is under construction and will come into operation in May 2002. The project will allow surpluses from Argentina to be sold to its neighbor.



In the presence of the Peruvian Minister of Energy and Mines, Edegel inaugurated in November its Chinango hydroelectric complex in Junín department. Edegel has thus become the largest generator in Peru, with an installed capacity of around 1,000 MW.

The Company therefore closes a positive year and continues on its growth path. We are sure that Endesa-Chile has been consolidating its position as a leading generating company in Latin America which it will be able to retain over the long term with the efforts of its personnel and shareholders.



Pablo Yrarrázaval Valdés
CHAIRMAN OF THE BOARD

Administration

BOARD OF DIRECTORS

CHAIRMAN

Pablo Yrarrázaval Valdés
*PRESIDENT OF THE SANTIAGO
STOCK EXCHANGE*

VICE CHAIRMAN

Antonio Pareja Molina
*COMMERCIAL ENGINEER
UNIVERSIDAD DE GRANADA*

DIRECTORS

Jaime Bauzá Bauzá
*CIVIL ENGINEER
PONTIFICIA UNIVERSIDAD CATÓLICA DE CHILE*

Jesús Burillo Andreu
*COMMERCIAL ENGINEER
UNIVERSIDAD DE BARCELONA*

José María Hidalgo Martín-Mateos
*COMMERCIAL ENGINEER
UNIVERSIDAD SANTIAGO DE COMPOSTELA*

Pedro Larrea Paguaga
*MINING ENGINEER
UNIVERSIDAD POLITÉCNICA DE MADRID*

Andrés Regué Godall
*INDUSTRIAL ENGINEER
ESCUELA TÉCNICA SUPERIOR
DE INGENIEROS INDUSTRIALES DE BARCELONA*



Antonio Tuset Jorratt
*COMMERCIAL ENGINEER
UNIVERSIDAD DE CHILE*

Leonidas Vial Echeverría
*VICE-PRESIDENT OF THE SANTIAGO
STOCK EXCHANGE*

The company is managed by a Board of Directors of nine members elected at the Shareholders Meeting. The Directors are in office for a three-year term and they can be reelected.

The present Board of Directors was elected by the Extraordinary Shareholders Meeting held on June 24, 1999, except for Antonio Pareja Molina who was appointed by the Board on October 5, 2000 to replace Héctor López Vilaseco who resigned as a director and vice-chairman on August 31, 2000 to take up his appointment as general manager of the company as from September 1, 2000.

PRINCIPAL EXECUTIVE OFFICERS

CHIEF EXECUTIVE OFFICER

Héctor López Vilaseco

ATTORNEY-AT-LAW
AND ECONOMIST
ICADE, MADRID

EXTERNAL AFFAIRS MANAGER

Rodolfo Nieto Maturana

JOURNALIST
UNIVERSIDAD DE CHILE

GENERAL COUNSEL

Carlos Martín Vergara

ATTORNEY-AT-LAW
UNIVERSIDAD CATÓLICA DE VALPARAÍSO

ADMINISTRATION AND FINANCE

Mario Valcarce Durán

COMMERCIAL ENGINEER
UNIVERSIDAD CATÓLICA DE VALPARAÍSO

HUMAN RESOURCES

Juan Carlos Mundaca Álvarez

COMMERCIAL ENGINEER
UNIVERSIDAD DE SANTIAGO

PLANNING AND CONTROL

Rafael López Rueda

COMMERCIAL ENGINEER
UNIVERSIDAD DE MÁLAGA

PLANNING AND ENERGY MANAGEMENT

José Venegas Maluenda

INDUSTRIAL CIVIL ENGINEER
PONTIFICIA UNIVERSIDAD CATÓLICA DE CHILE

PRODUCTION

Rafael Mateo Alcalá

INDUSTRIAL ENGINEER
ESCUELA TÉCNICA SUPERIOR
DE INGENIEROS INDUSTRIALES DE ZARAGOZA

TRANSPORT

Eduardo Soto Trincado

ELECTRICAL CIVIL ENGINEER
UNIVERSIDAD DE CHILE

GENERATION - CHILE

Claudio Iglesias Guillard

ELECTRICAL CIVIL ENGINEER
UNIVERSIDAD DE CHILE

MANAGEMENT REMUNERATION

Remuneration received by the company's management during the year 2000 amounts to Ch\$1,037,883,662. This includes the remuneration of those managers working as at December 31, 2000 and those who left the company during the year.

INCENTIVE PLANS

Endesa-Chile has for its executives an annual bonus plan for meeting objectives and their individual contribution to the company's results. The plan includes a definition of the ranges of bonus according to the level of seniority. The bonuses eventually paid to executives consist of a certain number of gross monthly salaries.

ADMINISTRATION OF PRINCIPAL SUBSIDIARIES

GENERATION ARGENTINA

Miguel Ortiz Fuentes

MECHANICAL ENGINEER

ESCUELA NAVAL DE CHILE

GENERATION BRAZIL

Juan Antonio Madrigal Royo

MINING ENGINEER

UNIVERSIDAD POLITÉCNICA DE MADRID

GENERATION COLOMBIA

Rafael Errázuriz Ruiz-Tagle

CIVIL ENGINEER

UNIVERSIDAD DE SANTIAGO

GENERATION PERU

Pablo Casado Reboiro

INDUSTRIAL CIVIL ENGINEER

*ESCUELA SUPERIOR DE INGENIEROS INDUSTRIALES
DE LAS PALMAS DE GRAN CANARIA*

INGENDESA

Juan Benabarre Benaiges

CIVIL ENGINEER

UNIVERSIDAD DE CHILE

INFRAESTRUCTURA 2000 S.A.

Roberto Aignerén Ríos

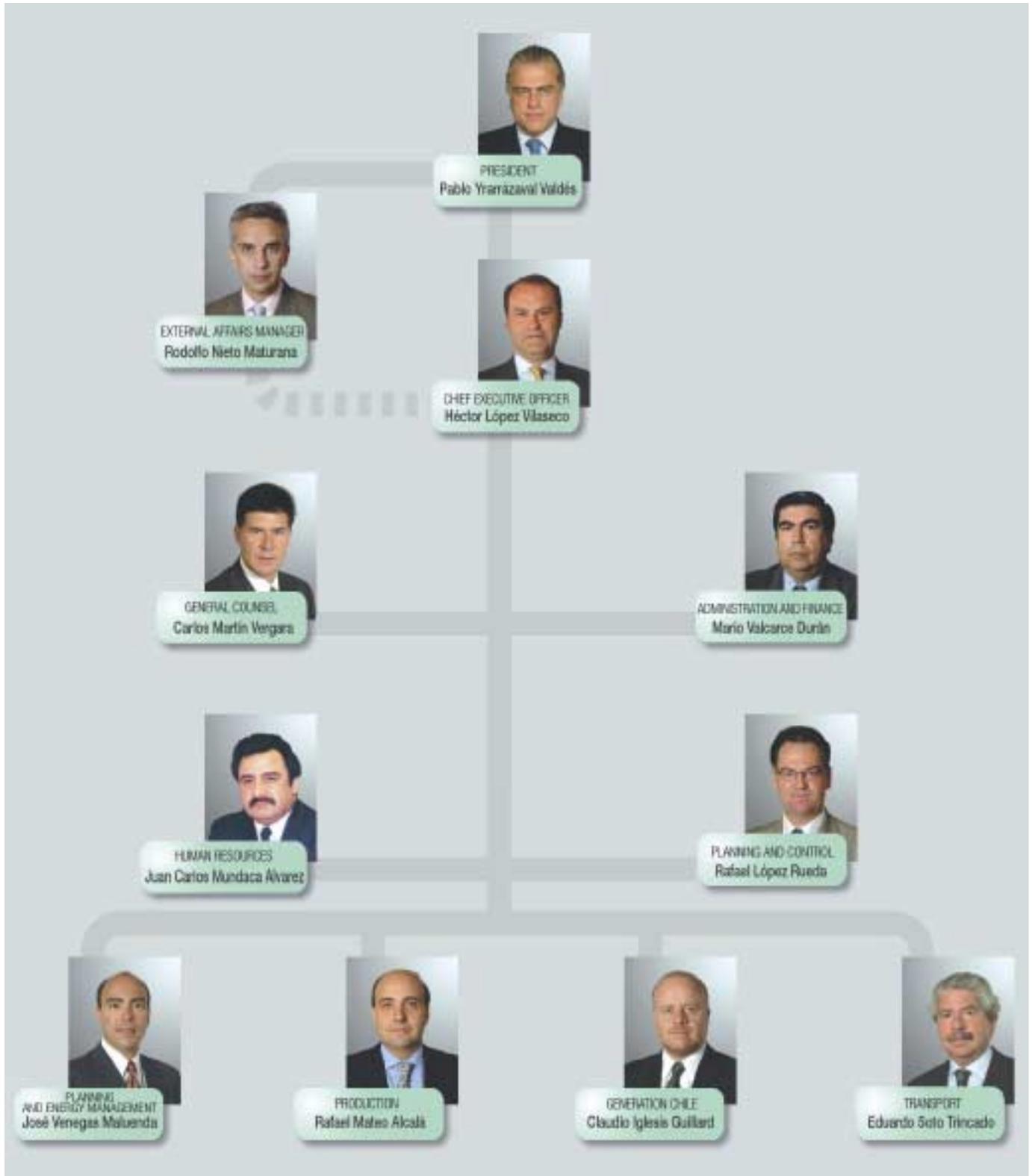
CIVIL ENGINEER

UNIVERSIDAD DE CHILE

Pehuenche Valve House - Chile



ORGANIZATIONAL STRUCTURE



Consolidated Highlights

Years ended December 31,

	1996	1997	1998	1999	2000
IN ARGENTINA					
EMPLOYEES	549	489	469	430	287
INSTALLED CAPACITY (MW)	2,671	2,771	3,622	3,622	3,622
GENERATION (GWh)	9,513	8,156	7,310	9,150	10,129
SALES OF ELECTRICITY (GWh)	12,913	14,862	14,084	14,643	15,549
IN BRAZIL					
EMPLOYEES	-	20	87	81	45
INSTALLED CAPACITY (MW)	-	658	658	658	658
GENERATION (GWh)	-	1,059	2,941	3,222	3,406
SALES OF ELECTRICITY (GWh)	-	1,301	3,894	3,754	3,887
IN CHILE					
EMPLOYEES	1,692	1,674	1,763	1,383	888
INSTALLED CAPACITY (MW)	2,738	3,002	3,765	4,130	4,035
GENERATION (GWh)	12,898	13,247	12,188	13,672	15,346
SALES OF ELECTRICITY (GWh)	13,766	15,419	14,161	15,949	20,086
IN COLOMBIA					
EMPLOYEES	59	514	584	454	377
INSTALLED CAPACITY (MW)	510	2,979	3,034	3,035	3,035
GENERATION (GWh)	2,305	3,289	11,489	10,898	9,618
SALES OF ELECTRICITY (GWh)	3,083	5,204	14,873	13,467	13,356
IN PERU					
EMPLOYEES	328	253	255	178	167
INSTALLED CAPACITY (MW)	806	806	806	806	997
GENERATION (GWh)	2,964	2,869	3,072	2,950	3,623
SALES OF ELECTRICITY (GWh)	3,003	3,167	3,279	2,999	3,604
(Millions of constant Ch\$ as of December 31, 2000)					
TOTAL ASSETS	3,123,300	4,805,373	5,638,345	6,024,730	5,669,957
TOTAL LIABILITIES	1,473,661	2,376,655	2,916,324	3,570,728	3,143,206
MINORITY INTEREST	263,554	1,048,270	1,332,966	1,266,277	1,230,152
SHAREHOLDERS' EQUITY	1,386,086	1,380,448	1,389,056	1,187,725	1,296,599
REVENUES FROM OPERATIONS	576,475	718,178	871,671	901,490	882,968
COST OF OPERATIONS	320,185	455,690	518,272	679,723	600,130
OPERATING INCOME	230,200	232,936	312,703	175,096	251,362
NON-OPERATING RESULTS	(19,124)	(75,125)	(185,320)	(330,179)	(33,972)
NET INCOME	168,190	131,486	48,520	(185,040)	108,223
SHARES OUTSTANDING (millions)	8,202	8,202	8,202	8,202	8,202
EARNINGS PER SHARE (constant Ch\$)	20.51	16.03	5.92	(22.56)	13.20
EARNINGS PER ADR (US\$)	1.07	0.84	0.31	(1.18)	0.69
PRICE PER SHARE (constant Ch\$)	250.45	282.06	183.40	261.31	206.00
PRICE PER ADR (US\$)	15.25	17.69	10.87	14.25	10.88
MARKET CAPITALIZATION (US\$ Million)	3,581	4,033	2,622	3,736	2,945
P/E	12.21	17.59	31.00	(11.58)	15.61

Company's Identification

Empresa Nacional de Electricidad S.A. (Endesa-Chile)

HEAD OFFICE

Santa Rosa 76, Santiago, Chile

MAILING ADDRESS

Casilla 1392, Correo Central, Santiago

ZIP CODE

6510207

TELEPHONE

(562) 630 9000

TELEX

VTR: 34 02 91 ENDESA CK

FAX

(562) 635 4720 - (562) 635 3938

WEB SITE

<http://www.endesa.cl>

AUDITORS

Deloitte & Touche

STOCK EXCHANGE LISTINGS

In Chile Endesa-Chile's shares are listed and traded on the Santiago Stock Exchange, the Electronic Stock Exchange and the Valparaíso Stock Exchange. Abroad Endesa-Chile's ADSs are listed and traded on the New York Stock Exchange (symbol EOC) since July 1994.

DEPOSITARY BANK

Citibank

111 Wall Street 5th floor
New York , NY 10043
Telephone: (212) 657 8786

Mr. Ricardo Szlezinger

INVESTOR RELATIONS

Endesa-Chile

Santa Rosa 76
Telephone: (562) 634 2329
Fax: (562) 635 4980
e-mail: jmontero@endesa.cl / gsuazo@endesa.cl

Mr. Jaime Montero / Mr. Giovano Suazo

INTERNATIONAL RATING AGENCIES

Standard & Poor's (current Rating: A-)
Moody's (current Rating: Baa1)
Duff & Phelps (current Rating: A-)

Incorporation Documents

Empresa Nacional de Electricidad S.A. was incorporated by a public deed dated December 1, 1943. Its existence was authorized and its By-laws approved on January 3, 1944, which indicated that the purpose of the company was to exploit the production, transportation and distribution of electric power and, particularly, the Country's Electrification Plan approved by the Council of CORFO.

The company's By-laws have experienced several amendments, among which we can mention those of 1980, which eliminated from the company's purpose the execution of the Country's Electrification Plan, a responsibility that was undertaken by the Energy National Commission; the amendment of 1982, which adapted the By-laws to the new Law N° 18,046 on Stock Companies; the one of 1987 that adapted the By-laws to the standards of Law N° 3,500 of 1980, thus allowing the resources of the Pension Funds to be invested in the company's shares, and the amendment of 1988 which enlarged the company's purpose to include the rendering of consulting services.

Also, the amendment of 1992 must be mentioned, which further enlarged the company's purpose to expressly allow the company to make investments in financial assets, to develop projects and to carry out activities both in the energetic field and in others where the electric power is essential, and to participate in concessions of public works infrastructure in the civil or hydraulic fields, being entitled to act either directly or through subsidiaries or affiliates, both within the country and in foreign countries. In 1994 an amendment was made in order to include the fantasy name "Endesa-Chile" in the By-laws and to increase the company's capital in order to place part of such increase in the international markets through the ADRs mechanism, in any of their forms, and to adapt the By-laws to the new standards introduced by Law N° 19,301 to Law N°3,500 of 1980, which allowed, among other things, to increase the maximum percentage of shares concentration to 26 %. In 1995 an amendment modified the arbitration system, in order to allow that the difficulties among shareholders or between them and the company or its managers are solved either through an arbitration or through the Ordinary Justice. In 1999 an amendment allowed to increase the maximum percentage of shares concentration to 65% of the company's capital with voting right. Finally, in 2000 an amendment allowed to reduce the Activo Contable Depurado (cleansed book assets) factor of the company from factor 1 to factor 0.6.

CORPORATIVE STRUCTURE



Historical Review

Empresa Nacional de Electricidad S.A. (Endesa-Chile) was incorporated on December 1, 1943, as a stock company subsidiary of the Government entity Corporación de Fomento de la Producción (Corfo), with the purpose of implementing the Country's Electrification Plan, including the generation, transport and production and distribution of electric power.

During 42 years Endesa-Chile was owned by the Chilean Government, achieving a leading role within this field, and becoming one of the most important companies of the country and the basis for the country's electrical development. The investments were huge and important works of engineering, electrification and irrigation were carried out.

In the mid eighties, and as a consequence of the privatization policy started by the Chilean Government at that time, Endesa-Chile was instructed to get prepared for privatization. For this purpose, the distribution areas were separated and the company was adjusted to be able to include the Pension Funds and individuals as shareholders of the company.

The privatization process started in 1987 through a series of public offerings and, given the size of the company in the internal market, the process was completed only in 1989. After the privatization process important changes occurred within the organization, which was restructured into a holding with subsidiaries in order to permanently control the company's different activities.

In May, 1992, the internationalization process of the company started with the acquisition, through associations, of Central Costanera S.A. and later, in August 1993, with the acquisition of Hidroeléctrica El Chocón S.A., both in Argentina. In October, 1995, Edegel S.A. was acquired in Peru. In December, 1996, Central

Hidroeléctrica de Betania S.A. E.S.P. was acquired and later, in September 1997, in association with Endesa-Spain, Emgesa S.A. E.S.P. was acquired, both in Colombia. Finally, in September, 1997, Centrais Eléctricas Cachoeira Dourada S.A. was acquired in Brazil.

In May, 1999, Enersis S.A., a subsidiary of Endesa-Spain, which as of that time owned 25.3 % of the shares of Endesa-Chile, acquired in the Santiago Stock Exchange and in the American markets, through a bidding process, an additional stake of 34.7 % of the company, thus becoming the controlling shareholder.

In June 2000, the Board of Endesa-Chile unanimously resolved to invite open public bids for the sale of 100 % of the share capital of Compañía Nacional de Transmisión Eléctrica S.A. (Transelec). The shareholding was subsequently awarded to the Canadian group Hydro Québec International Inc. in October 2000.

At present, Endesa-Chile shares are traded in the Chilean stock exchanges and in the New York Stock Exchange. It operates in five Latin American countries, with an aggregate installed capacity in foreign countries of 8,312 MW, which more than double the capacity it has in Chile. The company is involved in the generation of electricity, natural gas transport, infrastructure and engineering businesses.



Company's Holding in Subsidiaries

SUBSIDIARY	% HOLDING	
	1999	2000
IN ARGENTINA		
CENTRAL COSTANERA S.A.	51.67	51.67
CENTRAL TERMOELÉCTRICA BUENOS AIRES S.A. (CBA)	53.15	53.15
HIDROELÉCTRICA EL CHOCÓN S.A.	47.45	47.45
ENDESA ARGENTINA S.A.	99.99	99.99
HIDROINVEST S.A.	69.93	69.93
IN BRAZIL		
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	91.19	91.80
ENDESA BRASIL PARTICIPACOES LTDA.	100.00	100.00
IN CHILE		
EMPRESA ELÉCTRICA PEHUENCHE S.A. (PEHUENCHE S.A.)	92.55	92.55
EMPRESA ELÉCTRICA PANGUE S.A. (PANGUE S.A.)	92.48	92.48
COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA)	100.00	100.00
COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A. (SAN ISIDRO S.A.)	75.00	75.00
INVERSIONES ELÉCTRICAS QUILLOTA S.A.	50.00	50.00
EMPRESA DE INGENIERÍA INGENDESA S.A. (INGENDESA)	96.08	96.40
INFRAESTRUCTURA 2000 S.A.	60.00	60.00
TÚNEL EL MELÓN S.A.	96.00	99.95
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.	60.04	60.04
INECSA DOS MIL S.A.	58.39	58.39
AUTOPISTA LOS LIBERTADORES S.A.	58.36	58.36
ENDESA INVERSIONES GENERALES S.A. (ENIGESA)	100.00	100.00
INVERSIONES ENDESA NORTE S.A.	99.99	99.99
IN COLOMBIA		
EMGESA S.A. E.S.P. (EMGESA)	22.41	22.41
CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	85.62	85.62
ENDESA DE COLOMBIA S.A.	100.00	100.00
CAPITAL ENERGÍA S.A.	43.67	43.67
IN PERU		
EDEGEL S.A. (EDEGEL)	32.63	37.90
GENERANDES PERÚ S.A.	54.26	54.26
IN PANAMA, BAHAMAS AND CAYMAN ISLANDS		
COMPAÑÍA ELÉCTRICA CONO SUR S.A.	100.00	100.00
LAJAS HOLDING INC.	92.26	92.26
CENTRAL BETANIA OVERSEAS CORP.	85.62	85.62
ENDESA-CHILE OVERSEAS CO.	100.00	100.00

Company's Holding in Associated Companies

ASSOCIATED COMPANY	% HOLDING	
	1999	2000
IN ARGENTINA		
COMERCIALIZADORA DE ENERGÍA DEL MERCOSUR S.A. (CEMSA)	45.00	45.00
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR S.A. (C.T.M.)	45.00	45.00
DISTRILEC INVERSORA S.A.	0.89	0.89
IN BRAZIL		
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA S.A. (CIEN)	45.00	45.00
IN CHILE		
ELECTROGAS S.A.	42.50	42.50
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA. (TRANSQUILLOTA)	37.50	37.50
ADMINISTRADORA PROYECTO ATACAMA S.A.	50.00	50.00
GASODUCTO ATACAMA COMPAÑÍA LTDA. (GASATACAMA)	50.00	50.00
NOR OESTE PACÍFICO GENERACIÓN DE ENERGÍA LTDA. (NOPEL LTDA.)	50.00	50.00
GASODUCTO CUENCA NOROESTE LTDA.	50.00	50.00
INVERSIONES ELECTROGAS S.A.	42.50	42.50
GASODUCTO TALTAL LTDA.	50.00	50.00
IN CAYMAN ISLANDS		
ENERGEX CO.	40.00	50.00
ATACAMA FINANCE CO.	40.00	50.00

Human Resources

NUMBER OF PERSONNEL

As of December 31, 2000, the personnel of Endesa-Chile and its subsidiaries was as follows:

COMPANY	EXECUTIVE OFFICERS	PROFESSIONALS AND TECHNICIANS	OTHER EMPLOYEES	TOTAL
IN ARGENTINA				
CENTRAL COSTANERA S.A.	4	216	16	236
HIDROELÉCTRICA EL CHOCÓN S.A.	1	46	4	51
TOTAL PERSONNEL IN ARGENTINA	5	262	20	287
IN BRAZIL				
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	-	41	4	45
TOTAL PERSONNEL IN BRAZIL	-	41	4	45
IN CHILE				
ENDESA-CHILE	23	482	62	567
PEHUENCHE S.A.	-	3	-	3
PANGUE S.A.	-	2	-	2
SAN ISIDRO S.A.	-	2	-	2
INGENDESA	3	139	3	145
INFRAESTRUCTURA 2000 S.A.	4	11	5	20
TÚNEL EL MELÓN S.A.	1	14	7	22
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.	-	34	56	90
AUTOPISTA LOS LIBERTADORES S.A.	-	29	8	37
TOTAL PERSONNEL IN CHILE	31	716	141	888
IN COLOMBIA				
EMGESA S.A.	3	276	62	341
CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P.	1	31	4	36
TOTAL PERSONNEL IN COLOMBIA	4	307	66	377
IN PERU				
EDEGEL S.A.	4	147	16	167
TOTAL PERSONNEL IN PERU	4	147	16	167
TOTAL PERSONNEL				
ENDESA-CHILE AND SUBSIDIARIES	44	1,473	247	1,764

HUMAN RESOURCES ACTIVITIES

TRAINING

49.7 % of Endesa-Chile's personnel received training during 2000, both in Chile and abroad, in areas especially related to electricity, mechanics, management and computerization. Within the last-named area, 156 people received a total of 5,768 hours of training in the handling of the new financial-accounting information system.

Training was focused on strong support for the business strategy of meeting the company's objectives and fully developing its people.

RISKS PREVENTION

In order to optimize the Area's performance and to exchange experiences that could be applicable to the different companies, the First International Risk Prevention Meeting was held during 2000 with representatives from Argentina, Brazil, Colombia, Peru and Chile.

Another important event was the publication of standards for controlling the risk-prevention activities of contractor companies.

WELFARE

New emergency service agreements were signed in 2000 with health centers to increase cover, especially with respect to emergencies occurring in the head office. Sports and recreational activities were continued for employees and their families. Health benefits for Enersis Group companies were integrated and company executives were added to these.

HUMAN RESOURCES DEVELOPMENT

Capabilities, skills, knowledge and behavior were identified, to be developed and encouraged among the employees in order to meet the company's objectives. This represents the central axis around which the company's training policy is structured.

The suggestions program, as in previous years, continues to be a significant platform for employee participation. 104 suggestions were received during the year, making a total of 5,220 national suggestions over the eight-year life of the program.

LABOR RELATIONSHIPS

As in other years, labor relations have been most harmonious. In July 2000, a collective agreement came into effect with personnel in the engineering and execution engineering sector; this has a term of three and a half years. Collective agreements with electro-mechanical, technical assistants and administrative sectors continued in effect; these run to June 2001 and June 2002.



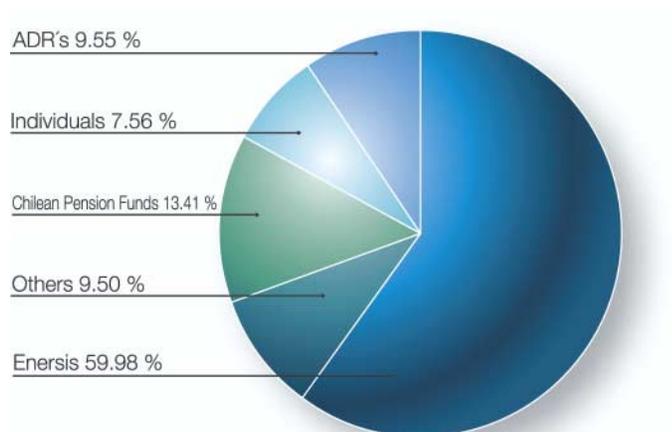
Company's Ownership

As of December 31, 2000, the share capital of the company consisted of 8,201,754,580 paid and subscribed shares, distributed among 34,146 shareholders.

TWELVE PRINCIPAL SHAREHOLDERS

NAME	AS OF DECEMBER 31, 2000	
	NUMBER OF SHARES	% HOLDING
ENERSIS S.A (1)	4,919,488,794	59.98 %
CITIBANK, N.A. (ADR)	783,194,850	9.55 %
A.F.P. HABITAT S.A. PARA FONDO DE PENSIONES	242,888,236	2.96 %
A.F.P. PROTECCIÓN S.A. PARA FONDO DE PENSIONES	187,497,814	2.29 %
A.F.P. CUPRUM S.A. PARA FONDO DE PENSIONES	180,519,703	2.20 %
A.F.P. PROVIDA S.A. PARA FONDO DE PENSIONES	154,373,515	1.88 %
A.F.P. SANTA MARÍA S.A. PARA FONDO DE PENSIONES	136,316,420	1.66 %
A.F.P. SUMMA BANSANDER S.A.PARA FONDO DE PENSIONES	123,327,638	1.50 %
THE CHILE FUND INC.	34,344,297	0.42 %
CÍA. DE SEGUROS DE VIDA CONS. NAC. SEG. S.A.	33,970,460	0.41 %
BANCHILE CORREDORES DE BOLSA S.A.	32,366,250	0.39 %
A.F.P. MAGISTER S.A. PARA FONDO DE PENSIONES	30,733,619	0.37 %
TOTAL	6,859,021,596	83.63 %

OWNERSHIP DISTRIBUTION



STOCK-MARKET TRANSACTIONS

IN CHILE

During 2000, 993.7 million shares were traded on the Santiago Stock Exchange, equivalent to \$ 201,942 million. A further 350.2 million shares were traded on the Chilean Electronic Exchange, equivalent to \$ 71,211 million. Finally, 22.2 million shares were traded on the Valparaíso Stock Exchange, equivalent to \$ 4,545 million.

The Endesa-Chile share price closed at \$ 206 on the Santiago Stock Exchange and at \$ 210 on the Chilean Electronic Exchange and on the Valparaíso Stock Exchange.

TRANSACTIONS ON THE SANTIAGO STOCK EXCHANGE



ON THE NEW YORK STOCK EXCHANGE (NYSE)

In the United States, 37,892 million ADRs were traded, equivalent to US\$ 431.2 million. The ADR price closed the year at US\$ 10.88.





Operational Summary

The main activities performed by Endesa-Chile and subsidiaries are related to the generation and supply of electric energy, together with consulting and engineering services in all expertise areas.

In Argentina, Central Costanera S.A., Hidroeléctrica El Chocón S.A. and Central Termoeléctrica Buenos Aires S.A., operate a total installed capacity of 3,622 MW, which represents 17 % of the total of the Argentinean Interconnected System.

In Brazil, Centrais Elétricas Cachoeira Dourada S.A., operates an installed capacity of 658 MW, which represents approximately 1 % of Brazil's installed capacity.

Endesa-Chile is the main electric power generating company in Chile and one of the largest companies in the country. In Chile Endesa-Chile and subsidiaries operate a total installed capacity of 4,035 MW, which represents 40 % of the total installed capacity in the country. 71.9 % of Endesa-Chile and subsidiaries' installed capacity is hydroelectric and the balance, thermal.

Endesa-Chile participates in the Central Grid System (SIC), the main grid system of the country, where approximately 93 % of the Chilean population live. Endesa-Chile and its subsidiaries in Chile have an installed capacity of 3,853 MW in this system, representing approximately 55 % of the SIC.

The company also participates in the Northern Grid System (SING) through its subsidiary Celta and indirectly through GasAtacama and Nopel by supplying several mining companies and by selling at the spot market. Celta operates an installed capacity of 182 MW, which represents 6 % of this system.

In Colombia, Central Hidroeléctrica de Betania S.A. E.S.P. and the generation company Emgesa operate a total installed capacity of 3,035 MW, both representing 25 % of the Colombian installed capacity.

In Peru, a total installed capacity of 997 MW is operated through Edegel S.A., which represents 22 % of the Peruvian system.

INSTALLED CAPACITY, GENERATION AND SALES OF ELECTRICITY OF ENDESA-CHILE AND SUBSIDIARIES

INSTALLED CAPACITY (MW) (1)	1999	2000
IN ARGENTINA	3,622	3,622
IN BRAZIL	658	658
IN CHILE	4,130	4,035
IN COLOMBIA	3,035	3,035
IN PERU	806	997

GENERATION (GWh)	1999	2000
IN ARGENTINA	9,150	10,129
IN BRAZIL	3,222	3,406
IN CHILE	13,672	15,346
IN COLOMBIA	10,898	9,618
IN PERU	2,950	3,623

SALES OF ELECTRICITY (GWh)	1999	2000
IN ARGENTINA	14,643	15,549
IN BRAZIL	3,754	3,887
IN CHILE	15,949	20,086
IN COLOMBIA	13,467	13,356
IN PERU	2,999	3,604

(1) Until 1998 Endesa-Chile took into account in this figure as installed capacity of each plant the plate value or the starting power of the machine.
Starting in 1999 the normal operation power of each plant informed to the CDEC is included.

Risk Factors

Endesa-Chile is an electricity-generation company that provides a basic-utility service and is subject to regulations and controls in various aspects of its business.

The Chilean Electricity Law dates back to 1982 and sets out the procedures for fixing tariffs for regulated customers and the different mechanisms for regulating the sector. The law was amended in May 1999. The basic changes introduced relate to the payment of compensation for periods of rationing due to any hydrological event and higher fines that could be charged to sector companies by the Superintendency of Electricity and Fuel. Both of these have affected the supply conditions to companies subject to tariff control. There is also a bill for reforming the regulatory framework of the Chilean electricity sector, which is expected to enter Congress during 2001 and whose terms could affect the sector's future supply conditions and investment. However, according to the known details of the draft bill, the new legislation will tend to modernize the Electricity Law and motivate competition and market tariffs, objects with which the company is essentially in agreement.

Regarding the other countries where the company operates, the electricity law dates from 1992 in Argentina, from 1993 in Peru and from 1994 in Colombia. All these regulate the electricity sector and impose obligatory regulations. In Brazil, while it has numerous rules and regulations that partially regulate the sector and its operation, there is no integral legislation and the business is based on contracts in local currency.

The sector is subject to extensive environmental regulations that require environmental impact studies to be made for future projects in order to be approved. The requirement also applies to existing plants to reduce their levels of contamination. It should be emphasized that Endesa-Chile and its subsidiaries have always planned their projects and operations to meet and comply with the environmental regulations of the various jurisdictions in which they work.

A substantial part of the company's operations relate to hydraulic generation. The company is therefore quite dependent on rainfall volumes in the regions and countries in which it operates. In order to reduce the risks related to extreme drought conditions, the company has been redesigning its commercial policy, agreeing to sales commitments in line with the firm energy capacity of its generating plants in a dry year and preferring its best contracts and customers.

The arrival of natural gas in countries where Endesa-Chile operates has increased competition and produced substantial falls in prices. However, the availability of natural gas reduces the effects of drought while not displacing hydraulic generation in normal years, the latter being the most competitive in the market.

While the company has made investments in the electrical sectors of countries with a higher degree of country risk than Chile, which could individually affect some foreign subsidiary, the diversification of investment abroad has enabled Endesa-Chile to reduce its global risk.



Operations in Argentina

ACTIVITIES AND PROJECTS

GENERATION FACILITIES

The generation facilities of the subsidiaries of Endesa-Chile in Argentina and the installed capacity corresponding to each of them is as follows:

INSTALLED CAPACITY (MW)	1999	2000
COSTANERA		
COSTANERA (STEAM)	1,131.0	1,131.0
COSTANERA (COMBINED-CYCLE)	851.0	851.0
CBA		
CBA (THERMAL-ELECTRIC)	320.0	320.0
EL CHOCÓN		
EL CHOCÓN (HYDROELECTRIC)	1,200.0	1,200.0
ARROYITO (HYDROELECTRIC)	120.0	120.0
TOTAL INSTALLED CAPACITY IN ARGENTINA	3,622.0	3,622.0

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	1999	2000
COSTANERA	6,263	6,286
CBA	1,463	1,516
EL CHOCÓN	1,424	2,327
TOTAL GENERATION IN ARGENTINA	9,150	10,129

SALES OF ELECTRICITY (GWh)	1999	2000
COSTANERA	11,105	11,217
CBA	1,669	1,702
EL CHOCÓN	1,869	2,630
TOTAL SALES OF ELECTRICITY IN ARGENTINA	14,643	15,549

CENTRAL COSTANERA S.A.

Central Costanera S.A. carried out a deep restructuring of its business in 2000 which resulted in an important fall in personnel numbers, of around 31 %. As part of the Genesis Plan, the company in April laid off its maintenance and depot management staff and contracted these services from third parties. All these measures permitted the company to reduce its fixed costs by approximately 20 % and improved its operating, commercial and administrative standards.

The rhythm of the company's continual operating improvements seen in previous years accelerated during 2000. The average availability factor of the different generating units reached levels of around 95 %, a very high figure bearing in mind the age of its conventional generating equipment. Similarly, the plant reliability indicator, expressed as the number of power stoppages due to generating unit faults per thousand operating hours, showed a fall of around 57 % compared to the year before.

During the first months of the year, the old steam-turbine generating units were much in demand to compensate the severe drought that affected the country's principal hydroelectric plants. These steam-turbine units were also required to operate at full capacity on several occasions during the winter, burning fuel oil, because of restrictions imposed on the supply of natural gas on some very cold days. These two events evidenced the importance of these units for ensuring customer supplies in different supply shortage scenarios.

On the other hand, the new 851.2 MW combined-cycle unit proved its operating reliability, in contrast to other competing combined-cycle installations. This was in production 92 % of the time despite the three cycle units being out of service for their 16,000-hour general repair, as required by the manufacturers. This combined-cycle installation has been notably reliable: it suffered no internal faults during the year that involved taking the complete cycle out of service and it remained in service during periods of external network disturbances.



CBA Combined-Cycle Thermal Plant- Argentina

This combination of steam generators, that provide supplies in extreme conditions and the new combined-cycle unit that operates reliably and continuously during the year, has enabled Central Costanera S.A. to maintain and consolidate a leadership position in the wholesale electricity market for local supplies.

Exports of electricity began to Brazil in the middle of the year, and Central Costanera S.A. has now become Argentina's largest exporter of electricity, its steam-turbine units covering 750 MW of the 1,000 MW exported. These sales have also enabled the company to stabilize its revenues.

CENTRAL TERMOELÉCTRICA BUENOS AIRES S.A.

The Wholesale Electricity Market (M.E.M.) continued its sustained growth in 2000 despite the context of a general economic recession.

The combined-cycle unit of Central Termoeléctrica Buenos Aires S.A. had high availability in 2000 of 93 %, enabling it to be ready to operate as required by the dispatch center. Despite this, generation for the year was not so high because there were periods of low spot prices when it was not worth generating. The year's production therefore was of 1,516 GWh.

The company's commercial policy in 2000 was to optimize its operating income through a balanced combination of spot and customer sales bearing in mind the fickle nature of spot prices made worse this year by exports to Brazil and restrictions on natural gas supplies during the winter.

[HIDROELÉCTRICA EL CHOCÓN S.A.](#)

During 2000, Hidroeléctrica El Chocón S.A. made a complete restructuring of its administrative area and structure. It also completed the fourth stage of outsourcing maintenance work, begun in 1994, so now all such work is carried out by contractors. Current service contracts were also renegotiated and some cancelled. All these measures have led to a reduction in total fixed costs of around 31 %. In fact, these have fallen by almost 50 % over the past five years.

At the operating level, it produced a high availability and reliability in its installations reflected in a combined availability of the Chocón-Arroyito plants of over 99 %, with just two faults during the whole year among these plants' nine generating units.

A sustained improvement began during the year in water flows into the reservoir following heavy snow and rain-falls throughout the basin. This enabled water levels to return to normal. Low water levels at the start of the year were

the reason why normal generation did not result from the inflows. The result was an increase in the volume of water stored, so the contribution margin was below normal.

In October the International Panel of Independent Consultants carried out an audit as required in the Reservoirs Concession Contract. It examined the El Chocón and Arroyito dams and found that they were in good condition and that the reservoir auscultation program had been carried out successfully.

As resolved by the Extraordinary Shareholders Meeting of January 25, 1999 and the Board of Directors on December 7, 2000, the second installment of the capital reduction was paid on December 20, 2000 for a total of 20 million pesos (Argentine currency).

[CIEN PROJECT – ARGENTINA-BRAZIL POWER INTERCONNECTION](#)

The details of this project appear in the chapter Operations in Brazil

El Chocón Hydroelectric Plant - Argentina





Operations in Brazil

GENERATION FACILITIES

INSTALLED CAPACITY (MW)	1999	2000
CACHOEIRA DOURADA		
CACHOEIRA DOURADA (HYDROELECTRIC)	658.0	658.0
TOTAL INSTALLED CAPACITY IN BRAZIL	658.0	658.0

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	1999	2000
CACHOEIRA DOURADA	3,222	3,406
TOTAL GENERATION IN BRAZIL	3,222	3,406
SALES OF ELECTRICITY (GWh)	1999	2000
CACHOEIRA DOURADA	3,754	3,887
TOTAL SALES OF ELECTRICITY IN BRAZIL	3,754	3,887

ACTIVITIES AND PROJECTS

CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.

The company's assets are located to the south of the city of Brasilia, Brazil and correspond to a 658 MW hydroelectric plant. It has a 30-year concession, which began in September 1997.

In its third year as a private-sector business, the company exceeded its expectations and finished the year with operating income 45 % up on 1999 and a net income \$ 22,607 million, despite a prolonged drought that affected southern Brazil in 2000. The generating units worked efficiently, enabling purchases of energy to supply the distributors to be less than the year before. Fixed costs were reduced following the transfer of part of its personnel to the company CIEN and full use was made of available tax benefits.

There were no great changes in Brazil's electricity regulations, but there are hydrological and devaluation risks present that could affect margins. However, these have been well managed in 2000. The technical problems in the generating units have been resolved with an appropriate preventive maintenance which allowed us to identify problems present in some units since the start of the project, prior to privatization, and which today are fully operative.

CIEN PROJECT – ARGENTINA-BRAZIL POWER INTERCONNECTION

This project, conceived to export energy from Argentina to Brazil, is managed by Compañía de Interconexión Energética (CIEN), an associate company of Endesa-Chile and in which its shareholder Endesa-Spain also has a holding.

The project contemplates two stages, the first already in service consisting of establishing an electricity interconnection to sell firm power and associated energy of 1,000 MW from Argentina to Brazil. This stage started operating on June 22, 2000 and is currently working without problems.

The facilities in service include a 487 km line which splits into a branch of 1 x 500 kV and 134 km long between the Rincón de Santa María substation in Argentina and the Garabí converter station in Brazil, and another branch of 1 x 525 kV and 353 km long between the Garabí converter station and the Itá substation in Brazil. There is also the 50 Hz-60 Hz converter station called Garabí and the expansions of the Rincón de Santa María and Itá substations.

The second stage under development will enable export capacity to be doubled, i.e. to sell firm power of 2,000 MW to Brazil. The works to be carried out are similar to the first stage and start-up is planned for May 2002. An Order to Proceed was given on June 27, 2000 to the ABB Sweden-Brazil consortium for the construction of the line, converter station and enlargement of the terminal substations.

On December 20, 2000 an export permit was received from the Argentine Energy Secretariat covering the sale of an extra 1,000 MW to Brazil. Progress has been made so far with the topographical works and it is planned to start excavation work in January 2001.

The estimated investment in the two stages is approximately US\$ 650 million.



Operations in Chile

Endesa-Chile and its Chilean subsidiaries have generating facilities comprising twenty plants along the Central Grid System (SIC), including an emergency plant, and one plant on the Northern Grid System (SING). Furthermore, the associate company Nopel on the SING had in operation, by the end of December 2000, 75 % of its planned capacity, consisting of four natural gas-fired combined-cycle modules of 185 MW each.

GENERATION FACILITIES OF ENDESA-CHILE AND SUBSIDIARIES

FACILITY	TYPE	SYSTEM	INSTALLED CAPACITY (MW) (1)
HYDROELECTRIC			2,899.0
RAPEL	RESERVOIR	SIC	377.0
CIPRESES	RESERVOIR	SIC	106.0
EL TORO	RESERVOIR	SIC	450.0
CANUTILLAR	RESERVOIR	SIC	172.0
PEHUENCHE	RESERVOIR	SIC	566.0
PANGUE	RESERVOIR	SIC	467.0
LOS MOLLES	RUN-OF-THE-RIVER	SIC	18.0
SAUZAL SAUZALITO	RUN-OF-THE-RIVER	SIC	90.0
ISLA	RUN-OF-THE-RIVER	SIC	68.0
ANTUCO	RUN-OF-THE-RIVER	SIC	320.0
ABANICO	RUN-OF-THE-RIVER	SIC	136.0
CURILLINQUE	RUN-OF-THE-RIVER	SIC	89.0
LOMA ALTA	RUN-OF-THE-RIVER	SIC	40.0
THERMAL-ELECTRIC			1,135.8
HUASCO	COAL-STEAM	SIC	16.0
BOCAMINA	COAL-STEAM	SIC	128.0
TARAPACÁ	COAL-STEAM AND GAS	SING	181.8
DIEGO DE ALMAGRO	TURBOGAS	SIC	23.8
HUASCO	TURBOGAS	SIC	64.2
SAN ISIDRO	NATURAL GAS	SIC	379.0
TALTAL (2)	NATURAL GAS	SIC	243.0
ANTILHUE (3)	EMERGENCY	SIC	100.0
TOTAL POWER			4,034.8

The generation capacity of Endesa-Chile and its subsidiaries in Chile represents 55 % of the total installed capacity for public service in the SIC and 6 % of the SING (23 % with Nopel).

CONTRACTS AND CUSTOMERS

The company is oriented to satisfy the electric power supply of regulated and non-regulated customers of the Central Grid System (SIC) and of the Northern Grid System (SING). In those systems the electric market has experienced annual growths that have reached in the last 6 years average annual ratios of 7.7 % and 16.7 % respectively.

MARKET SHARE

The sales of electricity by Endesa-Chile and its subsidiaries to its SIC customers amounted to 14,910 GWh in 2000, showing a growth of 8.6 % with respect to 1999. This volume represents a share of 53.5 % in the total sales of the SIC. The sales to regulated clients reached 52.1 % of this total, while the sales to non-regulated clients represented 26.0 %, and the sales in the spot market reached 21.9 %.

Also, the sales of electric power of the subsidiary Celta to its clients of the SING amounted to 874.7 GWh during 2000, representing a share of 10.4 % in the total sales of the SING.

During 2000 the electric market in both grid systems has continued showing an aggressive competition among the generation companies. Notwithstanding, Endesa-Chile has maintained its leadership position in the domestic electric market.

(1) Until 1998 Endesa-Chile took into account in this figure as installed capacity of each plant the plate value or the starting power of the machine. Starting in 1999 the normal operation power of each plant informed to the CDEC is included.

(2) The first Taltal plant unit started operating on April 7, 2000 while the second came into service on July 13, 2000.

(3) Continuing with the plan to withdraw the emergency turbines that were installed to alleviate the supply crisis caused by drought in the period 1998-1999, the gas turbines at Los Robles (78.4 MW) and Cabrero (260 MW) plants were withdrawn from the Central Grid System in October 2000. The only emergency units remaining are those at the Antilhue plant (100 MW), and these could be withdrawn in October 2001.

SALE OF TRANSELEC

On October 23, 2000, Endesa-Chile completed the sale of 100 % of the shares of Compañía Nacional de Transmisión Eléctrica S.A. (Transelec) for US\$ 1,076 million. The divestment of this transmission subsidiary, contemplated in the Genesis Project, was made under a public tender, the winning bid being that of the Canadian Group, Hydro Québec International Inc. This transaction produced a net gain of US\$ 225 million.

This process began on February 18, 2000 with the Endesa-Chile board resolution which was advised as a significant event to the authorities. On June 28, 2000, the Endesa-Chile board again advised that it had unanimously agreed to a public and open tender for the sale of 100 % of its shareholding in Transelec and had also contracted the advisory services of the British bank HSBC to carry out the process.

The transaction was designed as a public and open tender in order to ensure transparency and encourage competition, and in such a way that whoever made the best technical-economical offer for the share package would win the tender. The tender documents were acquired by nine companies and stated that the new owner of Transelec should be a well-known transmission systems operator and if bidding in a consortium should have control of at least 51 % of the consortium. In this way, Endesa-Chile, as Transelec's principal medium and long-term customer, has the assurance that the new owner has sufficient experience and independence to operate it efficiently and according to the general interests of the SIC electricity transmission system. It was also assured that the new owner intended to remain over the long term and enjoyed a strong financial position.

On August 29, an extraordinary shareholders meeting of Endesa-Chile approved the Transelec sale process.

Offers were received on October 12, 2000 and the block of shares in Transelec was awarded to Hydro Québec International Inc., which made an offer above the minimum bid price set by the board of Endesa-Chile. The transaction was finally closed on October 23, 2000.

From the financial point of view, the transaction offered advantages such as improving the financial position of Endesa-Chile by prepaying its more onerous borrowings, thus reducing its high leverage levels and its financial expenses: These are a heavy burden when developing its present business and new projects in larger-volume markets and where there are possibilities of developing complementary and related businesses or where large and forthcoming business opportunities are perceived in the unstoppable process of energy integration.

The sale of Transelec also allowed the company to anticipate the government's intentions in its proposals for amending the electricity legislation. It is well known that the authorities intend that no generator may hold more than 10 % of a transmission company. The sale therefore was carried out at a moment when the divestment process could be better controlled and handled, without the pressure of a forced sale under new regulations.



**INSTALLED CAPACITY, GENERATION AND SALES OF ELECTRICITY
OF ENDESA-CHILE AND ITS CHILEAN SUBSIDIARIES**

INSTALLED CAPACITY (MW) (1)	1999	2000
ENDESA-CHILE	2,407.4	2,312.0
PEHUENCHE	695.0	695.0
PANGUE	467.0	467.0
SAN ISIDRO	379.0	379.0
CELTA	181.8	181.8
TOTAL INSTALLED CAPACITY	4,130.2	4,034.8
GENERATION (GWh)	1999	2000
ENDESA-CHILE	6,315	6,706
PEHUENCHE	2,634	3,482
PANGUE	1,565	2,009
SAN ISIDRO	2,285	2,153
CELTA	874	994
TOTAL GENERATION	13,672	15,346
SALES OF ELECTRICITY (GWh)	1999	2000
TO CUSTOMERS BY CONTRACTS:		
ENDESA-CHILE	10,344	10,462
PEHUENCHE	2,322	2,478
PANGUE	1,067	1,242
SAN ISIDRO	-	729
CELTA	627	874
SALES OF ELECTRICITY IN THE SPOT MARKET	1,589	4,301
TOTAL SALES OF ELECTRICITY	15,949	20,086

(1) As of December 31, 1999, the associated company Nopel in the SING had in operation 75 % of the power of the project, which consists of four natural gas combined-cycle modules, of 185 MW each. In 1999 Nopel generated 920.1 GWh and sold 859.2 GWh.

OTHER ACTIVITIES AND ELECTRICITY PROJECTS

The following were the main activities and projects carried out in 2000 :

RALCO PROJECT

The Ralco project is located in the High Biobío River basin some 120 km. to the south-east of the town of Los Angeles and some 30 km. up-stream from the Pangué plant.

The Ralco plant, whose nominal capacity is 570 MW, will contribute annually an average generation of 3,100 GWh to the electricity grid.

Endesa-Chile now has all the necessary permits for the works, receiving the electricity concession from the Ministry of the Economy in 2000.

Works construction was 31 % progressed at the end of 2000, in line with the program for meeting the plant's commissioning by the end of the first half of 2003. Infrastructure works like roads, bridges and electricity feeder line for the works are completed, as also the

diversion tunnel works and excavations of the dam foundations. The massive excavations of the machinery cavern are finished and the turbine pits, pressure water fall and evacuation tunnel are being dug. 2,270 lineal meters of the adduction tunnel have been excavated out of total of 7,180 m. The dam building contract was awarded in July and the river diverted in December. The plant's major equipment is being manufactured and some, like the power transformers, are ready.

Regarding the environmental aspects of the project, work has continued in preparing all the established plans and programs with respect to environmental impact and the project's environmental qualification resolutions.

Compliance with the environmental commitments acquired by Endesa-Chile has been certified by reports by independent auditors to the authorities concerning both ecological aspects and those related to social and cultural matters.

Regarding the agreements with 93 Pehuenche families whose land was affected by the project, final agreements have now been reached with 86 of them. These involve 70





Ralco Project - Chile

cases of exchanges of land and relocation, while the other 16 will remain living in their same areas on unaffected parts of the land. 66 families had been moved to their new lands by December 31, 2000 in order to carry on their economic and cultural activities.

The relocation plan is in full implementation in terms of new plots of land, the construction of community and family infrastructure and all the complementary programs in the production, farming, forestry, social, tourism and cultural areas. This year also saw the first year's harvest of crops on the land of relocated families.

THE TALTAL PLANT PROJECT

During April and July 2000, the first stage of the Endesa-Chile's Taltal plant came into service. This has two 120 MW gas turbines consuming natural gas from Argentina transported by GasAtacama.

PROJECT FOR LINKING THE RALCO PLANT WITH THE SIC

This Endesa-Chile project consists of a transmission system to interconnect the Ralco plant with the Charrúa substation using a 140 km. double-circuit 220 kV line. This

line is in the Biobío region, approximately 125 km. east and 45 km. north of the town of Angeles.

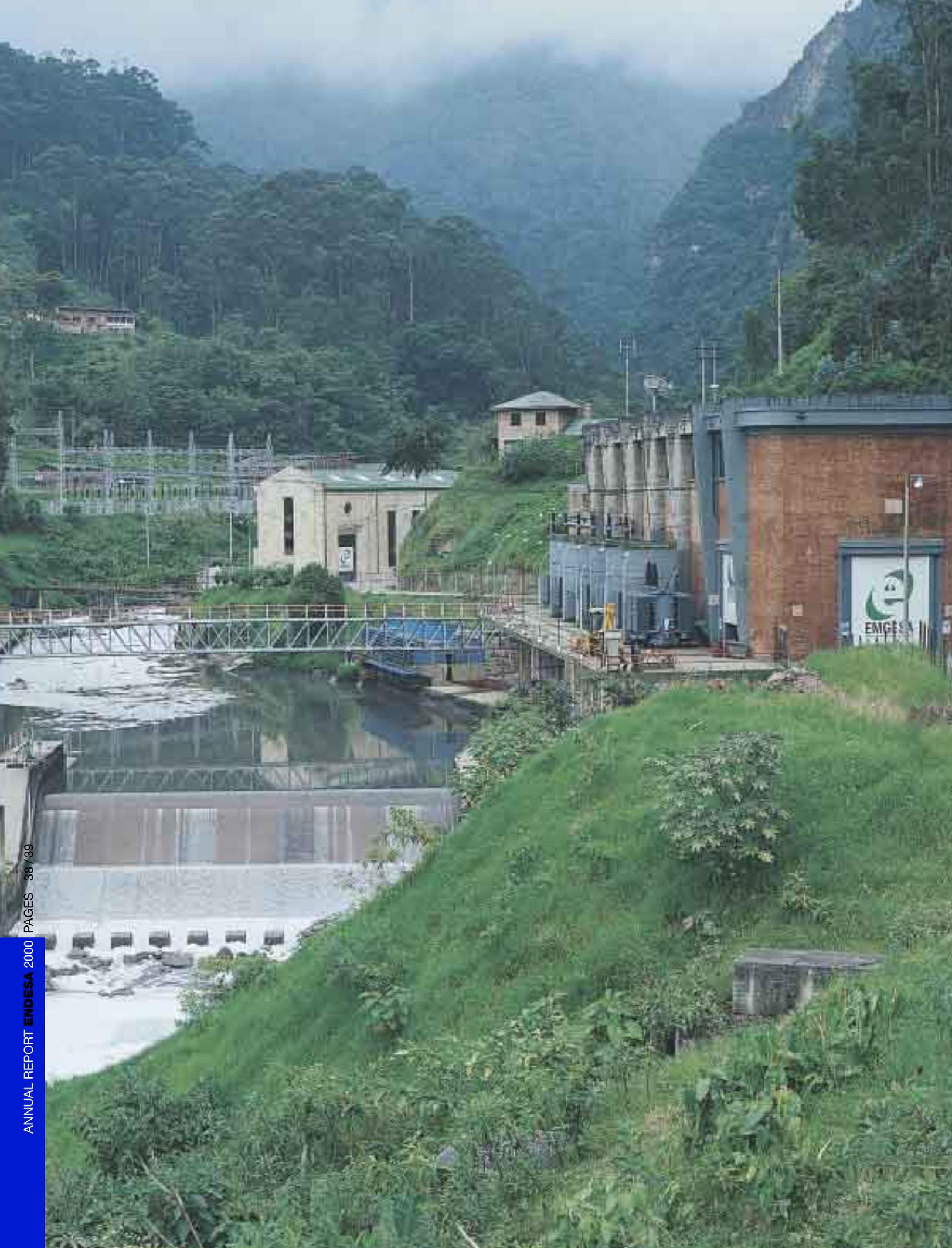
Progress to date includes systems studies, negotiations with owners for obtaining rights of way and the preparation of information for requesting the electricity concession. The start-up of this transmission system is in line with the requirements of the Ralco plant when it is operating.

TALTAL GAS PIPELINE PROJECT

This pipeline started operating in February 2000. It is located between Mejillones (1st Region) and Paposo (2nd Region) and is 229 km. long, divided into two sections. The first links Mejillones and La Negra and is 88 km. in length and 16 inches in diameter, and the other links La Negra and Paposo and is 141 km. long and twelve inches in diameter.

The project belongs to the associate company of Endesa-Chile, Gasoducto Atacama Compañía Ltda.. The purpose of the pipeline is to supply natural gas to the Taltal plant and to industrial, mining and gas distribution customers in the region of Mejillones, Antofagasta and Paposo.

Taltal Thermal Plant - Chile



Operations in Colombia

GENERATION FACILITIES

The generation facilities of the subsidiaries of Endesa-Chile in Colombia and the installed capacity corresponding to each of them is as follows:

INSTALLED CAPACITY (MW)	1999	2000
EMGESA		
GUAVIO (HYDROELECTRIC)	1,150.0	1,150.0
CADENA VIEJA (HYDROELECTRIC SYSTEM)	544.0	544.0
CADENA NUEVA (HYDROELECTRIC SYSTEM)	580.5	580.5
TERMOZIPA (THERMAL-ELECTRIC)	220.0	220.0
BETANIA		
BETANIA (HYDROELECTRIC)	540.0	540.0
TOTAL INSTALLED CAPACITY IN COLOMBIA	3,034.5	3,034.5

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	1999	2000
EMGESA	8,439	7,246
BETANIA	2,459	2,372
TOTAL GENERATION IN COLOMBIA	10,898	9,618

SALES OF ELECTRICITY (GWh)	1999	2000
EMGESA	10,964	10,834
BETANIA	2,503	2,522
TOTAL SALES OF ELECTRICITY IN COLOMBIA	13,467	13,356

ACTIVITIES AND PROJECTS

EMGESA S.A. E.S.P.

This company achieved 95.5 % availability in 2000 in its generating units and forced power failures were reduced by 53 %.

The production management has carried out revisions of generating unit controls and protections at the Darío Valencia and Termozipa plants and achieved a fall in the number of forced power failures. Metering transformers were installed at the commercial borders at Guavio, Laguneta, Colegio, Paraíso and Guaca in compliance with Resolution CREG-091 of 1999. Efficiency tests were made on all Emgesa's generating units.

Although the budgeted level of contracts was not reached in 2000, it managed to sell energy at a better price on the market in view of the vulnerability of the national grid system (terrorist attacks on transmission pylons) which required a greater generation. Full advantage was taken of this situation, obtaining a higher income from less generation.

The average market price in 2000 was approximately 9.58 mills/kWh, more than double that in 1999, largely due to the system's condition as explained above.

The Bankwatch credit-rating agency maintained its AAA rating for the company's bonds in 1999.

Works were begun to reduce the environmental impact of the Muña reservoir. The Emgesa Foundation, in its first year of operations, has supported 34 social projects with an amount of US\$ 295,000.

CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.

This plant achieved a real availability of 96.8 % in 2000, a 1.8 % improvement over 1999. Forced power failures due to internal causes were reduced by 50 %.

In a strategic alliance with Codensa, it won an open tender for Propal for the period August 2000 to December 2003. Codensa will build a 30 MVA at 115 kV substation for US\$ 1.5 million and Betania will supply the energy.



Operations in Peru

GENERATION FACILITIES

The generation facilities of the subsidiaries of Endesa-Chile in Peru and the installed capacity corresponding to each of them is as follows:

INSTALLED CAPACITY (MW)	1999	2000
EDEGEL		
HUINCO (HYDROELECTRIC)	247.3	247.3
MATUCANA (HYDROELECTRIC)	128.6	128.6
CALLAHUANCA (HYDROELECTRIC)	74.4	74.4
MOYOPAMPA (HYDROELECTRIC)	64.7	64.7
HUAMPANI (HYDROELECTRIC)	30.2	30.2
SANTA ROSA (THERMAL-ELECTRIC)	261.0	261.0
YANANGO	-	42.0
CHIMAY	-	149.0
TOTAL INSTALLED CAPACITY IN PERU	806.2	997.2

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	1999	2000
EDEGEL	2,950	3,623
TOTAL GENERATION IN PERU	2,950	3,623

SALES OF ELECTRICITY (GWh)	1999	2000
EDEGEL	2,999	3,604
TOTAL SALES OF ELECTRICITY IN PERU	2,999	3,604

ACTIVITIES AND PROJECTS

EDEGEL S.A.

Edegel in 2000 completed the Chinango project consisting of the construction of two hydroelectric plants, Yanango (42 MW) and Chimay (149 MW), and a 220 kV transmission line linking both plants to the National Grid System.

Yanango is run-of-the-river plant on the river Tarma, 280 km. north-east of Lima. The Chimay plant is located 320 km. north-east of Lima and takes water from the river Tulumayo.

Yanango started its commercial operations in February 2000 while Chimay began in October. Both were inaugurated on November 2, 2000. The Chinango project involved a total investment of approximately US\$ 200 million and is expected to contribute about 1,100 GWh annually on average.

To finance the Chinango construction, Edegel made a bond issue between 1999 and 2000 in four separate tranches totaling US\$ 110 million. Each tranche was well oversubscribed, the investors being pension fund managers (AFPs), government funds, mutual funds, banks' treasury departments, insurance companies and various institutions.

With the commissioning of the Yanango and Chimay plants, Edegel has become the largest generator in Peru, with an installed capacity exceeding 1.000 MW.

Other Businesses

INGENDESA

Ingendesa in 2000 participated in large investment projects, particularly in energy, infrastructure, mining, public works and telecommunications, through services provided to both Group and unrelated companies.

The principal services provided to related companies included designing the details and inspection of the construction of the Ralco hydroelectric plant; advice and administration of the construction of the Taltal thermal plant and the related transmission system, for Endesa-Chile; design engineering services for the SING expansion project, engineering and management support services for the construction and electrical supply of the El Tesoro mine and a study for the improved reliability of the Atacama plant, for Nopel; multi-disciplinary engineering and management support services for the construction of the Los Libertadores highway; ISO 14000 environmental management advisory services, for San Isidro; design services for the expansion of distribution substations, for Chilectra, and design services and the technical inspection of mobile telephone network works, for Smartcom.

Services provided to unrelated companies included civil and mechanical engineering services for the Costanera Norte project, for Concesionaria Costanera Norte; the study and design of the reactors system and design of the expansion of the Domeyko substation, for Minera Escondida; various engineering and management services, for Codelco's Andina Division; preparation of a master plan for controlling rain waters in the city of Chillán and advice on the fiscal inspection of the Laja Diguillín project, for the Ministry of Public Works; technical inspection of the south Santiago sewage treatment plant, for Emos; detailed design of the western extension of Line 5 of the Santiago metro-train system, for El Metro; technical inspection of the Quillayes tailings barrage

works, for Minera Los Pelambres, and the basic design of the Lago Atravesado plant, for Edelaysen.

An important event abroad in 2000 was the decision to form the subsidiary Ingendesa Do Brasil, management and supervisory services for the San Gabán hydroelectric plant works, support for Edegel in the construction of the Yanango and Chimay hydroelectric plants, the basic engineering for diverting the river Asana as part of the Quellaveco project of Compañía Minera Mantos Blancos, in Peru; supervision of the construction of the Angostura hydroelectric plant, in Costa Rica; management and technical inspection services for Argentina – Brazil electricity interconnection project; specialized advice for the evaluation of EPC contracts and related studies in connection with UTE Norte Fluminense, Macae and Dunas thermal projects, in Brazil.

TÚNEL EL MELÓN S.A.

A total of 1,122,243 vehicles used the tunnel installations of Túnel El Melón S.A. in 2000. This represented almost nil growth compared to 1999, largely explained by a generalized reduction in road journeys as a result of the severe economic restrictions of Chilean homes.

Of the total vehicles, 67 % were light vehicles and vans, and 33 % buses and trucks.

There were no changes in toll charges in 2000. However, actions continued in an effort to increase the number of users, and discount systems were introduced for frequent users, both for freight and passenger traffic.

SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.

The concession consists of the design, construction and exploitation of the 108 km.-long Santiago-San Antonio highway, at restricted-highway standard. The new highway involves improving the existing surface and accesses, with no route change in the section Malloco - Leyda; a new two-lane 24 km.-route in the Santiago-Malloco urban section; modification of the route adding two-lane roadway between Leyda and Agua Buena; fly-overs at intersections, a reduction in the number of accesses and the introduction of complementary services like service stations, telephones, toilet facilities, truck parking facilities, restaurants, etc.

Work began on the inter-urban section in April 1997. On August 21, 1999, the Ministry of Public Works granted a provisional reception of all the works. This enabled the operation and toll collection on the urban section to be transferred to the concessionaire. The complete operation of the highway has therefore been carried out by Sociedad Concesionaria Autopista del Sol S.A. throughout 2000.

Regarding the project works, still pending are some committed to under the Complementary Agreement N°1, which includes the construction of bus stops, pedestrian walkways, and access and toll-gate at El Monte. The modified Malloco access also has to be built as well as other minor works, whose incorporation in the Concession

Contract will be formalized through a complementary agreement to be signed with the Ministry of Public Works.

Vehicle flow in 2000 was 15,886,437 vehicles.

AUTOPISTA LOS LIBERTADORES PROJECT

The project consists of the widening and improvement of the present General San Martín highway, approximately 90 km. long, and involving the construction of a two-lane highway and access roads between Santiago and Colina, a Colina two-lane by-pass between Peldehue and Casas de Chacabuco and a one-lane Los Andes by-pass. It also includes the improvement and resurfacing of the Chacabuco tunnel.

The main project works were finished in 2000, permitting the Ministry of Public Works to authorize the operating of the inter-urban section (Colina-Los Andes) in August. This meant that the company became responsible for operating the Chacabuco tunnel and collecting tolls there. The urban section (Santiago-Colina) came into service in September. Only certain complementary works remain pending, like the Américo Vespucio intersection and the San Luis toll-gate.

The vehicle flow during the last four months of 2000 was 1,957,666 vehicles.

"Autopista del Sol" Highway - Chile



Investments

During 2000 Endesa-Chile and its subsidiaries invested a total equivalent to US\$ 223.38 million, according to the following detail:

COMPANY	INVESTMENTS (MILLION DOLLARS)
IN ARGENTINA	
CENTRAL COSTANERA S.A.	9.17
CENTRAL TERMOELÉCTRICA BUENOS AIRES S.A.	-
HIDROELÉCTRICA EL CHOCÓN S.A.	0.12
TOTAL INVESTMENTS IN ARGENTINA	9.29
IN BRAZIL	
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	1.34
TOTAL INVESTMENTS IN BRAZIL	1.34
IN CHILE	
ENDESA-CHILE	99.63
PEHUENCHE S.A.	0.01
PANGUE S.A.	0.04
CELTA	0.18
SAN ISIDRO S.A.	0.27
INGENDESA	0.00
TÚNEL EL MELÓN S.A.	-
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.	-
AUTOPISTA LOS LIBERTADORES S.A.	45.29
TOTAL INVESTMENTS IN CHILE	145.42
IN COLOMBIA	
EMGESA S.A.	5.04
CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	0.54
TOTAL INVESTMENTS IN COLOMBIA	5.58
IN PERU	
EDEGEL S.A.	56.49
TOTAL INVESTMENTS IN PERU	56.49
TOTAL PURCHASES OF SHARES	218.12
TOTAL FINANCIAL INVESTMENTS	5.26
TOTAL INVESTMENTS	223.38

Financial Activities

FINANCIAL ANALYSIS OF 2000

The consolidated financial statements of Endesa-Chile, for the period ended December 31, 2000, incorporate all of the company's Chilean subsidiaries, as well as its Argentinean subsidiaries Hidroeléctrica El Chocón S.A.; Central Costanera S.A. and Central Buenos Aires; its Colombian subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa; its Brazilian subsidiary Centrais Elétricas Cachoeira Dourada S.A.; and its Peruvian subsidiary Edegel. Financial statements as of December 2000 do not include Transelec, a Chilean transmission company sold during fourth quarter of 2000.

Net income as of December 31, 2000 was Ch\$ 108,223 million, compared with a loss of Ch\$ 185,040 million in 1999. The increase in net income is basically explained by:

- The sale of the transmission company Transelec during last quarter 2000.
- An important decrease in fixed costs and sales and administration expenses which was the result of the Company's cost cutting program.
- An increase in operating results due to improved hydrologic conditions in all the countries where Endesa-Chile operates.
- Reduced impact from price-level restatement related to the devaluation of the Chilean peso and additional earnings related to forward contracts that were taken to avoid the effect of the volatility of the exchange rates.
- Economic recovery in the countries where Endesa-Chile operates, as well as increased levels of demand.

Concerning the company's investment program during the

period, Endesa-Chile has continued with the 570 MW Ralco hydroelectric power plant. Start-up, according to the Chilean National Energy Commission (CNE), is scheduled for July 2003.

Chile's 240 MW Taltal power plant and the gas pipeline connecting Mejillones and Taltal are operational, supplying energy in the Northern part of the Central Interconnected System.

In Peru, Yanango, a 42 MW hydroelectric power plant, began operations in February 2000 while Chimay, a 140 MW hydroelectric power plant, became operational in October 2000.

Additionally, the interconnection line between Argentina and Brazil, operated by Compañía de Interconexión Energética (CIEN), a consortium in which Endesa-Chile has a 45 % participation, began commercial operations on June 21, 2000. During third quarter 2000, dispatch interconnection line levels were at full capacity. They decreased during fourth quarter due to better hydrologic conditions in southern Brazil. The operation of a second line is expected to begin in 2002 and the consortium is studying the market to negotiate better contracts in the future.

It is worth noting that the sale of Transelec on October 12, 2000, was successful and the transfer of shares and payment took place on October 23, 2000 effectively closing the bidding process, which opened June 28, 2000.

Hydro Québec International Inc. of Canada paid US\$ 1,076 million for Transelec, which included 100 % of Transelec's shares, as well as all of its inter-company debt with Endesa-Chile.

Revenues generated from the bidding process for Transelec allowed Endesa-Chile to reduce liabilities by approximately US\$ 1.0 billion. In addition, the sale netted profits of approximately US\$ 225 millions.

Average regulated node prices in the SIC were set at US\$ 33.10 per MWh (monomic price) by the National Energy Commission on October 24, 2000. The figure is up 17.2 % compared with the price set in October 1999.

Significant decreases have been made as a result of the company's cost cutting program, as well as important improvements in its efficiency ratios. During the period, consolidated ratios of MW per employee and GWh per employee increased 37.5 % and 41.3 % compared to 1999, respectively.

Operating income increased 43.6 % to Ch\$ 251,362 million in 2000 from Ch\$ 175,096 million in 1999, primarily due to an increase in operating income from operations in Chile, Brazil, Colombia and Peru which is mainly explained by improved hydrologic conditions and an important reduction in operating cost. The improvements were partially offset by the decrease in operational results recorded in Argentina.

In Argentina, operating income from Central Costanera totaled Ch\$ 36,541 million during 2000, a drop of Ch\$ 31,100 million compared with the same period in 1999. This was basically due to a decrease in the average sale prices caused by the ending of the contracts with distribution companies Edenor and Edesur, and higher operating costs that were caused by a lack of gas that affected the Argentinean system during this period. Hidroeléctrica El Chocón S.A. improved its operating income from a loss of Ch\$ 1,727 million to a gain of Ch\$ 9,051 million. The improvement was due in large part to greater rainfall.

In Brazil, operating income at Cachoeira Dourada increased 45.0 % from Ch\$ 20,279 million in 1999 to Ch\$ 29,398 million in 2000. This increase was primarily due to a 5.7 % increase in energy production and a 14.2 % increase in average sales prices which resulted from an increase in generation tariffs in the second half of 1999, as well as greater stability in the Brazilian real compared to the same period of 1999.

In Chile, operating income totaled Ch\$ 63,593 million during 2000 compared to Ch\$ 9,588 million in the corresponding period in 1999. This increase was due to a 25.9 % increase in physical sales that resulted from a greater hydroelectric production as well as increases in demand in 2000. The increase was partially offset by a 12.6 % decline in average sale prices during 2000 compared to 1999 because of higher spot sales. Improved hydrologic conditions in 2000 allowed the

Company to increase hydroelectric production by 42.6 %, reducing energy purchase costs and fuel by Ch\$ 50,251 million.

In Colombia, operating income at Betania, which is consolidated with Emgesa, increased in 2000 to Ch\$ 61,456 million from Ch\$ 41,151 million in 1999. The improvement was due to the decrease in operating costs that resulted from lower transmission cost and lower energy purchase costs because of increased rainfall.

In Peru, Edegel also contributed to the increase in consolidated operating income, which increased 34.5 % from Ch\$ 38,165 million in 1999 to Ch\$ 51,323 million in 2000. This was primarily due to an increase in generation sales that resulted from heavy rainfall, higher average prices on energy sales resulting from higher fuel prices and the new 182 MW hydroelectric capacity that started operations during 2000.

The non-operating results for 2000 was a loss of Ch\$ 33,972 million which compares favorably with the loss of Ch\$ 330,179 million in 1999. This is basically explained by Ch\$ 114,824 million gain on the sale of shares in Transelec; Ch\$ 58,120 million gain on the sale of transmission lines to Transelec; Ch\$ 73,278 million of reduced loss for price-level restatements, Ch\$ 26,483 million of book profit on dollar hedging operations and Ch\$ 12,272 million of extraordinary income in Hidroeléctrica El Chocón for recognizing contributions to Cammesa for financing the fourth Comahue line. The non-operating results includes Ch\$ 26,858 million of greater financial expenses mainly due to higher interest rates.

RISK RATING

The credit rating for Endesa-Chile's domestic bonds at December 31, 2000 by Fitch-IBCA Chile and Humphreys Ltda. is AA+. The ratings of Endesa-Chile's external debt are: Standard & Poor's A-, Moody's Baa1, and Duff & Phelps A-.

COVERAGE OF CURRENCY RISK

Within an environment of high volatility of the US dollar during 2000, the company has pursued its policy of partially covering its dollar liabilities in order to soften the

effects of exchange rate fluctuations on its results. At December 31, 2000, the company had taken out US dollar-UF forward contracts totaling US\$ 706 million.

Endesa-Chile also maintained its policy of covering exchange rate fluctuation risks on currencies other than the dollar by using currency swaps. Of particular note was the dollar-euro swap that was contracted at the same time as the first issue of Eurobonds for an amount of euro 400 million.

INSURANCE

The insurance program, covering Endesa-Chile and its subsidiaries was awarded in June 2000. Bids were invited from the main regional insurance brokers for the new insurance program. This resulted in the award of the following insurance covers:

- All-risk over physical assets and business interruption up to US\$ 400 million to protect the generating plants and main transforming substations against earthquakes, avalanches, fire, explosions, terrorism, floods, etc.
- Equipment breakdown and loss of profits up to US\$ 100 million to protect the principal plant production and substation machinery and equipment against operating faults, short circuits, breakage of parts, material fatigue and mechanical faults in general.
- Extra-contractual civil liability up to US\$ 150 million to cover the company for damages its business may cause to third parties and which it is forced to indemnify.

The company also has insurance cover for sea, air and land transportation of machinery, equipment and inputs, life insurance for its personnel traveling, and those that current legislation obliges it to have.

INCREASE IN CAPITAL OF ENDESA-CHILE

At the Extraordinary Shareholders Meeting held on June 24, 1999, a capital increase was approved, by issuing paying shares, with the purpose of obtaining funds in order to finance the company's investment plan. The issuance of 1,733,245,420 shares without face value, of one and only series, equivalent to 17.45 % of the capital

shares of the company was registered at the Record of Securities of the Superintendency of Securities and Insurances, under N° 581, on September 23, 1999, and its placing maturity ends on June 24, 2002. It has not been felt necessary to make the placement to date but this will be done as and when our future investment program requires.

BORROWING

The company's investment program has required financing by both the parent company and its subsidiaries in Chile and abroad. The company's debt ratio at consolidated level, being Debt to Shareholders' Equity plus Minority Interest has fallen from 1.46 in 1999 to 1.24 in 2000. Changes in the company's debt level during 2000 reflected improved conditions and reduced net borrowings.

The main financing activities of the company occurred during 2000 are as follows:

In February 2000, Endesa-Chile, through its Cayman Islands Agency, refinanced a loan from Citibank N.A. for a total of US\$ 70 million with a reduction in the Libor spread from 1.15 % to 0.75 % and the extension of its term, on conditions similar to those of the Genesis Plan credits arranged from mid-1999 onwards.

In April 2000, Endesa-Chile Overseas Co. signed a loan agreement with Bank of America to refinance and extend the term of a debt of Endesa-Chile for US\$ 50 million with a subsidiary of Bank of America (Investamerica S.A.), bringing its conditions into line with the Genesis Plan credits.

In May, Endesa-Chile Overseas Co. refinanced a loan of US\$ 25 million of Endesa-Chile with Paribas, as agent bank, on more favorable conditions and with funds from a new syndicated loan for US\$ 50 million, whose agent is Banco San Paolo IMI S.p.A. This was later increased by US\$ 20 million.

In July, Pangué S.A. decided to prepay the balance of a loan from Eksportfinans for approximately US\$ 3.8 million in order to reduce the cost of its debt.

Partial prepayments were also made to individual loans totaling US\$ 340 million from the proceeds of a bond issue of 400 million euros that Endesa-Chile Overseas Co. placed in Europe at three years term and with a spread over Euribor of 0.8 %.

In late October, Endesa-Chile and some subsidiaries began to reduce their debts by a total of US\$ 1,075 million, with the following prepayments made from the proceeds of the sale of Transelec:

Credit prepaid	Principal prepaid	Kind
Chase Manhattan Bank	US\$ 156.1 million	Total
Dresdner Bank Luxembourg	US\$ 180.0 million	Total
Banco Santander-Chile	US\$ 27.0 million	Total
Banco Santander Central Hispano	US\$ 104.0 million	Partial
Citibank, N.A.	US\$ 83.0 million	Partial
HSBC	US\$ 49.0 million	Partial
Paribas	US\$ 80.0 million	Total
Bank of America	US\$ 40.0 million	Total
revolving credit facility with Enersis	US\$ 356.0 million	Total

The subsidiary Autopista los Libertadores S.A., whose investment was consolidated with Endesa-Chile in October 2000 following the start of its commercial operations, shows a debt of US\$ 81.3 million at December 2000. This corresponds to a short-term credit in UF expiring on December 31, 2001 granted in equal proportions by Banco de Chile and Banco Santiago. Interest will be capitalized quarterly and the interest rate has fluctuated between TAB + 1.5 % and TAB + 1.93 %.

Concerning the foreign subsidiaries, Edegel produced a net increase in debt in 2000 of US\$ 49 million approximately, from the following sources:

1. It made three bond issues whose proceeds were used to complete the Yanango and Chimay projects and refinance its liabilities:

- The second issue was made on February 15, 2000 for US\$ 30 million at seven years and at an effective annual interest rate of 8.41 %.

- The third issue was made on June 14, 2000 for US\$ 30 million at seven years and at an effective annual interest rate of 8.75 %.

- The fourth issue was made in November 22, 2000 for US\$ 20 million at five years and at an effective annual interest rate of 8.44 %.

2. On June 15, 2000, a syndicated loan agreement was signed with Citibank-BankBoston-BBVA Continental for US\$ 110 million at 5 years and with an average interest rate of Libor + 219 bps. The proceeds were used to repay a syndicated loan for US\$ 55 million (Citibank-BankBoston-BBVA) and a loan of US\$ 63.7 from J.P. Morgan.

Edegel also rescheduled its debt of US\$ 50 million with Banco de Crédito at a rate of Libor (3 months)+1.5 %, thus obtaining a 1 % reduction in the annual interest rate.



Dividend Policy

The Shareholders Meeting held on April 5, 2000 was informed of the Board's intention to distribute a dividend for 2000 amounting to the equivalent of 75 % of net income for the year, after taxes and adjustments for the accounting effects of goodwill and negative goodwill of investments in Chile and abroad, and after adjustment of retained losses from previous years.

For 2000 the Board has no intention of distributing interim dividends against net income for the year. Instead, the Board wants to propose a definitive distribution as mentioned above, to the Shareholders Meeting that will be hold on April of 2001.

Compliance with the above program will depend on the net income actually produced and also on the results of the periodic projections made by the company, on the effect of applying the covenants, as the case may be.

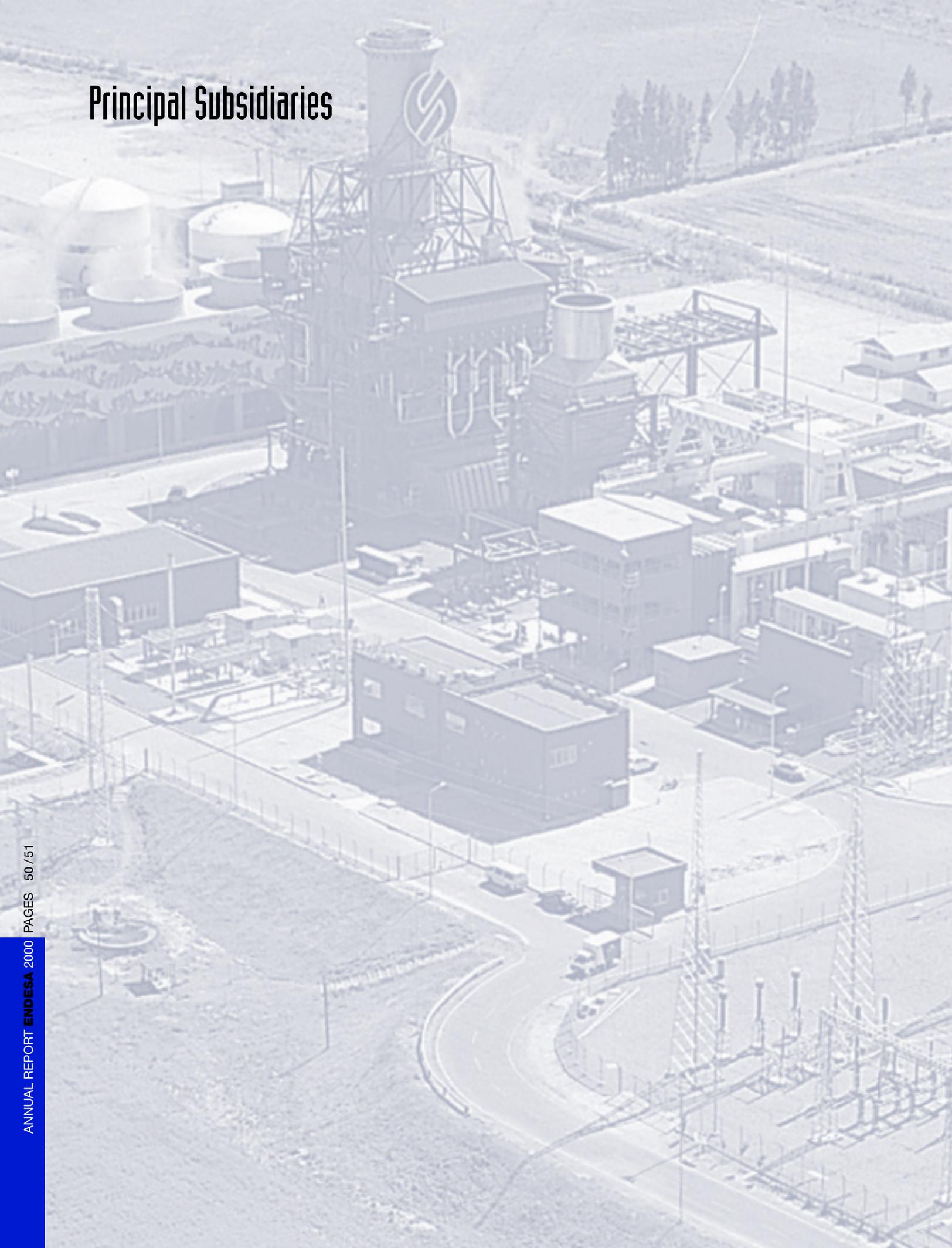
It should be mentioned that, for the Shareholders Meeting to be held in April 2001, the management of Endesa-Chile will propose to shareholders the distribution of just 30 % of the net income for the year 2000 as this does not represent recurring profits and in order to reinforce the company's financial position and have more funds available to cover future projects.

DIVIDENDS DISTRIBUTED OVER LAST FIVE YEARS

	DIVIDEND PER SHARE		
	CHILEAN PESOS OF	CONSTANT CHILEAN	DIVIDEND / EARNINGS
	EACH YEAR	PESOS AS OF	RATIO
		DECEMBER 31, 2000	
1996	17.05117	20.36658	100
1997	11.74800	13.28367	100
1998 (1)	2.06200	2.19561	
1999 (1)			
2000 (1)			

(1) No interim dividends were paid during 1998, 1999 and 2000.

Principal Subsidiaries



CENTRAL COSTANERA S.A.

Costanera is a publicly traded electricity generation company located in Buenos Aires, Argentina, with a 1,131 MW capacity oil and gas-fired generation facility and a 851 MW capacity natural gas combined-cycle facility, that came into service in December 1998.

Endesa-Chile acquired a 24 % interest in Costanera in 1992, when Costanera was privatized by the Argentine government. In 1995, the Company increased its beneficial ownership. Endesa-Chile is the operator of Costanera under an operating agreement which was signed in December 1992 and expires in May 2002. It provides for an annual fee payable to Endesa-Chile.

Since commencement of the Company's operation of Costanera, the Company has implemented programs to increase operating efficiency.

Endesa-Chile, through its subsidiary Endesa Argentina owns 51.67 % of Costanera and Costanera holds 53.15 % of the share capital of CBA.

The Company's generation reached 6,286 GWh and total electricity sales reached 11,217 GWh in 2000.

CENTRAL TERMOELÉCTRICA BUENOS AIRES S.A. (CBA)

This company was formed to develop and operate the first combined-cycle thermal plant in Argentina. In September 1995, CBA began operations using an open cycle process with a new 220 MW turbine. In February 1997, CBA commenced commercial operation with a 120 MW turbine owned by Costanera in combined-cycle with the 220 MW turbine installed previously by CBA. The combined-cycle operations have an effective capacity of 320 MW.

Endesa-Chile's direct and indirect holding in this company is 53.15%.

During 2000 total generation was 1,516 GWh and total sales of electricity were 1,702 GWh.

HIDROELÉCTRICA EL CHOCÓN S.A.

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

Endesa-Chile operates El Chocón for a fee pursuant to an operating agreement with a term equal to the duration of the concession, which is not terminable by the company, for a period of five years from its effective date.

Endesa-Chile's indirect holding in Hidroeléctrica El Chocón S.A. is 47.45 %, through its subsidiary Hidroinvest S.A.

During 2000, total generation was 2,327 GWh and total electricity sales were 2,630 GWh.

CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.

The Brazilian company is located in Goiás state, south of Brasília. It consists of a run-of-the-river hydroelectric plant with a total installed capacity of 658 MW.

In September, 1997, a consortium comprising Endesa-Chile, with 81.94 % and the Peruvian associated Edegel, with 18.06 % was awarded 79.36 % of the share capital of Centrais Elétricas Cachoeira Dourada S.A. In December 1997, the 0.47 % balance of shares not taken up by employees was acquired by the company. In the years 1998 and 2000, Endesa-Chile, through its subsidiary Lajas Holding Inc., increased its indirect holding in Centrais Elétricas Cachoeira Dourada S.A. Endesa-Chile is the operator of the plant.

Endesa-Chile's indirect holding in Centrais Elétricas Cachoeira Dourada S.A. is 91.8 %, through its subsidiary Lajas Holding Inc.

During 2000, total generation was 3,406 GWh and total electricity sales were 3,887 GWh.

PEHUENCHE S.A.

Pehuenche, a generation company connected to the Central Grid System (SIC) owns three hydroelectric facilities south of Santiago in the high-rainfall hydrological basin of the Maule river. Its 566 MW Pehuenche plant started operating in 1991; its 89 MW Curillinque plant started up in late 1993 and its 40 MW Loma Alta plant started operating in August 1997. In 2000 total generation was 3,482 GWh and total electricity sales were 3,809 GWh.

Endesa-Chile holds 92.55 % of the share capital of Pehuenche.

PANGUE S.A.

The Company was formed to construct and operate the 467 MW installed capacity Pangué hydroelectric power station on the Bío-Bío river. The synchronization of the first unit was on October 31, 1996, while the synchronization of the second one was on February 3, 1997. During 2000, total generation was 2,009 GWh and total electricity sales were 2,203 GWh.

Endesa-Chile holds 92.48 % of the share capital of Pangué S.A

COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA)

This company was formed in November 1995 to construct and operate the 182 MW coal fired thermal plant in the Northern Grid System (SING). During 2000, total generation was 994 GWh and total electricity sales were 991 GWh.

Celta is a 100 % owned subsidiary of Endesa-Chile.

COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A.

The company was formed in February 1996 to construct and operate a 379 MW combined-cycle thermal plant in Quillota in the Fifth region. The plant began commercial operations in October 1998. During 2000, total generation was 2,153 GWh and total electricity sales were 2,429 GWh.

Endesa-Chile holds 75 % of the share capital of San Isidro. The other shareholder is Entergy.

INGENDESA

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

Since its creation, Ingendesa has been consolidating its position as one of the principal consulting firms in the Chilean electrical industry, with a large share in the design and inspection of Chile's largest electricity generation and transmission projects. It has also diversified into new business areas.

Ingendesa is a 96.4 % owned subsidiary of Endesa-Chile.

TÚNEL EL MELÓN S.A.

Túnel El Melón S.A. was formed in July 1993 to construct and manage the public road tunnel called Túnel El Melón, under a 23 year concession. It includes 3.3 km of access roads and a tunnel approximately 2.5 km long. It is located 130 km north of Santiago. It was the first infrastructure concession granted by the Chilean state.

Commercial operation of the tunnel began in September 1995.

Endesa-Chile owns 99.95 % of this company.

SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.

This company was formed to construct and manage the Santiago-San Antonio Highway N° 78 under a 23 year concession. The highway is 108 km long. The first section between Malloco and San Antonio began its operation in April 1997, while the section Santiago-Malloco began its operations in January 1998.

On August 21, 1999, the Ministry of Public Works granted a provisional reception of all the works.

Endesa-Chile has a 60.04 % holding in this subsidiary.

AUTOPISTA LOS LIBERTADORES S.A.

The objective of this company is the construction and management of the Santiago-Colina-Los Andes Highway under a 28-year concession.

The project consists of the widening and improvement of the present road over approximately 90 km and includes the construction of double-lane by-pass and service roads, as well as service improvements and repairs to the Chacabuco tunnel and repaving and maintenance of some roads. The main project works were finished in 2000, permitting the Ministry of Public Works to authorize the operating of the inter-urban section (Colina-Los Andes) in August. This meant that the company became responsible for operating the Chacabuco tunnel and collecting tolls there. The urban section (Santiago-Colina) came into service in September 2000.

Endesa-Chile's indirect share holding in this company is 58.36 %.

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

On September 15, 1997, Central Hidroeléctrica de Betania, through its subsidiary Inversiones Betania S.A. and in association with Endesa Desarrollo S.A. of Spain, was awarded control of the generating company Emgesa, with 48.48 % of the shares. Emgesa has a total installed generating capacity of 2,495 MW, of which 2,275 MW is hydroelectric and 220 MW thermal generated.

Endesa-Chile's indirect holding in Emgesa is 22.41 %.

During 2000, total generation was 7,246 GWh and total sales were 10,834 GWh.

CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P. (BETANIA)

Betania is a hydroelectric generation facility and it is located at the intersection of the Magdalena and Yaguará rivers, in the southwest of Colombia.

In December 1996, a consortium comprising Endesa-Chile, with 75 % and the Colombian company Corfivalle, with the remaining 25 %, was awarded 99.9 % of the share capital of Central Hidroeléctrica de Betania S.A.

In 1997, following a program of operating improvements introduced, the capacity of the plant was increased from 510 to 540 MW.

Currently Endesa-Chile owns 85.62 % of Betania.

During 2000, total generation was 2,372 GWh and total sales were 2,522 GWh.

**EMPRESA DE GENERACIÓN ELÉCTRICA DE LIMA
S.A. (EDEGEL)**

Edegel is an electricity generation company that owns seven hydroelectric plants (Huinco, Matucana, Callahuanca, Moyopampa and Huampani, Yanango and Chimay) and one thermal plant (Santa Rosa), with a combined installed capacity of 997.2 MW.

Edegel in 2000 completed the construction of two hydroelectric plants, Yanango (42 MW) and Chimay (149 MW), and a 220 kV transmission line linking both plants to the Peruvian system.

Endesa-Chile has a 37.90 % share in this indirect subsidiary.

During 2000, total generation was 3,623 GWh and total electricity sales were 3,604 GWh.

Principal Associated Companies



**COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA
S.A. (CIEN)**

This Brazilian company is responsible for trading electricity in the Brazilian market and for the operation of the whole transmission system on the Brazilian side of the Brazil-Argentina interconnection project.

Endesa-Chile has a 45.00 % share in this company.

ELECTROGAS S.A.

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

Endesa-Chile has a 42.5 % share in this company. The other shareholders are Colbún S.A. and Enap.

***GASODUCTO ATACAMA COMPAÑÍA LTDA.
(GASATACAMA)***

Gasoducto Atacama Compañía Ltda. was formed with the purpose of transporting natural gas both within Chile and abroad, including the construction and placing of pipelines and any other related activities.

Endesa-Chile has a 50 % share in this company.

***NOR OESTE PACIFICO GENERACION DE ENERGÍA
LTDA. (NOPEL LTDA.)***

The purpose of this company is the generation, transmission, purchase, distribution and sale of electric energy in the Northern Grid System.

Endesa-Chile has a 50 % share in this company.

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