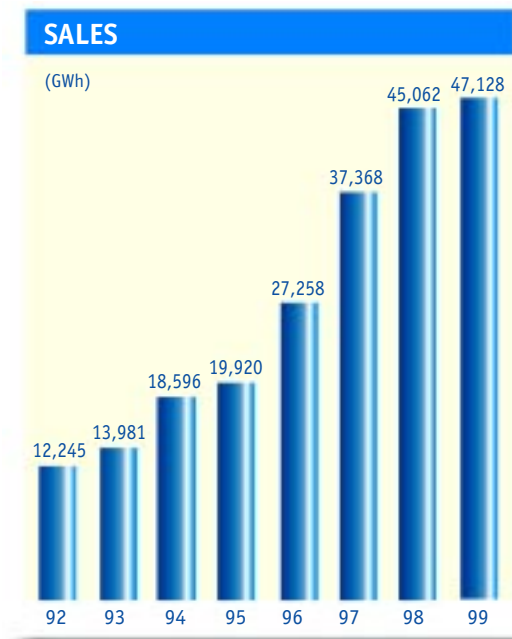
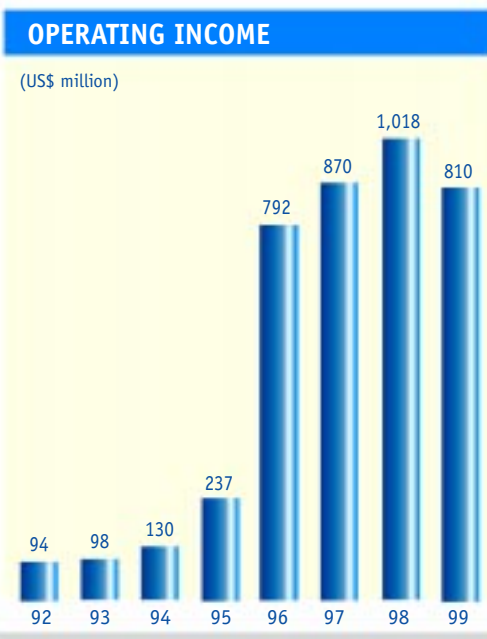
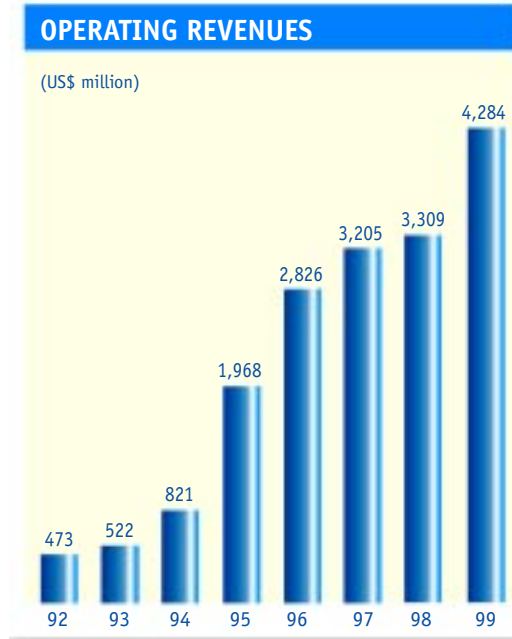
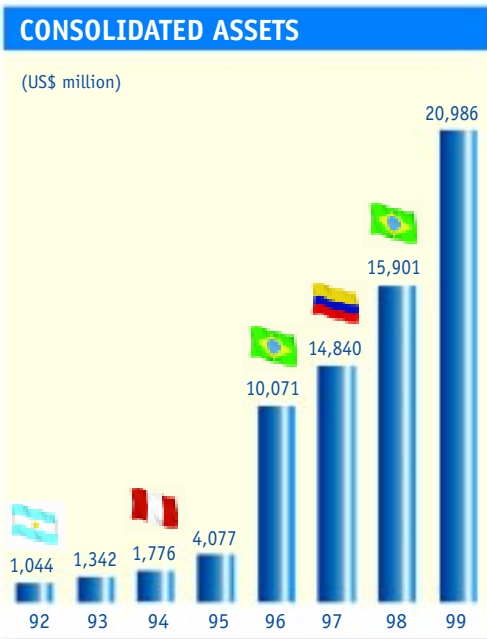


ANNUAL REPORT 1999



ENERGIS: A HISTORY OF GROWTH





 Grupo
ENERSIS

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LETTER FROM THE CHAIRMAN OF THE BOARD

To our shareholders:

I am pleased to submit the Annual Report on the management and operation of the Enersis Group during the year 1999.

The last yearly period involved great changes in Enersis' corporate life. In the month of March 1999, Endesa Spain, a multinational with a long experience in the electricity, gas, telecommunications and services industries, increased its stake in the ownership of the Company to 64%, thereby becoming the controlling stockholder.

Simultaneously, the Board of Directors of Enersis redefined a new strategy aimed at laying the foundations for the strategy that would enable the Company to consolidate itself as the first private multinational in Latin American and lead in a sustainable and sound fashion the Latin American electricity market, a market that is increasingly more competitive and open and that will feel the effects of a process of globalization that cannot be stopped.

RELEVANT DECISIONS

Consistent with this objective, Enersis made two relevant decisions during 1999:

- 1) Increase its share in the ownership of Endesa Chile from 25% to 60%, which guaranteed effective control over an investment that is so relevant within the frame of the new strategy of our Group, and*
- 2) Evaluate business activities from the perspective of the challenges that are coming our way in order to identify the sources of improvement at the operating, financial and*

commercial level as well as in terms of its most important asset, human resources.

As an outcome of this effort of analysis and thinking, in mid-November last year we submitted to the markets what we have called the "Genesis Project" which, broadly speaking, is Enersis' strategic plan aimed at optimizing business activities, improving the competitive position of the different companies within the Group, in order to enhance their profitability by maximizing their efficiency indices and, on an overall basis, creating value for the shareholders.

Accordingly, the Enersis Group now has a clear strategic and entrepreneurial definition, in terms of which our capabilities are applied on a day to day basis to continue exerting leadership in the Latin American electricity market.

All of this gives an idea of the exceptional way in which we have faced the year 1999, an exceptional approach that must be stated within the frame of some external factors that have negatively affected our generation and distribution subsidiaries and which, consequently, have had a great impact on the results of Enersis.

Our Company was affected by the most severe drought ever recorded. For instance, while the energy that could be generated in the hydrological year 1968-69, a year considered to be the driest, reached 11,427 GWh, during the hydrological year 1998-99 the energy generated at our hydroelectric power stations was only 7,866 GWh.

The lower availability of water resources compelled the authorities to take action and ration the provision of energy in order to maintain the supply on the Central Interconnected System.

These negative circumstances, however, originated an important opportunity in what respects the necessary redefinition of the power pattern of our group in Chile. In this sense, the decision was made, taking advantage of the introduction of natural gas imported from Argentina, to add new sources of thermal generation with a view to lessen our exposure to abrupt changes in the hydrological condition.

At present, the generation capacity of Endesa Chile and its subsidiaries, on the local market, is made up by 2,899 MW of hydraulic capacity and 1,786 MW of thermal capacity, which increased from 871 MW thermal capacity at the end of 1998. As can be seen, Enersis nowadays is in a stronger position to face an eventual scarcity of rainfalls.

Another negative element which the Company had to withstand during the year 1999 was the acute economic recession experienced by the region, which brought about a strong drop in the levels of growth of the five countries in which Enersis operates, that is, Chile, Perú, Argentina, Brazil and Colombia.

The severe contraction of aggregate expenditure, as well as the deterioration of the terms of trade, devaluated most the currencies with respect to the dollar with the consequent effect on the price-level restatement of our companies. In this respect, let me remind you that, while the amount in this connection at December 1998 was US\$ 40 million, at December 1999 it went up to US\$ 262 million, a difference of US\$ 222 million written off from our result at a consolidated level.

However, we have assumed that this threat created a good opportunity to seek mechanisms that would enable us to hedge Enersis from acute differences in parities. Acting on this tenet, we decided to

translate the currency which some of our liabilities were denominated in so as to create a balance between liabilities and assets, by resorting to the same currency. Hence, the Enersis Group, at a consolidated level, is hedged for its most past against variations in exchange rates.

DEBT RESCHEDULING

Also on the financial side, and as clear demonstration of the current ownership situation, Enersis rescheduled debts to an amount of US\$ 3.5 billion with the international banking system, under conditions that can be compared only to those obtained by companies of the best international level. This operation, that represents a lower financial cost per year equivalent to US\$ 75 million gives also a clear-cut signal with respect to what will be the range of financial cost within which the future large scale operations of the Group will be conducted.

Other unfavorable circumstances for the operations of the group were both the new tariffs as well as the expectations of the authority with respect to the changes which it expects to introduce in the regulatory area. In fact, this change in the business setting forced us to restudy in particular the feasibility of some generation projects which under other circumstances would have been carried out with a definite benefit for the country. Accordingly, during the month of December, the decision was meet the requirement of the minimum required profitability.

As in the previous cases, we have converted this circumstance in a challenge to include new business activities always in the line with the main scope of business of Enersis. In this sense, we discovered that on the basis of the new conditions prevailing with respect to the energy integration

of the region, generation should include the activity of interconnection and energy trading, as a part of its core activity. Along these lines, during December we started the CIEN project that, with a total capacity of 2,000 MW will trade Argentinean energy in Brazil, allowing us to meet the growing needs of the Brazilian market.

Also on the energy trading side, during 1999, the company created Enersis Energía de Colombia, in charge of conducting trading energy activities on the Colombian market, and the company Comercializadora Eléctrica del Mercosur S.A., connected to CIEN.

As can be seen, the philosophy that underlies our endeavors, is that we change threats into opportunities. We are aware of the great challenges posed by the vertiginous process of globalization and we shall assume them with determination but also in a responsible and prudent way.

Let me now make a brief analysis of the main items of the General Balance Sheet and Statement of Income, even though the detail of the variations, account by account, are attached as an integral part of the financial statements.

Consolidated assets increased by US\$ 4,823 million, placing themselves at US\$ 20,986 million, which stands for a 30% increase, a figure that confirms Enersis as the largest private electricity Group in Latin America.

This important growth in the assets was adequately financed through different sources. It is worth pointing out the higher level of debt to an amount of US\$ 2.1 billion obtained by Elesur, subsidiary of Endesa Spain and aimed in full to acquire 35% of the capital stock of Endesa Chile. Another source for the growth of the debt with

respect to 1998 is the fact that we consolidated, as from the second quarter of 1999, the investments in the Brazilian companies Cerj and Coelce and the Colombian electricity distribution company Codensa, all of which was possible thanks to the transfer of political rights granted by Endesa Spain, which confirms the firm willingness of the controlling stockholder to maintain Enersis as the most important operator in the region.

This higher debt level, however, will be soon balanced via the future capital increase that the company will make and in which Endesa Spain will subscribe the equivalent to 100% of its share in the capital stock as a concrete demonstration of the expectations which it has regarding the immediate future of the Company as well as of the degree of commitment assumed with respect to the fate of its investments in the region.

MILESTONES

With respect to the main occurrences, by country, it is worth pointing out the following:

In **Chile**, the setting up of the headquarters of the Group, as an integrated industrial group for Latin America. As I stated at the beginning of this letter, Endesa Spain, consistent with its globalization strategy, decided to consolidate its operations in the region through Enersis, Group with an acknowledged capacity and prestige in the field of electricity in the region. The Chilean distribution subsidiaries closed the period with the lowest weighted energy losses, confirming the soundness of the measures implemented in order to optimize management.

In **Argentina**, the activities aimed at consolidating Edesur were continued and strengthened. The Azopardo incident allowed

redefining the plans aimed at improving Quality of Service, which has been reflected in positive progress, not only in technical aspects, but also in commercial and financial ones.

In **Perú**, it is worth mentioning the end of the discussion regarding the maximum concentration permitted in the electricity sector as a very positive fact. This good item of news will allow our subsidiaries to even further concentrate their efforts on those activities that are specific to the business and so maintain the sustained growth of their operations.

In **Brazil**, our distribution subsidiaries, Cerj and Coelce recorded the highest growth in the demand for electrical services, among all subsidiaries of Enersis, confirming what we have been stating with respect to the strength of the Brazilian fundamentals.

In **Colombia**, we must stress two aspects that prevented us from completely developing the potential of our subsidiaries. On the one hand, we faced an unexpected and unusual overabundance of water resources, which made spot prices go down remarkably which, added to the structure of the standing contracts of the generation companies, had a negative impact on the results at the level of generation. In turn, as for electricity distribution, sales recorded a growth in sales lower than that expected, a situation that was offset by the sustained decrease in energy losses. Precisely, in order to prevent the repetition of such occurrences, the energy trading company in Colombia was created which, before completing its first year in operation, is already five times its closest competitor in terms of number of customers.

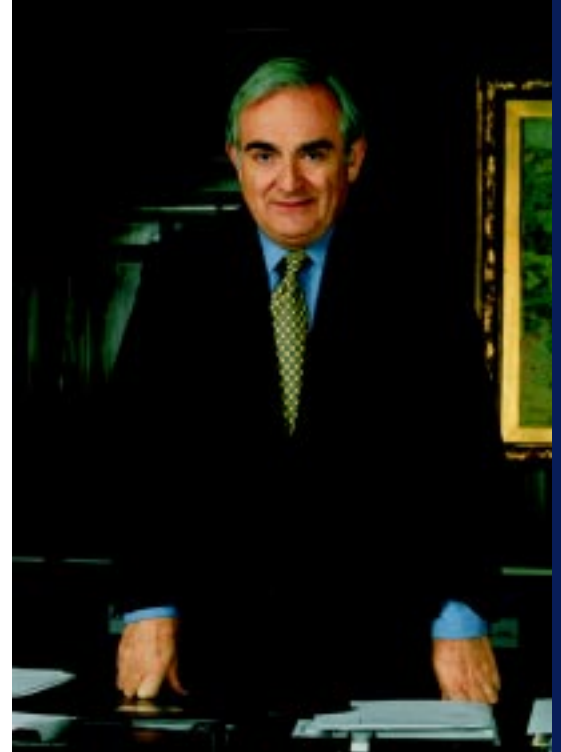
To close this letter, I would like in the most sincere manner thank the permanent support that the shareholders have given our Company. Their commitment has been particularly valuable in the course of a year as difficult as 1999, which ascertains their confidence in the management of the Group. Believe me that the Board of Directors, which I am honored to chair, will deploy its best efforts so as to live up to your expectations.

I am sure that with the renovated support of 14,000 executives and employees, whose effort I acknowledge and thank, we will be able to normalize the results of the year 2000, recovering the trajectory of earnings historically exhibited by Enersis, thus adding the highest value that we all wish to our shareholders, which will also enable us to continue along the trajectory of growth and expansion of our Group.

Sincerely yours,



Alfredo Llorente Legaz
CHAIRMAN



DESCRIPTION OF ENERSIS

ARTICLES OF INCORPORATION AND BY-LAWS

The company was originally organized as Compañía Chilena Metropolitana de Distribución Eléctrica S.A., as recorded in public deed of June 19, 1981, executed before Mr. Patricio Zaldívar Mackenna, Notary Public in and for the city of Santiago, and amended by public deed of July 13 the same year, also executed before the same Notary Public.

The existence of the company was authorized and its by-laws were approved pursuant to Resolution No. 409-S of July 17, 1981, issued by the Superintendency of Securities and Insurance. The abstract of such authorization and approval was recorded in the Register of Commerce filed with the Real Estate Registrar of Santiago, on Page 13,099 No. 7,269 for the year 1981 and published in the Diario Oficial on July 23, 1981.

The by-laws were subsequently amended and the latest of such amendments is acknowledged in public deed dated May 26, 1999, executed before Mr. Patricio Zaldívar Mackenna, Notary Public in and for the city of Santiago, the abstract whereof was recorded in the Register of Commerce filed with the Real Estate Registrar of Santiago, on Page 12,533 No. 10,005 and published in the Diario Oficial on June 8, 1999.

CORPORATE PURPOSE

The purpose of the company is to undertake, both in Chile or abroad, the exploration, development, operation, distribution, transmission, transformation and/or sale of energy of whatever nature and in any form, either directly or through other companies, as well as the provision of engineering advisory services, either in Chile or abroad, on matters related to such purposes. Its purpose will further be to manage company investments in subsidiary or related companies, whose scope of business is similar to, related or connected to energy of

whatever nature and in any form, or to the provision of public utilities, or which has energy as their main input. In order to comply with its main purpose, the Company will perform the following functions:

- a) Promote, organize, set up, dissolve or liquidate companies of any nature, whose scope of business is related or connected to those of the Company;
- b) Propose to its subsidiary companies the investment, financial and commercial policies, as well as the accounting practices and principles which such companies shall abide by;
- c) Supervise and coordinate the management of its subsidiary companies;
- d) Provide subsidiary or related companies with the financial resources needed to conduct their business activities and, in addition, furnish management services as well as financial, commercial, technical, auditing and legal advisory services and, in general, any other services such as may appear necessary for a more adequate performance;

In addition to its core business purpose and acting always within the bounds of the Investment and Financing Policy approved at a Shareholders' General Meeting, the company may invest in:

- 1.- The acquisition, exploitation, construction, rental, management, marketing and disposal of any kind of real property, either directly or through subsidiary companies.
- 2.- All types of financial assets, including shares, bonds and debentures, commercial paper and, in general, all manner of securities and equity contributions.

HISTORICAL OVERVIEW

On June 19, 1981, Compañía Chilena de Electricidad S.A., was restructured into a parent company and three subsidiaries, one of which

IDENTIFICATION OF THE COMPANY

Name

Enersis S.A.

Type of Company

Publicly held limited liability company

Tax Register Number

94.271.000 - 3

Address

Santo Domingo No. 789,
Santiago, Chile

Telephone

(562) 353 4400

Fax

(562) 633 7104

Web Site

www.enersis.cl

P.O. Box No.

1557

Securities Register No.

0175

External Auditors

Arthur Andersen
Langton Clarke

Chilean Stock Exchange**Ticker Symbol**

ENERSIS

New York Stock Exchange**Ticker Symbol**

ENI

Custodian Bank

Banco de Chile

Depository Bank

Citibank N.A.

Investor Relations Office**in New York**

Citigate Dewe Rogerson

National Risk Rating**Companies**

Duff & Phelps
Feller Rate

International Risk Rating**Companies**

Duff & Phelps
Moody's
Standard & Poor's

was Compañía Chilena Metropolitana de Distribución Eléctrica S.A.

In 1985, as an outcome of the privatization policy enacted by the government of the Republic of Chile, the transfer of the capital stock of Compañía Chilena Metropolitana de Distribución Eléctrica S.A. to the private sector began, reaching its completion by August 10, 1987. Through this process, private pension fund management companies, the company's workers, institutional investors and thousand of small investors became stockholders of the Company.

The organizational structure was based on operating activities or functions, in which attainments were evaluated on a functional basis and profitability was limited by the tariff mechanism originating from the exclusive involvement of the Company in the business of electricity distribution. In 1987, the Board of Directors proposed a division of the different activities of the Parent Company. Thus, four subsidiaries were formed that made it possible to manage them as business units with objectives of their own, thereby expanding the activities of the company to other non-regulated businesses, though still related to the main scope of business.

This proposal was approved by the Shareholders' Extraordinary Meeting held on November 25, 1987, which established its new corporate purpose.

As a result, Compañía Chilena Metropolitana de Distribución Eléctrica S.A. became an Investment Company. On August 1, 1988, by virtue of the resolution adopted by Shareholders' Meeting held on April 12, 1988, the Company changed its corporate name to Enersis S.A.

Furthermore, with a view to provide enhanced customer services, as of June 1, 1989, the Board approved the division of subsidiary Distribuidora Chilectra Metropolitana S.A. into a successor company that retained the corporate name and a new company incorporated under the name Compañía Eléctrica del Río Maipo S.A., that currently serves the distribution needs of, and sells energy in the areas of San Bernardo, Puente Alto, Talagante, Calera de Tango, Peñaflor, Curacaví, San José de Maipo, Isla de Maipo, La Pintana, El Bosque and Padre Hurtado.

The Shareholders' General Meeting held on April 27, 1994, approved changing the name of the subsidiary Distribuidora Chilectra Metropolitana S.A. to that of Chilectra S.A., effective as from June 1, 1994.

Enersis is a majority shareholder in the following subsidiaries: Chilectra S.A., a company engaged in electric energy distribution in the Metropolitan Region; Compañía Eléctrica del Río Maipo S.A. that currently serves the distribution needs and sells energy in the areas mentioned earlier; Synapsis S.A., involved in the provision of computer-related and data processing services; in what respects the former subsidiary Ingeniería e Inmobiliaria Manso de Velasco S.A., it is worth mentioning that it was deemed highly convenient to restructure it with a view to fully enhance the potential of its business activities; to such an end, such company was divided during 1999 into three new companies as result of the process; the original company Ingeniería e Inmobiliaria Manso de Velasco S.A. changed its corporate name to Compañía Americana de Multiservicios S.A., engaged in the provision of engineering services, real property rental, real property management and maintenance, installation of electrical connections, meter rental, and construction of buildings; the two new companies created within the frame of the above division were: Inmobiliaria Manso de Velasco S.A., which implements real estate development projects and IIMV, a company that was created with only one asset consisting in the shares which the original subsidiary held in Endesa Chile; IIMV was terminated with the acquisition by Enersis of 100% of its capital stock, whereby the only asset which it had became a part of the equity of Enersis; Distribuidora de Productos Eléctricos S.A. the purpose of which is to act as a purchasing agent, importer and exporter as well as trader and supplier of materials for the subsidiary companies of Enersis and third parties; Aguas Cordillera S.A. engaged in the production and distribution of potable water and in the collection and disposal of sewage waters in the municipal districts of Lo Barnechea, Vitacura and part of Las Condes.

Concurrently, during the year 1992, Enersis began its process of expansion to other countries in the continent. Thus, in July 1992, it was awarded part of the ownership of Distrilec Inversora S.A., Edesur, a company that distributes electric energy in the city of Buenos Aires, Federal Republic of Argentina. At a later date, in December, 1995, Enersis acquired an additional 39% of that company, thereby becoming its controlling stockholder as from that date.

Subsequently, between the months of July 1994 and December 1995, Enersis, through the company called Inversiones Distrilima S.A. acquired 60% of the capital stock of Empresa de Distribución Eléctrica de Lima Norte S.A., Edelnor and Edechancay.

Furthermore, during the year 1996, Enersis participated for the first time in the Brazilian market, acquiring as a member of a consortium an important part of the shares of Companhia de Eletricidade do Rio de Janeiro, Cerj, which distributes electric energy in the city of Rio de Janeiro.

In 1997, Enersis successfully participated in the process of capitalization of Empresa Eléctrica de Bogotá S.A. acquiring the right to capitalize Codensa S.A. ESP, a company that retained the electricity distribution business in the city of Bogotá.

At the beginning of 1998, Enersis once again participated in the Brazilian market, through a consortium that was awarded an important

percentage in the ownership of Companhia Energética de Ceará S.A., Coelce, a company that distributes electricity in northern Brazil, in the state of Ceará.

As a part of its expansion to the potable water distribution and treatment business, by the end of 1998, Enersis was awarded Esval, the second largest public utilities water company in Chile serving the urban areas in the Fifth Region.

During 1999, Endesa Spain became the controlling stockholder of Enersis. Through a Offer for the Purchase of Shares, in which it offered Ch\$ 320 pesos for each share, the Spanish multinational company bought 32% of Enersis, which added to the 32% which had acquired in August 1997, increased its stake in the ownership of the Company to 64%. The transaction, effected on April 7, 1999, involved an investment of US\$ 1,450 million.

On May 11, Enersis acquired an additional 35% interest in the ownership of Endesa Chile — where it already held 25% of the capital stock — thereby attaining a 60% share in the ownership of the generation company and becoming its controlling stockholder, allowing Enersis to consolidate itself as the major private electricity group in Latin America. The transaction, in which the company offered Ch\$ 360 per share, involved a total amount of US\$ 2,146 million, which became the highest stock exchange transaction ever recorded on the Santiago Stock Exchange.

OWNERSHIP OF THE COMPANY

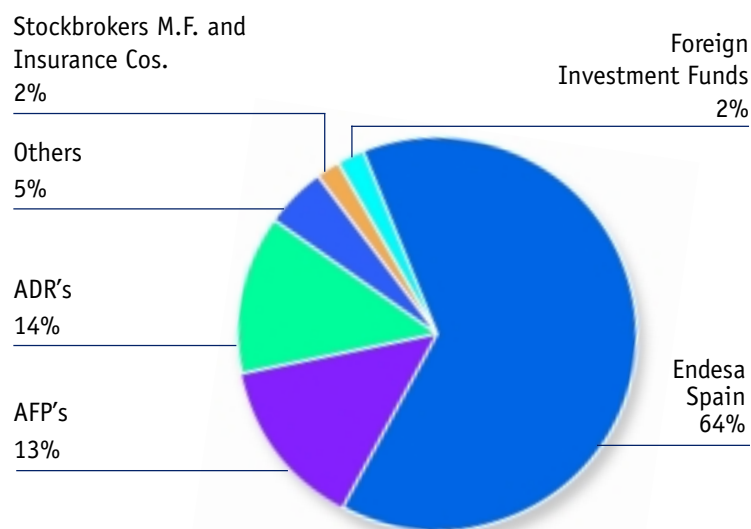
The capital stock of the Company is divided into 9,380,000,000 shares of the same and only series, with no par value. At December 31, 1999, a total of 6,800,000,000 shares of common stock were subscribed and paid-in, with the following breakdown:

| Shareholders | Number of Shareholders | Number of subscribed and paid-in shares | % |
|--|------------------------|---|-------------|
| Endesa Spain (*) | 6 | 4,344,866,108 | 63.90% |
| A.F.P. | 8 | 862,193,004 | 12.68% |
| ADR's (Citibank N.A.) | 1 | 945,925,350 | 13.91% |
| Stockbrokers, Mutual Funds and Insurance Companies | 74 | 159,128,939 | 2.34% |
| Foreign Investment Funds | 16 | 109,411,933 | 1.61% |
| Other Shareholders | 10,473 | 378,474,666 | 5.57% |
| Total | 10,578 | 6,800,000,000 | 100% |

(*) The ownership interest of Endesa Spain in Enersis of 63.9% derives from the controlling stake that it has in the ownership of Compañías de Inversiones Chispa Uno S.A., Chispa Dos S.A., Los Almendros S.A., Luz y Fuerza S.A. and Endesa International plus the 27.5% direct interest in the ownership through Elesur S.A.

OWNERSHIP STRUCTURE

(At DECEMBER 31, 1999)



LIST OF TWELVE LARGEST SHAREHOLDERS :

At December 31, 1999, Enersis was owned by 10,578 shareholders. The twelve largest shareholders were:

| Name | Number of shares | % | Accumulated |
|---|----------------------|----------|------------------|
| ELESUR S.A. | 1,870,028,579 | 27.5004% | 27.5004% |
| CITIBANK N.A. (ADR Depository Bank) | 945,925,350 | 13.9107% | 41.4111% |
| ENDESA INTERNACIONAL S.A. | 694,591,189 | 10.2146% | 51.6257% |
| COMPAÑÍA DE INVERSIONES CHISPA DOS S.A. | 445,061,585 | 6.5450% | 58.1707% |
| COMPAÑÍA DE INVERSIONES LOS ALMENDROS S.A. | 445,061,585 | 6.5450% | 64.7157% |
| COMPAÑÍA DE INVERSIONES CHISPA UNO S.A. | 445,061,585 | 6.5450% | 71.2607% |
| COMPAÑÍA DE INVERSIONES LUZ Y FUERZA S.A. | 445,061,585 | 6.5450% | 77.8058% |
| A.F.P. PROVIDA S.A. FOR PENSIONS FUND | 257,566,257 | 3.7877% | 81.5935% |
| A.F.P. HABITAT S.A. FOR PENSIONS FUND | 206,928,145 | 3.0431% | 84.6366% |
| A.F.P. CUPRUM S.A. FOR PENSIONS FUND | 134,872,690 | 1.9834% | 86.6200% |
| A.F.P. SANTA MARIA S.A. FOR PENSIONS FUND | 111,582,069 | 1.6409% | 88.2609% |
| A.F.P. SUMMA BANSANDER S.A. FOR PENSIONS FUND | 100,784,581 | 1.4821% | 89.7430% |
| Subtotal : 12 Shareholders | 6,102,525,200 | | 89.7430% |
| Others : 10,566 Shareholders | 697,474,800 | | 10.2570% |
| Total : 10,578 Shareholders | 6,800,000,000 | | 100.0000% |

SUMMARY OF REMARKS AND PROPOSALS SUBMITTED BY SHAREHOLDERS

Enersis received no remarks regarding the operation of the business activities undertaken between January 1 and December 31, 1999, submitted by majority shareholders or groups of shareholders, who add up to more than 10% of

the shares of common stock issued with a right to vote in pursuance to the provisions in Article 74 of Law No. 18,046 and Articles 82 and 83 of the Regulations in the Chilean Company Law.

STOCK EXCHANGE TRADING

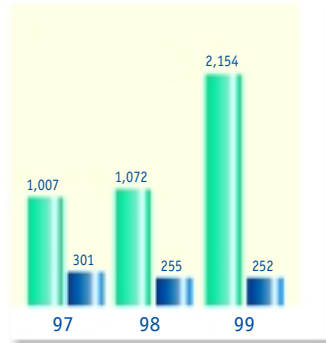
The graphs that follow show the evolution of the number of shares and the amounts traded, as well as the closing prices at each year-end of the shares of Enersis both in Chile, through the Santiago Stock Exchange and the Electronic Stock Exchange, and in the United States, through the New York Stock Exchange (NYSE).

SANTIAGO STOCK EXCHANGE AND ELECTRONIC STOCK EXCHANGE

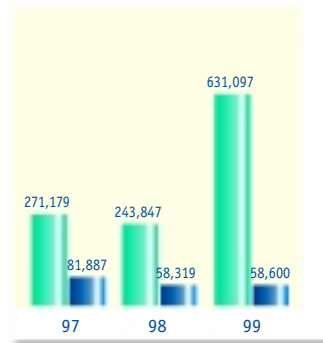
During 1999, on the Santiago Stock Exchange 2,154 million shares were traded, equivalent to Ch\$ 631,097 million. On the other hand, on the Electronic Stock Exchange 252 million shares were traded, equivalent to Ch\$ 58,600 million.

In addition, it can be noted that the share of common stock of the Company closed at year-end with a price of Ch\$ 248 on the Santiago Stock Exchange and Ch\$ 245 on the Electronic Stock Exchange.

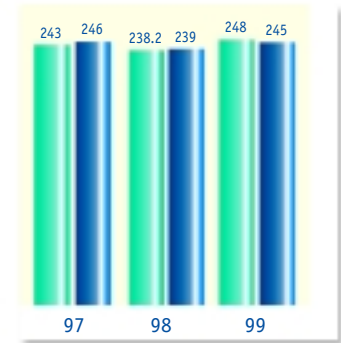
SHARES TRADED
Million shares



AMOUNTS TRADED
Million Ch\$ at December each year



CLOSING PRICE
Ch\$ at December each year



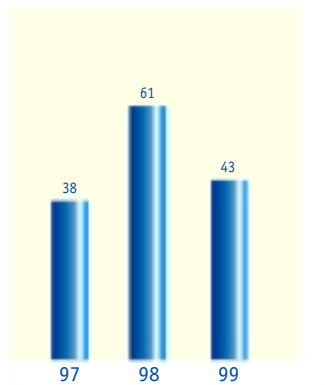
■ Santiago Stock Exchange

■ Chilean Electronic Stock Exchange

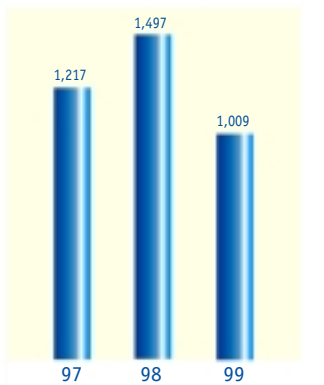
NEW YORK STOCK EXCHANGE (NYSE)

In turn, in the United States 43 million ADR's, equivalent to US\$ 1,009 million were traded. The price of the ADR closed at US\$ 23.1.

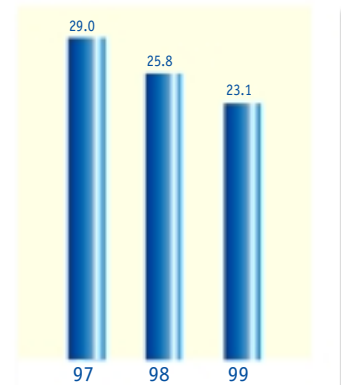
ADR'S TRADED
Million ADR's



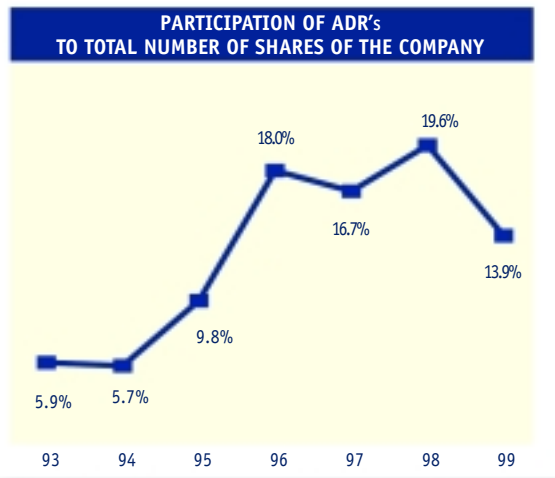
AMOUNT TRADED
Million US\$ at December each year



CLOSING PRICE
US\$ at December each year



Furthermore, as the following graph shows, the stake in the ownership of Enersis by ADR holders went down from 19.6% at December 1998 to 13.9% at December 1999.



The decrease is explained mainly by the additional purchase of shares made by Endesa Spain in April 1999.

RISK RATING

The table that follows shows the international risk rating assigned to the Company at December 1999:

| | DUFF & PHELPS | MOODY'S | STANDARD & POOR'S |
|--------------------------|---------------|---------|-------------------|
| Debt in local currency | A+ | A2 | A+ |
| Debt in foreign currency | A- | Baa1 | A- |

Furthermore, it is worth pointing out that the shares and bonds issued by the company have been rated as follows:

| | DUFF & PHELPS | FELLER RATE |
|--------|---------------------|---------------------|
| Shares | First Class Level 1 | First Class Level 1 |
| Bonds | AA- | AAA |

MANAGEMENT AND HUMAN RESOURCES

BOARD OF DIRECTORS

The Board of Directors of Enersis was made up, as at December 31, 1999, by the following members:

CHAIRMAN

ALFREDO LLORENTE
Industrial Engineer
Escuela Tecnica Superior de
Ingenieros Industriales de Madrid

ERNESTO SILVA
Business Administrator
Pontificia Universidad Católica de Chile

VICE - CHAIRMAN

RAFAEL MIRANDA
Industrial Engineer
Instituto Católico de Artes e
Industrias (ICAI), Madrid

HERNÁN SOMERVILLE
Lawyer
Universidad de Chile

CARLOS VICUÑA
Lawyer
Universidad de Chile

DIRECTORS

JOSÉ M. FESSER
Lawyer
Universidad de Sevilla

SECRETARY TO THE BOARD OF DIRECTORS

DOMINGO VALDÉS
Lawyer
Universidad de Chile

LUIS RIVERA
Civil Engineer (Infrastructure)
Universidad Politécnica de Madrid

Enersis is managed by a Board of Directors made up of seven members, which serve a term of three years, and may be reelected.

REMUNERATION OF BOARD OF DIRECTORS

In pursuance to the provisions in Article 33 of Law No. 18,046 on Joint Stock Companies, the Ordinary General Shareholders' Meeting held on April 30, 1999, approved the remuneration for the Board of Directors for the accounting period 1999. Details on amounts paid are shown below:

| | 1999 | | | 1998 | | |
|-------------------|-------------------|------------------------------|-----------------|-------------------|------------------------------|-----------------|
| | Enersis ThCh\$ | Other subsidiaries ThCh\$ | Total ThCh\$ | Enersis ThCh\$ | Other subsidiaries ThCh\$ | Total ThCh\$ |
| Luis F. Mackenna | - | - | - | 56,934 | - | 56,934 |
| Rodrigo Errázuriz | - | - | - | 32,526 | 58,031 | 90,557 |
| Sergio Gutiérrez | - | - | - | 32,653 | 8,201 | 40,854 |
| Pedro Smith | - | - | - | 32,526 | - | 32,526 |
| Leonidas Vial | - | 33,075 | 33,075 | 32,526 | 44,587 | 77,113 |
| Carlos Cáceres | - | - | - | 39,044 | 14,462 | 53,507 |
| José A. Guzmán | 29,328 | - | 29,328 | 63,491 | 39,759 | 103,249 |
| Rodolfo Martín | 33,217 | - | 33,217 | 45,529 | - | 45,529 |
| Juan E. Errázuriz | 14,664 | 11,687 | 26,351 | 31,746 | 60,958 | 92,704 |
| Héctor López | 20,283 | 15,426 | 35,709 | 31,746 | 38,439 | 70,186 |
| Alfredo Llorente | 54,097 | 3,585 | 57,682 | 31,746 | 71,322 | 103,069 |
| Miguel A. Poduje | 14,664 | - | 14,664 | 31,746 | 18,074 | 49,820 |
| Ernesto Silva | 34,942 | 23,581 | 58,523 | 31,746 | 100,056 | 131,802 |
| Felipe Montt | - | 7,250 | 7,250 | 32,526 | 17,395 | 49,921 |
| Rafael Miranda | 18,034 | - | 18,034 | - | - | - |
| Luis Rivera | 13,527 | - | 13,527 | - | - | - |
| Carlos Vicuña | 18,031 | - | 18,031 | - | - | - |
| José M. Fesser | 13,527 | 223 | 13,750 | - | - | - |
| Hernán Somerville | 11,271 | - | 11,271 | - | - | - |

EXECUTIVE COMMITTEE

CHAIRMAN

ALFREDO LLORENTE
Industrial Engineer
Escuela Técnica Superior de
Ingenieros Industriales de Madrid

CHIEF EXECUTIVE OFFICER

ENRIQUE GARCÍA
Industrial Engineer (Infrastructure)
Instituto de Estudios Superiores de
la Empresa (IESE), Madrid

ADJUNCT CHIEF EXECUTIVE OFFICER

JUAN DOMÍNGUEZ
Business Administrator
Universidad de Chile

CORPORATE AFFAIRS MANAGER

ALBERTO LÓPEZ
Industrial Engineer
Universidad Politécnica de Madrid

PLANNING AND CONTROL

CORPORATE MANAGER

MARTÍN MADRID
Industrial Engineer
Universidad Politécnica de Madrid

CORPORATE ORGANIZATION AND HUMAN RESOURCES MANAGER

LUIS DE LA BARRA
Labor Psychologist
Pontificia Universidad Católica de Chile

CORPORATE COMMUNICATIONS MANAGER

FERNANDO NADAL
Journalist and Lawyer
Universidad Alcalá de Henares, Madrid

GENERAL LEGAL COUNSEL

DOMINGO VALDÉS
Lawyer
Universidad de Chile

CHIEF EXECUTIVE OFFICER

ENDESA CHILE

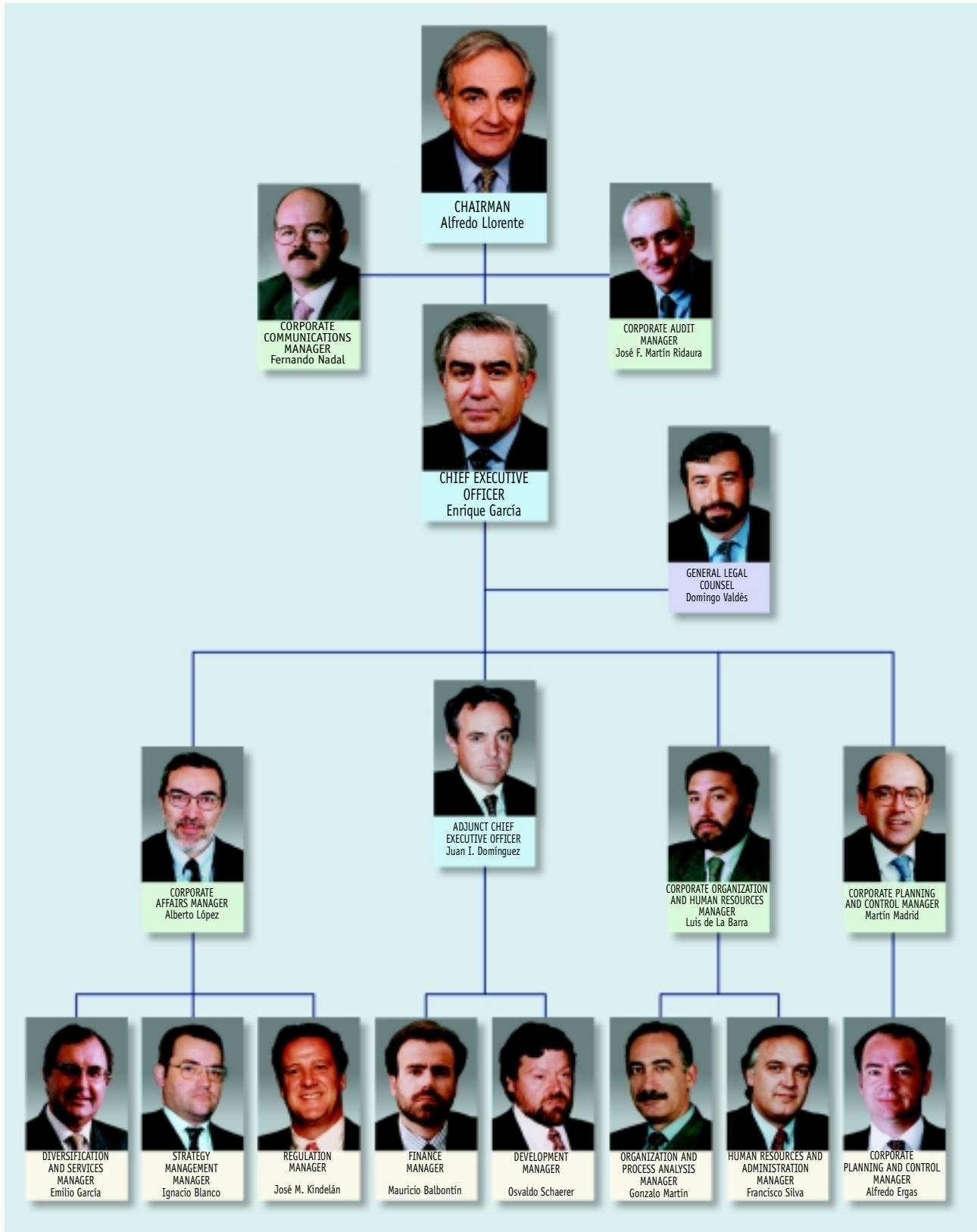
FRANCISCO GARCÍA
Industrial Engineer
Escuela de Ingenieros Industriales de Madrid

CHIEF EXECUTIVE OFFICER

CHILECTRA

MARCELO SILVA
Business Administrator
Universidad de Chile

ORGANIZATIONAL STRUCTURE



MANAGEMENT OF SUBSIDIARY AND RELATED COMPANIES

CHIEF EXECUTIVE OFFICER ENDESA CHILE

FRANCISCO GARCÍA
Industrial Engineer
Escuela de Ingenieros Industriales de Madrid

CHIEF EXECUTIVE OFFICER CHILECTRA

MARCELO SILVA
Business Administrator
Universidad de Chile

CHIEF EXECUTIVE OFFICER RÍO MAIPO

ALEJANDRO GÓMEZ
Civil Engineer
Universidad de Chile

CHIEF EXECUTIVE OFFICER EDESUR

JOSÉ M. ROVIRA
Industrial Engineer
Universidad Técnica Industrial de Barcelona

CHIEF EXECUTIVE OFFICER EDELNOR

JOSÉ M. HIDALGO
Licentiate in Economic and
Management Sciences
Universidad Santiago de Compostela

CHIEF EXECUTIVE OFFICER CERJ

ALEJANDRO DANÚS
Business Administrator
Universidad de Chile

CHIEF EXECUTIVE OFFICER COELCE

CARLOS CARVALHO
Civil Engineer
Universidad de Chile

CHIEF EXECUTIVE OFFICER CODENSA

MARCELO LLÉVENES
Business Administrator
Universidad de Chile

CHIEF EXECUTIVE OFFICER ENERSIS ENERGÍA DE COLOMBIA

LUIS FREDES
Civil Engineer
Pontificia Universidad Católica de Chile

CHIEF EXECUTIVE OFFICER INMOBILIARIA MANSO DE VELASCO

ANDRÉS SALAS
Civil Engineer
Universidad de Chile

CHIEF EXECUTIVE OFFICER CAM

PANTALEÓN CALVO
Civil Engineer
Universidad de Chile

CHIEF EXECUTIVE OFFICER SYNAPSIS

VICTOR H. MUÑOZ
Civil Engineer
Universidad Federico Santa María
de Valparaíso

CHIEF EXECUTIVE OFFICER DIPREL

EDUARDO LÓPEZ
Business Administrator
Universidad Católica de Valparaíso

CHIEF EXECUTIVE OFFICER

AGUAS CORDILLERA

FELIPE LARRAÍN
Civil Engineer
Pontificia Universidad Católica de Chile

CHIEF EXECUTIVE OFFICER ESVAL

GUSTAVO GONZÁLEZ
Civil Engineer
Universidad Federico Santa María
de Valparaíso

HUMAN RESOURCES

The distribution of human resources at Enersis and its subsidiary and related companies, at December 31, 1999, was as follows:

| COMPANY | EXECUTIVES | PROFESSIONALS AND TECHNICIANS | ADMINISTRATIVE STAFF | TOTAL |
|-----------------------|------------|----------------------------------|-------------------------|---------------|
| ENERSIS | 39 | 67 | 106 | 212 |
| ENDESA | 21 | 1,796 | 709 | 2,526 |
| CHILECTRA | 40 | 974 | 369 | 1,383 |
| RÍO MAIPO | 4 | 47 | 130 | 181 |
| EDESUR | 29 | 1,946 | 655 | 2,630 |
| EDELNOR | 28 | 109 | 585 | 722 |
| CERJ | 34 | 1,248 | 500 | 1,782 |
| COELCE | 36 | 1,279 | 643 | 1,958 |
| CODENSA | 87 | 931 | 195 | 1,213 |
| INM. MANSO DE VELASCO | 2 | 0 | 254 | 256 |
| CAM | 5 | 56 | 237 | 298 |
| DIPREL | 6 | 33 | 69 | 108 |
| SYNAPSIS | 2 | 240 | 24 | 266 |
| AGUAS CORDILLERA | 6 | 41 | 178 | 225 |
| ESVAL | 22 | 324 | 374 | 720 |
| TOTAL | 361 | 9,091 | 5,028 | 14,480 |

Human resources has been one of the key mainstays to the success of the strategies aimed at diversification and growth implemented by Enersis and its subsidiary companies.

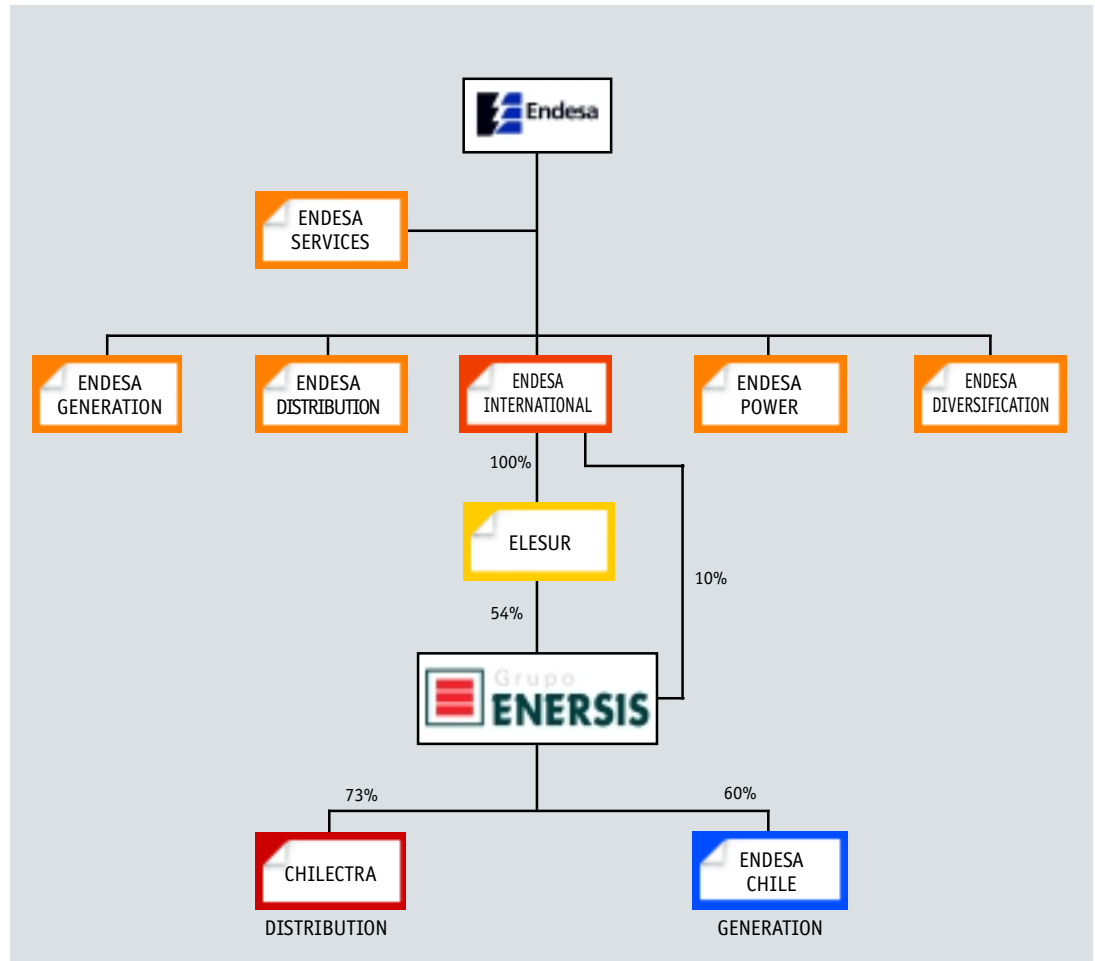
Consequently, important efforts have been made to design and implement programs aimed at training and enhancing the abilities of members of upper management as well as professional and technical personnel. This, added to a permanent modernization of internal processes and a constant evaluation of new technologies made available by the market, have enabled the Company to substantially increase its personnel's productivity and efficiency.

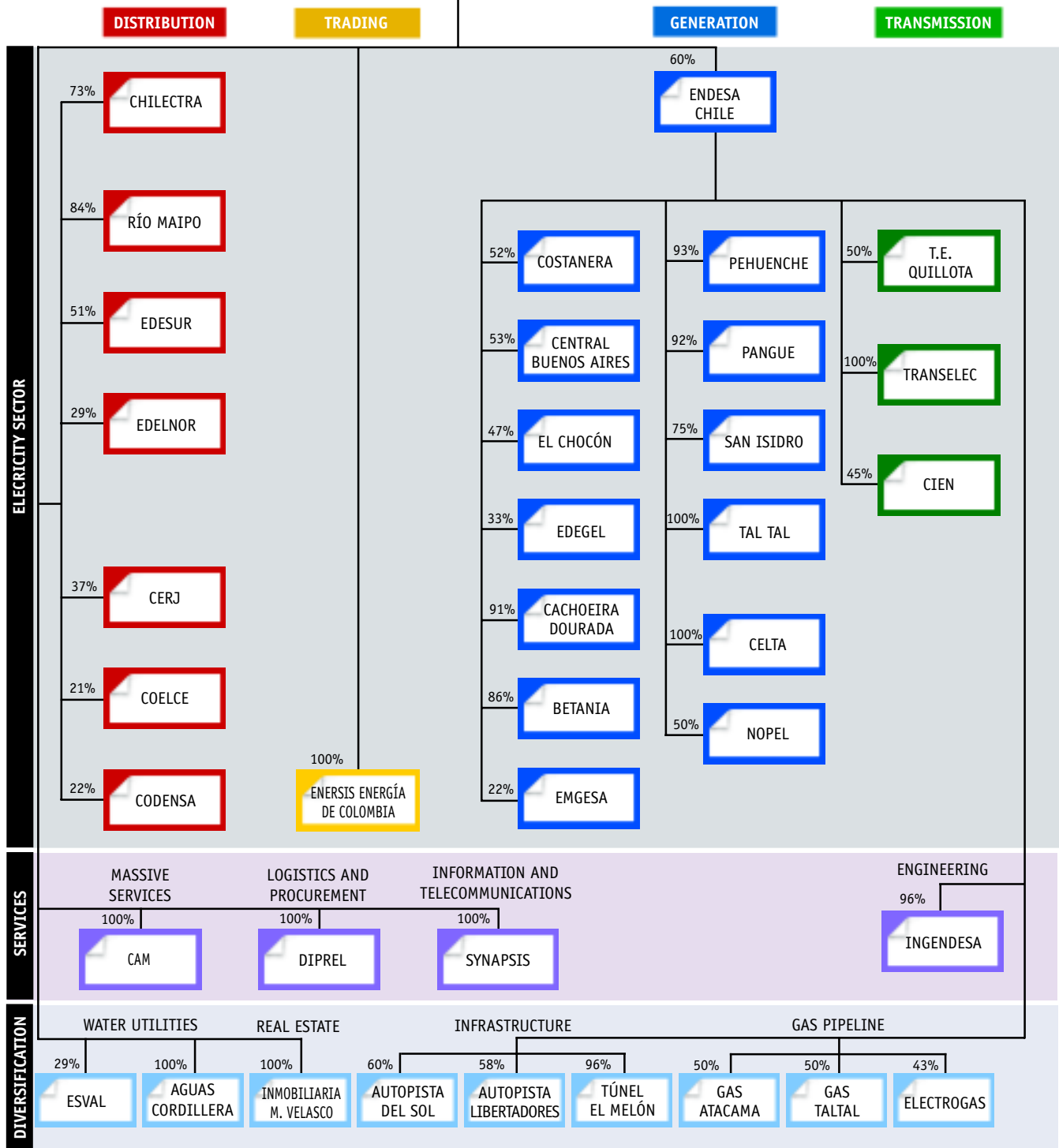
It has been the Group's policy of the Group to enhance the growth potential of its upper

management and professionals by developing the skills and abilities needed for an optimal performance of their functions and in the businesses in which they participate, encouraging training activities and programs, rotating personnel between subsidiaries and providing opportunities for international experience. All these elements have helped professionals and members of upper management to attain a high level of growth and satisfaction.

The team at Enersis and its subsidiaries have represented an important competitive advantage, enabling the Company to consolidate its presence in the new markets and to carry out new business activities.

CORPORATE STRUCTURE





GENERATION



GENERATION

OWNERSHIP STRUCTURE

At December 31, 1999, Endesa's capital stock was represented by 8,201,754,580 shares held by 36,331 shareholders.

On April 13, 1999, Enersis, which at the date owned 25% of Endesa's shares, made a public offer for the purchase of an additional 35% of Endesa's outstanding shares.

On May 11, 1999, Enersis acquired, on the Santiago Stock Exchange, through a public bidding process, an additional 30% of outstanding shares and on May 14 acquired the additional 5% through an Offer for the Purchase of Shares made in the United States.

IDENTIFICATION OF THE COMPANY

Name

Empresa Nacional de Electricidad S.A.

Type of Company

Limited Liability Stock Company

Tax Register Number

91.081.000-6

Address

Santa Rosa No. 76, Santiago, Chile

Telephone

(562) 630 9000

Fax

(562) 635 3938

Securities Register

No. 114

External Auditors

Deloitte & Touche Tohmatsu Auditores Limitada

Subscribed and

Paid-in Capital ThCh\$

935,202,208

Participation of Enersis

60%

Company Purpose

Generation, transport and provision of electric energy.

BOARD OF DIRECTORS

Chairman

Pablo Yrarrázaval

Vice-Chairman

Héctor López

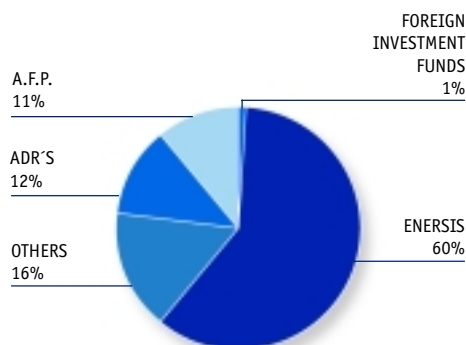
Directors

Jaime Bauzá
Jesús Burillo
José M. Hidalgo
Pedro Larrea
Andrés Regué
Antonio Tuset
Leonidas Vial

CHIEF EXECUTIVE OFFICER

FRANCISCO GARCÍA

DISTRIBUTION OF OWNERSHIP



NATIONAL OPERATING ACTIVITY

The main activities conducted by Endesa and its subsidiaries are related to the generation, transport and provision of electric energy and, additionally, the sale of advisory and engineering services in all fields of specialization.

Endesa is the main electric energy generation and transmission company in Chile and one of the country's largest companies. In Chile, it operates twenty-three power stations with a capacity of 4,685 MW, with a generation of energy of 14,593 GWh and energy sales of 16,808 GWh per year.



CENTRAL ATACAMA - CHILE

Endesa participates in the Central Interconnected System (SIC), the most important interconnected system in the country, covering an area that serves approximately 93% of the national population. It has an installed capacity of 3,948 MW on the system, which stands for approximately 57% of the SIC.

Endesa also participates on the Northern Interconnected System (SING), through its subsidiary Celta with an installed capacity of 182 MW and indirectly through the companies Gas Atacama and Nopel with an installed capacity of 555 MW, which stand for 29% of the SING and supply different mining companies and sell energy on the spot market.

In Chile, the company owns and operates, through its subsidiary Transelec, a transmission system that includes transmission lines and substations covering an area of more than 1,700 kilometers between the Diego de Almagro substation in the Third Region, in northern Chile, and the Chomeco substation in the island of Chiloé, in the south. It is made up of 5,734 simple and double circuit lines in voltages from 66 kV to 500 kV.

In addition, Endesa and its generation subsidiaries own a network of 2,309 kilometers of lines and substations connecting their power stations with the country's electricity system and aimed at conveying the total production from the power station to the bar where it connects with the Transelec system, along with some facilities that furnish electricity to specific customers.

During 1999, Compañía Nacional de Transmisión, Transelec further developed and commissioned different investments projects as a part of the plan of works aimed at increasing the capacity of its electric energy transmission and transformation electricity system.

INTERNATIONAL OPERATING ACTIVITY

In Argentina, electricity generation was 9,150 GWh during the year 1999, with a total operation capacity of 3,622 MW, representing 19% of the total capacity of the Argentinean Interconnected System, through Central Costanera S.A., Hidroeléctrica El Chocón S.A. and Central Termoeléctrica Buenos Aires S.A.

In Perú, electricity generation was 2,950 GWh during the year 1999, with a total operation



CENTRAL BUENOS AIRES - ARGENTINA

capacity of 806 MW through Edegel, representing 19% of the total capacity of the Peruvian Northern Interconnected System, SING.

In Brazil, electricity generation was 3,222 GWh during the year 1999, with a total operation capacity of 658 MW through Centrais Elétricas Cachoeira Dourada S.A, representing approximately 1% of the total capacity in the country.

In Colombia, electricity generation was 10,898 GWh during the year 1999, with a total operation capacity of 3,035 MW, through Central Hidroeléctrica de Betania S.A. E.S.P. and the generation company Emgesa, which represents 26% of the country's the total installed capacity.

OTHER ACTIVITIES

Among the main projects and activities undertaken in 1999, it is worth mentioning:

CIEN INTERCONEXIÓN ENERGÉTICA ARGENTINA-BRAZIL, in order to trade a firm capacity of 1,000 MW of associated energy from Argentina in Brazil. Includes the construction of a 487 kilometer long line and 1,004 pylons. It is important to emphasize that on December 13, 1999, CIEN entered into a contract for the provision of 800 MW for a term of 20 years with Compañía Paranaense de Energía, Copel.

RALCO, a project made up by, on the one hand, the Ralco hydroelectric power stations which have a nominal capacity of 570 MW, which will enable to company to contribute an average yearly generation of 3,100 GWh to the electricity system and, on the other, the Palmucho power station which has a capacity of 30 MW, allowing it to contribute a yearly generation of 245 GWh to the electricity system.

ATACAMA POWER STATION, a project consisting in the construction and operation of a natural gas-fired combined cycle plant with a total capacity of 740 MW, located 70 kilometers north of the city of Antofagasta, in the industrial quarter of the city of Mejillones. Natural gas is supplied from the northwestern area of Argentina and conveyed to the plant by the company Gasoducto Atacama Compañía Ltda.

TALTAL POWER STATION, a natural gas-fired combined cycle thermoelectric plant at Paposo, in the Second region, approximately 50 kilometers north of the city of Taltal, to supply a maximum capacity of 360 MW to the Central Interconnected System (SIC). It will be fueled by natural gas imported from Argentina, conveyed by the pipelines owned by the companies GasAtacama and Gasoducto Taltal Ltda.

TALTAL NATURAL GAS PIPELINE, aimed at building a natural gas pipeline with a length of 229 kilometers in order to supply natural gas to the Taltal power station and to industrial, mining and gas distribution customers operating in the areas of Mejillones, Antofagasta and Paposo.

TALTAL TRANSMISSION SYSTEM, aimed at injecting energy from the Taltal power station to the Central Interconnected System (SIC) at the Diego de Almagro substation. The first stage will have a network in 220 kV, with a length of 182 kilometers and 530 pylons.

ELECTROGAS S.A., a natural gas pipeline to the Fifth Region that is made up by a main line 121 kilometers long, extending from San Bernardo to Quillota, and a lateral line 16 kilometers long, connecting El Maqui to Colmo, located near Concón.

GASODUCTO ATACAMA COMPAÑÍA LTDA, a natural gas pipeline, 925 kilometers long, that transports fuels, primarily natural gas from wells located in northwestern Argentina to Mejillones in northern Chile.



CENTRAL TAL TAL - CHILE

Among the other business activities of Endesa-Chile, it is worth mentioning Ingendesa that participated in important investment projects at a domestic, particularly in the areas of power and infrastructure, by providing services to Endesa, and its subsidiary and related companies. In this sense, it is also important to mention Túnel El Melón S.A. and Autopista del Sol S.A. involved in the design, construction and commercial operation of the highway Santiago-San Antonio and Autopista Los Libertadores S.A. to operate the highway Santiago - Los Andes.

RESULTS 1999

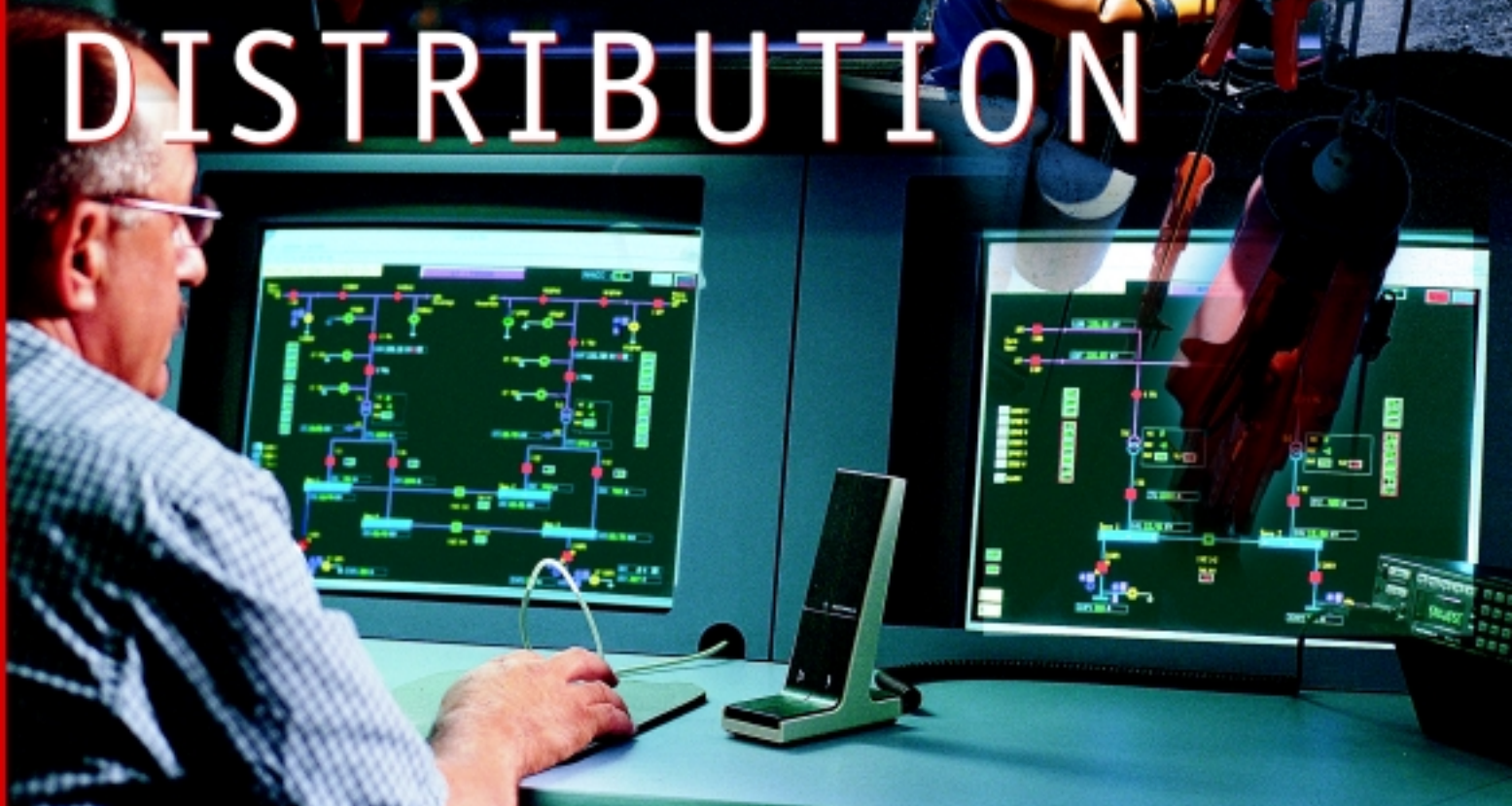
The result recorded by Endesa in the period 1999 is a total loss of Ch\$ 176,734 million, mainly as a consequence of the increase in operating costs due to higher expenses for energy purchases at high spot prices and a higher cost in fuel prices, owing to the drought affecting the country since mid-1998 to mid-1999. In addition, non-operating income went down by Ch\$ 138,320 million.



DISTRIBUTION



DISTRIBUTION

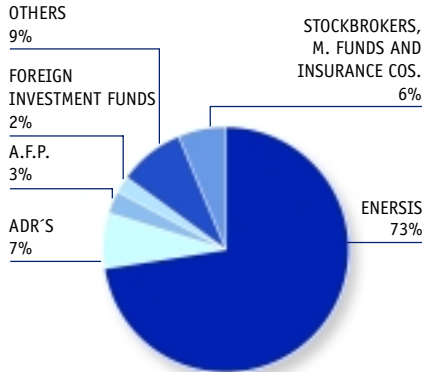


EVOLUTION OF DISTRIBUTION COMPANIES

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------|-------|--------|--------|--------|--------|
| CHILECTRA | | | | | |
| Energy sales (GWh) | 6,676 | 7,256 | 7,644 | 8,175 | 8,425 |
| Energy losses (%) | 9.0 | 8.6 | 7.6 | 6.0 | 5.4 |
| Customers ('000) | 1,099 | 1,133 | 1,180 | 1,212 | 1,239 |
| Employees | 1,801 | 1,643 | 1,677 | 1,674 | 1,383 |
| RÍO MAIPO | | | | | |
| Energy sales (GWh) | 763 | 878 | 955 | 1,016 | 1,050 |
| Energy losses (%) | 7.2 | 7.0 | 6.5 | 6.0 | 5.6 |
| Customers ('000) | 230 | 240 | 255 | 267 | 274 |
| Employees | 209 | 206 | 208 | 215 | 181 |
| EDESUR | | | | | |
| Energy sales (GWh) | 9,725 | 10,398 | 11,160 | 11,680 | 12,325 |
| Energy losses (%) | 12.0 | 10.1 | 8.3 | 8.1 | 7.8 |
| Customers ('000) | 2,050 | 2,038 | 2,078 | 2,094 | 2,105 |
| Employees | 3,950 | 3,515 | 3,180 | 2,999 | 2,630 |
| EDELNOR | | | | | |
| Energy sales (GWh) | 2,756 | 2,993 | 3,256 | 3,389 | 3,423 |
| Energy losses (%) | 16.1 | 13.8 | 11.7 | 9.7 | 8.8 |
| Customers ('000) | 673 | 750 | 805 | 816 | 843 |
| Employees | 758 | 943 | 777 | 765 | 722 |
| CERJ | | | | | |
| Energy sales (GWh) | | 5,733 | 6,424 | 7,208 | 7,694 |
| Energy losses (%) | | 29.3 | 25.3 | 19.1 | 15.3 |
| Customers ('000) | | 1,217 | 1,341 | 1,452 | 1,559 |
| Employees | | 4,376 | 2,288 | 1,897 | 1,782 |
| CODENSA | | | | | |
| Energy sales (GWh) | | | 7,929 | 8,217 | 8,502 |
| Energy losses (%) | | | 23.8 | 19.5 | 14.4 |
| Customers ('000) | | | 1,536 | 1,628 | 1,746 |
| Employees | | | 2,067 | 1,904 | 1,213 |
| COELCE | | | | | |
| Energy sales (GWh) | | | | 5,377 | 5,709 |
| Energy losses (%) | | | | 13.3 | 11.2 |
| Customers ('000) | | | | 1,508 | 1,652 |
| Employees | | | | 1,835 | 1,958 |

OWNERSHIP STRUCTURE

At December 1999, a total of 363,259,737 shares were subscribed and paid-in and held by 12,220 shareholders.

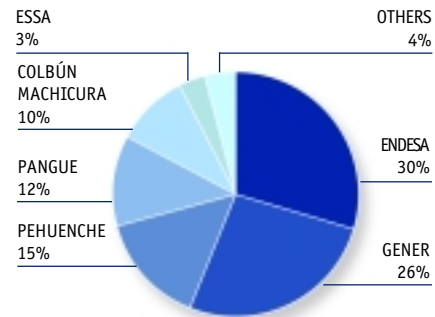


Peak capacity demand recorded on the electricity system of the company, during the year 1999, was 1,585 MW, an amount that is very similar to that recorded the year before.

Tariffs for the provision of electric energy are set every four year in accordance to standing provisions, and the next tariff setting process will take place in the year 2000.

ENERGY PURCHASES

During the year 1999, the energy bought broke down as follows:



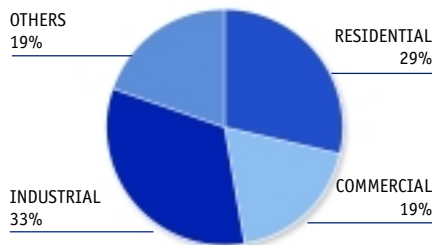
CONCESSION AREA

It covers the Metropolitan Region of the country with an area of 2,118 square kilometers. At present, it has 542 kilometers of transmission lines in high tension networks, 55 distribution substations and 100 power transformers with a capacity of 4,051 MVA.

ENERGY SALES

Despite the strong electricity rationing imposed by the authority and which affected all distribution companies on the SIC, Chilectra's physical energy sales increased by 3% with respect to 1998, providing a yearly volume of 8,425 GWh to its customers.

These are classified as follows:



SANTIAGO - CHILE

IDENTIFICATION OF THE COMPANY

- Name**
Chilectra S.A.
- Type of Company**
Limited Liability
Stock Company
- Tax Register Number**
96.524.320-8
- Address**
Santo Domingo No. 789,
Santiago, Chile
- Telephone**
(562) 632 20 00
- Fax**
(562) 639 32 80
- Web Site**
www.chilectra.cl
- E-mail**
rrpp@chilectra.cl
- External Auditors**
Arthur Andersen
- Securities Register**
No. 321
- Subscribed and Paid-in Capital ThCh\$**
247,587,387
- Participation of Enersis**
73%
- Company Purpose**
Distribution and sales of thermal and hydraulic electric energy, or energy from any other source.
- BOARD OF DIRECTORS**
- Chairman**
Alfredo Llorente
Enersis' Chairman
- Vice-Chairman**
José M. Fernández
- Directors**
Hernán F. Errázuriz
Enrique García
Enersis C.E.O.
Juan Domínguez
Enersis' Adjunct C.E.O.
Juan Salazar
Antonio Pareja
- CHIEF EXECUTIVE OFFICER**
MARCELO SILVA



ENERGY LOSSES

During the year, the investments in new projects related to technical measures and for controlling and maintaining already existing activities were kept at the same level; as a result the index for energy losses went down by 10% relative to the previous year, attaining the record figure of 5.4% by year-end of 1999.

CUSTOMERS

At year-end 1999, Chilectra had 1,238,603 customers, up by 2% with respect to 1998.

The company, within the frame of its efforts to improve services to customers, rationalized the coverage of its commercial offices, not only in terms of receiving payments, but also in terms of automated services for customers, optimizing and minimizing response times, among other aspects.

Chilectra since the beginning of the year 1994 has been developing a program aimed at being closer to the community in its concession area.

The purpose of this plan has been to generate physical spaces for recreational activities in low income sectors and to also provide lighting for sports facilities and so forth.

In order to meet the ornamental needs of certain municipal districts in the capital, Chilectra participated in the construction of underground installations and multiple ducts in different avenues and streets of the municipal districts of Las Condes and Providencia.

Chilectra aware of the problem originating from toxic gas emissions in buildings and the environmental contamination affecting the country, offered a number of possible solutions in this connection to its customers.

PERSONNEL

Due to the constant efforts to restructure and rationalize administrative activities and procedures, headcount totaled 1,383, which stands for 17% decrease.

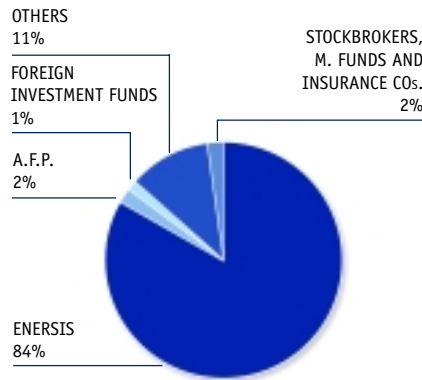
RESULTS 1999

The profit recorded by Chilectra at December 1999 was Ch\$ 71,237 million, which represents a 24% decrease relative to December 1998. This result is explained primarily by a lower operating income of Ch\$ 14,362 million, due to a lower growth in invoicing of energy. In addition, non-operating income went down by Ch\$ 10,495 million.



OWNERSHIP STRUCTURE

At December 1999, the capital stock of the company was distributed in 360,613,552 shares, distributed as follows:



IDENTIFICATION OF THE COMPANY

Name
Compañía Eléctrica del Río Maipo S.A.

Type of Company
Limited Liability Stock Company

Tax Register Number
96.557.330-5

Address
Buenos Aires No. 720, San Bernardo, Chile.

Telephone
(562) 858 5858

Fax
(562) 859 1859

Securities Register
No. 345

External Auditors
Arthur Andersen

Subscribed and Paid-in Capital ThCh\$
13,907,698

Participation of Enersis
84%

Company Purpose
Distribution and sales of thermal and hydraulic electric energy, or energy from any other source.

BOARD OF DIRECTORS

Chairman
Alberto López
Enersis' Corporate Affairs Manager

Directors
Ernesto Silva
Enersis' Director
Jorge Claro
Julio Valenzuela
Ramón Vázquez

CHIEF EXECUTIVE OFFICER
ALEJANDRO GÓMEZ

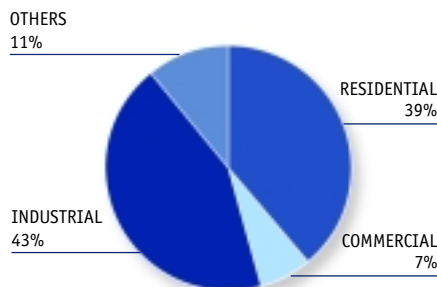
CONCESSION AREA

The concession area of Río Maipo corresponds to the municipal districts of San José de Maipo, Puente Alto, La Pintana, El Bosque, San Bernardo, Calera de Tango, Isla de Maipo, Talagante, Peñaflo, Padre Hurtado and Curacaví, serving a population in the order of 1,250,000 inhabitants, in an area of 1,450 square kilometers.

ENERGY SALES

During 1999, energy sales totaled 1,050 GWh, up by 3% relative to 1998.

Energy sales are distributed as follows:



Peak capacity demand was recorded in the month of December and was 207 MW, the highest over the last nine years.

Tariffs for the provision of electric energy are set every four year in pursuance of standing provisions (Decree Law No 1, of year 1982, Ministry of Mining), and the next tariff setting process is to take place in the year 2000.

ENERGY PURCHASES

During the year 1999, Río Maipo bought energy from Chilectra at eight transforming substations; in seven of them, purchases were made at a level of 12 kV and in the other, at a level of 66 kV. In the case of Gener energy was received at the substations of the hydroelectric plants of Maitenes, Queltehues and Los Morros at a level of 12 kV.

ENERGY LOSSES

During 1999, approximately 1,600 distribution boxes with spacing hooks were installed and a new prototype of 100 boxes with double reinforcement was created, and which to date have not been tampered. These solutions have

involved low costs, created at Río Maipo and intended to abate energy thefts.

The modification implemented generates considerable improvements in performance, unlike the traditional boxes which are habitually tampered by some sectors of the population to maliciously obtain electric energy.

The Normalization Plan also continued in all municipal districts served by Río Maipo, having conducted in the order of 36,000 inspections. As a result of these activities, an increase of Ch\$ 34 million in invoicing was generated for work on connections to customers and revenues of Ch\$ 16 million for energy re-invoiced (unrecorded consumption). It is estimated that the normalization of the connections has yielded a net increase in invoicing in the order of 450 MWh.

On an overall basis, energy losses represented 5.6%.

CUSTOMERS

In the course of 1999, 6,397 new customers began to operate with the company, and at December the total number of customers was 273,669, of which 96% are residential customers.

Río Maipo orients its commercial activities to attain excellence in the quality of service provided to its residential and industrial customers.

An attainment that has been fully acknowledged by the company's customers and the population in general, was the management effort made by Río Maipo to adequately cope with the electricity rationing imposed between the months of February to June 1999. Actions taken with self-producers, an efficient technical operation and timely communications with customers were key instruments that enabled the company to minimize the impact of the measure.



During 1999, the policy of giving easy terms for payment was strongly implemented, in order to keep a low level of overdue payments and also meet the needs of lower income customers.

With a view to meet the needs of new customers and the increases in capacity of those already being served, different works to extend and strengthen lines and distribution substations were implemented.

PERSONNEL

The company's headcount was 181 employees, which involves a 16% decrease relative to 1998.

RESULTS 1999

The net income reported by Río Maipo for the period was Ch\$ 8,453, which represented a 5% decrease with respect to 1998. This decrease of Ch\$ 480 million is due primarily to a lower operating income of Ch\$ 274 million, that is explained by an 8% decrease in the average sales price. In addition, non-operating income fell by Ch\$ 327 million.

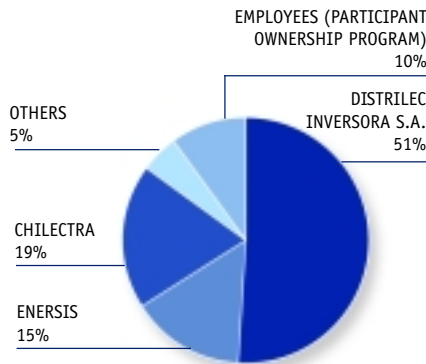


In July 1992, 51% of the ownership of Edesur in Buenos, Argentina, was awarded to Distrilec Inversora S.A. In December 1995, Enersis increased its direct and indirect participation in Edesur through the purchase of 39% of the capital stock of the company which was in the hands of the Argentinean government, thereby becoming the group with the highest stake in the capital stock of the company.

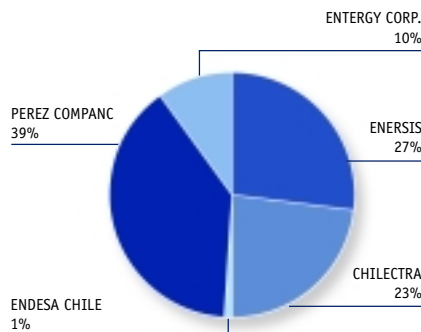
At December 1999, the capital of the company was distributed in 992,983,984 shares.

The current ownership structure of both Edesur and the consortium Distrilec Inversora S.A. are shown below:

EDESUR



DISTRILEC INVERSORA S.A.



BUENOS AIRES - ARGENTINA

CONCESSION AREA

Edesur's main purpose is the distribution and sale of electric energy in the southern area of the city of Buenos Aires, which represents a total concession area of 3,309 square kilometers.

RELEVANT EVENT

In 1999, a fire restricted to the cable area of the Azopardo Substation caused an interruption in the supply of electricity at the level of 132 kV to three substations of the Federal Capital, initially affecting 156 thousand customers that represent 7% of the company's customers. During the next 24 hours, the number of customers whose electricity supply was interrupted went down 60 thousand. The incident was completely solved by the night of February 24 when the supply was resumed in High Tension to the affected area, and only 3 thousand customers were not being served. The average interruption time, with respect to the universe of affected customers, was 72 hours.

ENERGY SALES

Energy sales during the period amounted 12,325 GWh and peak capacity demand recorded in the year reached a level of 2,369 MW, representing a 6% and 3% increase, respectively, relative to 1998.

IDENTIFICATION OF THE COMPANY

Name
 Empresa Distribuidora Sur S.A.

Type of Company
 Foreign Limited Liability Stock Company

Address
 San José No.140 (1076), Buenos Aires, Argentina.

Telephone
 (5411) 4370 3700

Fax
 (5411) 4381 0708

Web Site
 www.edesur.com.ar

E-mail
 servicio@edesur.com.ar

External Auditors
 Arthur Andersen/
 Pistrelli Diaz y Asoc.

Subscribed and Paid-in Capital ThChS
 557,632,519

Participation of Enersis
 51%

Company Purpose
 Distribution and trading of electric energy and related transactions.

BOARD OF DIRECTORS

Chairman

Tadeo Perich

Vice-Chairman

Enrique García

Enersis' C.E.O.

Directors

Ignacio Blanco

Enersis' Strategy and Management Manager

Fernando Nadal

Enersis' Corporate

Communications Manager

Miguel Beruto

Marcelo Silva

José M. Fernández

Jorge Ortúzar

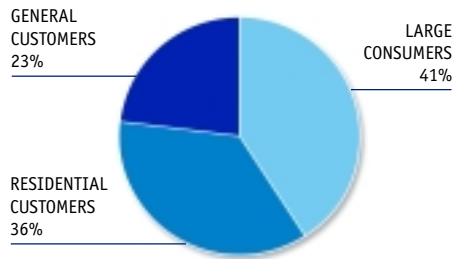
Roberto L. Rubio

Roberto L. Rubio

CHIEF EXECUTIVE OFFICER

JOSÉ M. ROVIRA

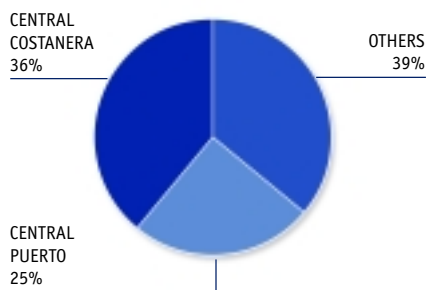
The distribution of physical sales was the following:



ENERGY PURCHASES

The total amount of energy injected into the Edesur network was 13,384 GWh. During the year, Edesur bought 10,666 GWh from Central Costanera S.A., Central Puerto S.A. and the Wholesale Electricity Market. Additionally, it distributed a total of 2,718 GWh in terms of toll services to large consumers.

The distribution of the energy bought from the generation companies is shown below:



ENERGY LOSSES

The plans which Edesur continued to develop in order to control energy losses during 1999 allowed these to go down to 7.8%, measured to include unrecorded consumption (CNR).

CUSTOMERS

The total number of customers served by Edesur at December 1999 was 2,105,380, standing for a 1% increase as compared to 1998. Of that total number of customers, 86% are residential customers.

Edesur's commercial management was aimed at positioning the company in terms of the changes undergone by the Argentinean electricity market, improving profitability through the implementation of new products and services, enhancing the company's image and strengthening the traditional variables of the business, that is, improving the quality of service, reducing losses and overdue payments, containing costs and increasing revenues.



In 1999, Edesur has made important investments aimed at improving the quality of service and the safety conditions of the facilities. These initiatives were accompanied by a diffusion campaign through the mass media on electric safety at home and in the streets that had a positive impact on the community and public opinion shapers.

In order to meet the growth in the demand, investments were made during 1999 in projects aimed at expanding the system; this allowed Edesur's facilities to record a 30% decrease in the number of failures within their own system with respect to the same period in 1998.

PERSONNEL

The company's headcount was 2,630 employees, which is equivalent to 12% decrease with respect to the previous year.

RESULTS

Edesur's net income for the year 1999 was Ch\$ 13,142 million, which represents a 72% decrease with respect to the previous period.

This considerable decrease is due to the economic losses originating from the incident that affected the Azopardo substation, compelling the company to pay compensations to customers as well as contractual and extra-contractual penalties and fines imposed by the country's regulatory authority.

OWNERSHIP STRUCTURE

At December 1999, the capital stock of the company was distributed in 1,007,401,389 shares.

The present ownership structure of Inversiones Distrilima S.A. as well as that of Edelnor are shown below:

IDENTIFICATION OF THE COMPANY

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

Type of Company
 Foreign Limited Liability Stock Company

Address
 Tte. César López Rojas No.201, Urbanización Maranga, San Miguel, Lima, Perú

Telephone
 (511) 561 2001

Fax
 (511) 561 0451

Web Site
 www.edelnor.com.pe

E-mail
 enlinea@edelnor.com.pe

External Auditors
 Arthur Andersen / Pistrelli Díaz y Asociados

Subscribed and Paid-in Capital ThCh\$
 183,586,515

Participation of Enersis
 29%

Company Purpose
 Distribution, transmission and generation of electric energy within its concession area, in pursuance of standing law.

BOARD OF DIRECTORS

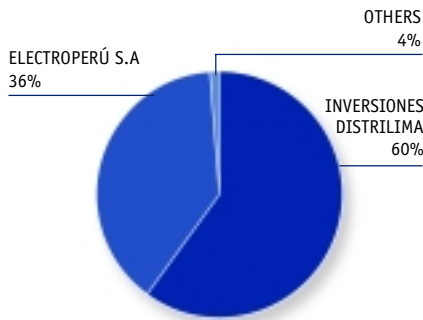
Chairman
 Reynaldo Llosa

Vice-Chairman
 José M. Kindelán
Enersis' Regulation Manager

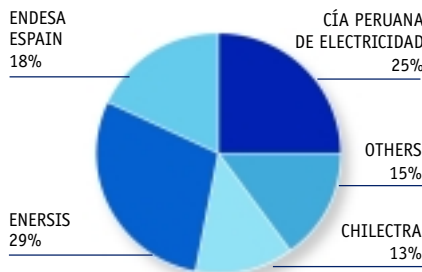
Directors
 Jesús Beoutis
 José M. Hidalgo
 Jorge Liceti
 Jorge Manzur
 Ricardo Silva

CHIEF EXECUTIVE OFFICER
 JOSÉ M. HIDALGO

EDELNOR



INVERSIONES DISTRILIMA S.A.



CONCESSION AREA

Edelnor distributes electric energy in the concession area that corresponds to the northern area of Metropolitan Lima, the Constitutional province of Callao, and the Provinces of Huaura, Huaral, Barranca and Oyón. Consequently, it serves 52 districts in an exclusive manner and shares the distribution of energy to 5 additional districts with Luz del Sur S.A. In the metropolitan area, Edelnor's concession mainly covers the



LIMA - PERÚ

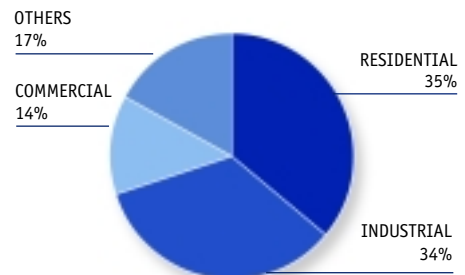
industrial area of Lima and some densely inhabited districts in the city. The concession area covers a total of 2,440 square kilometers of which 1,838 square kilometers correspond to the northern part of Lima and Callao.

ENERGY SALES

During 1999, energy sales totaled 3,423 GWh, which represents a 1% increase with respect to the previous year. Peak capacity demand, in turn, reached 650 MW.

Physical energy sales by type of customer was as follows:

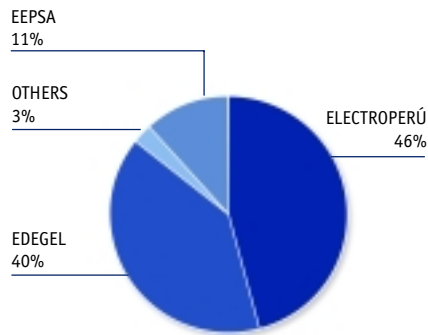
DISTRIBUCIÓN DE VENTAS FÍSICAS



The tariffs for the provision of electric energy are set every four years in accordance to standing law; the last tariff setting process was conducted in 1997.

ENERGY PURCHASES

Edelnor purchased energy from four generation companies, Electroperú, Edegel, Cahua and EEPSA, which stands for 99,9% of the total amount of energy invoiced, the rests is generated by the company on isolated systems, resorting to thermoelectric and hydroelectric units that serve rural areas in the Norte Chico area. The latter increased their generation by 1% relative to the previous year



ENERGY LOSSES

During 1999, the company continued combing its concession area and carrying out massive inspections in order to increase the detection of



thefts, managing to reduce energy losses to 8.8%, which is equivalent to a reduction of one percentage point.

CUSTOMERS

At December 1999, the number of customers had increased to 843,258, standing for a 3% increase.

During this year a number of actions were taken to provide a better service and attention to customers. The Teleservice Customer Center expanded its facilities and the use of the Automated Attention System was intensified and promoted. Service centers were remodeled and new facilities were built and in May in conjunction with Telefónica and Sedapal, the system of Shared Collection was launched, thus making the payment of public utilities more expedient.

Edelnor has devoted important economic resources to implement projects in terms of demand and quality in its medium and high tension networks and made significant investments to improve and expand its electricity system.

PERSONNEL

The company's headcount at December 1999 was 722 employees, which is equivalent to a 6% decrease with respect to the previous year.

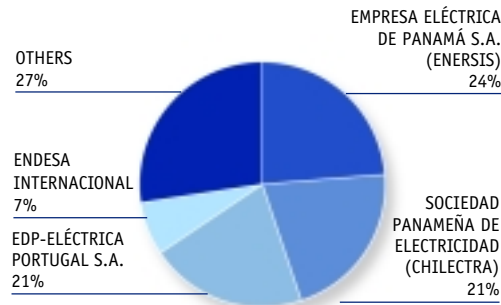
RESULTS 1999

In 1999, Edelnor recorded a profit of Ch\$ 27,594 million, an increase of Ch\$ 13,560 million with respect to 1998. This was due to a higher operating income of Ch\$ 5,600 million, resulting from lower energy losses and an adequate policy to control overdue payments. Furthermore, non-operating income also increased by Ch\$ 7,961million.



OWNERSHIP STRUCTURE

At December 1999, the capital stock of the company was distributed in 1,547,807 million shares as follows:



IDENTIFICATION OF THE COMPANY

Name
Companhia de Electricidade do Rio de Janeiro S.A.

Type of Company
Foreign Limited Liability Stock Company

Address
Praga Leoni Ramos No. 1,
Sao Domingos, Niterói,
Rio de Janeiro, Brazil

Telephone
(5521) 613 7000

Fax
(5521) 613 7153

Web Site
www.cerj.com.br

External Auditors
Arthur Andersen

Subscribed and Paid-in Capital ThCh\$
98,454,505

Participation of Enersis
37%

Company Purpose
Study, plan, build and explore systems for the production, transmission, transformation, distribution and marketing of energy.

BOARD OF DIRECTORS

Chairman
Francisco de la Fuente

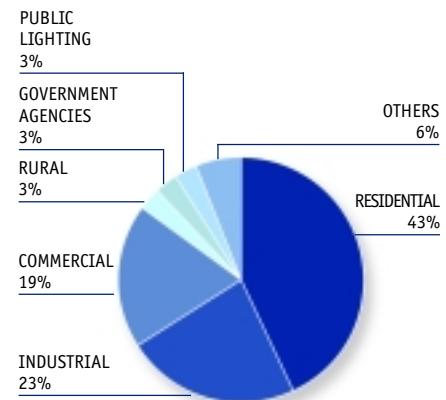
Vice-Chairman
Osvaldo Shaerer
Enersis' Development Manager

Directors
Antonio Basílio
Hermes J. Chipp
Alejandro Danús
Geraldo A. da Rocha
Joaquim A. Ferreira
Rolando Hechenleitner
Jaime C. Manzano

CHIEF EXECUTIVE OFFICER
ALEJANDRO DANÚS

with respect to the 7,208 GWh in 1998. Peak capacity demand, in turn, totaled 1,526 MW, up by 2% with respect to the same period the year before.

Physical sales of energy by type of customer are distributed as follows:



CONCESSION AREA

Cerj distributes electric energy in most of the State of Rio de Janeiro, Brazil, serving a population of 4.9 million inhabitants that correspond to 66 municipal districts distributed over an area of 31,741 square kilometers.

ENERGY SALES

Physical sales of energy totaled 7,694 GWh at December 1999, which represents a 7% increase

It is worth mentioning the activities carried out in the electric energy transmission area, where two new substations were commissioned and 17 others were expanded, thus increasing the installed capacity of Cerj by 202 MVA, that is, a 6% increase in total capacity. In addition, the



RÍO DE JANEIRO - BRAZIL

company installed 73 kilometers of transmission lines, 421 kilometers of medium tension distribution lines and 1,571 kilometers of low tension lines.

ENERGY PURCHASES

In 1999, the energy needed by the system was 9,082 GWh, which represents a 2% increase relative to the previous year. 97% of this energy was bought from Furnas Central Eléctrica S.A. and Itaipú Binacional, while the remaining 3% was self-generated.

ENERGY LOSSES

One of the greatest challenges faced this year was undoubtedly to continue cutting down energy losses. Through the investments made, such as the Loss Control Project that was set up in 1996, Cerj has been able, over a period of three years, to reduce this index by 14 percentage points and reached at December 1999 a value of 15.3%, a historical record in the electricity distribution area.

CUSTOMERS

Cerj distributes energy to a total of 1,559,327 customers, up by 7% with respect to 1998. 89.8%



of them are residential customers. The 7% growth is one of the highest on record in Brazil, hence serving to illustrate that the investments made have satisfactorily met the market's needs.

PERSONNEL

The company's headcount at December 1999 was 1,782, which is equivalent to a 6% decrease relative to the previous year.

RESULTS 1999

Cerj recorded a profit of Ch\$ 87,987 million in 1999, up by 118% with respect to 1998. This was due primarily to an 87% increase in operating income, partially offset by a lower in non-operating income of Ch\$ 50,824 million, that is accounted for basically by a decrease in average sales price of 27%.

OWNERSHIP STRUCTURE

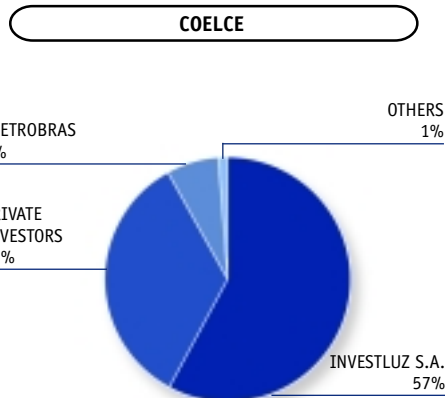
As from April 2, 1998, the company is operated by the Consortium made up by Endesa Spain, Enersis, Chilectra and Cerj, which acquired 51 % of the company in US\$ 868 million. On September 30, the group increased its stake in the company by 6% when it bought the shares in the hands of the investment clubs, formed by the workers when the company was privatized.

With this, Endesa Spain, Enersis, Chilectra and Cerj came to control 92% of the stock with voting rights of the company and 57% of the total capital stock.

On September 27, 1999, the company modified its corporate structure in order to allow the participation of its controlling shareholder (Distriluz Energía Eléctrica S.A), so as to optimize tax-related cash flows and incorporate a negative goodwill reserve, the amortization of which will generate important economic benefits for all its stockholders.

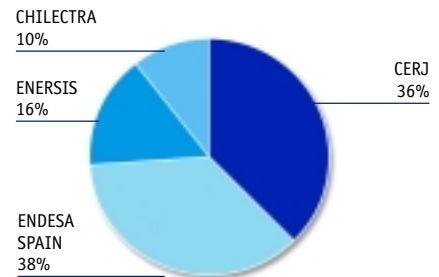
As a consequence of the above amendment, Distriluz Energía Eléctrica S.A. was terminated, and a new holding company was created, Investluz S.A.

At December 1999, the ownership structure of Coelce is the following:



FORTALEZA - BRAZIL

INVESTLUZ S.A.



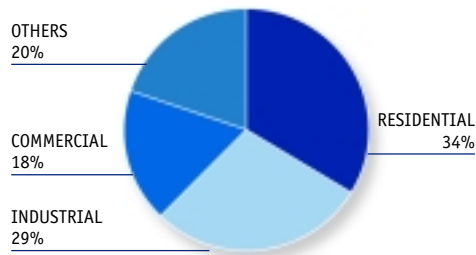
ENERGY SALES

During 1999, energy sales in its concession area totaled 5,709 GWh, which represents a 6% increase with respect to the previous year. Peak capacity demand, in turn, amounted to 999 MW, a figure that is very similar to that for the previous year.

IDENTIFICATION OF THE COMPANY

- Name**
Companhia Energética do Ceará S.A.
- Type of Company**
Foreign Limited Liability Stock Company
- Address**
Av. Barao de Studart 2917, Dionísio Torres, Fortaleza, Ceará, Brazil
- Telephone**
(5585) 216 1100
- Fax**
(5585) 216 1410
- Web Site**
www.coelce.com.br
- External Auditors**
Arthur Andersen
- Subscribed and Paid-in Capital ThCh\$**
198,401,821
- Participation of Enersis**
21%
- Company Purpose**
Generation and sale of hydroelectric or thermoelectric electric energy or of any other nature.
- BOARD OF DIRECTORS**
- Chairman**
José L. Mayoral
- Vice-Chairman**
Osvaldo Schaerer
Enersis' Development Manager
- Directors**
José M. Kindelán
Enersis' Regulation Manager
Ignacio Blanco
Enersis' Strategy and Management Manager
Ramón Vásquez
Mauricio Balbontín
Enersis' Finance Manager
Francisco de la Fuente
Alejandro Danús
Princila Cassoli
Laércio Peixoto
- CHIEF EXECUTIVE OFFICER**
CARLOS CARVALHO

Physical sales by type of customer are distributed as follows:



ENERGY PURCHASES

In the year 1999, energy invoiced totaled 6,427 GWh, which represented an increase of 3% with respect to the previous year.

ENERGY LOSSES

Accumulated energy losses at twelve months amounted to an index of 11.2% at December 1999, representing a decrease of 2.1 percentage points with respect to 1998, at which date the index was 13.3%.

CUSTOMERS

In December 1999, the number of customers served totaled 1,652,073 representing a 10% increase relative to the previous year.



At the customer service centers, special projects were carried out to provide attention to customers with some physical disability, as for instance the case of people with hearing problems. To that end, employees conversant with sign language were hired and an agreement was signed Sociedad Cearense that provides assistance to blind people so as to print and distribute information about the electricity bill using the Braille system.

PERSONNEL

The company's headcount at December 1999 was 1,958, which is equivalent to a 7% increase with respect to the previous year.

RESULTS 1999

Coelce recorded a net income of Ch\$ 30,973 million at December 31, 1999, with an increase of Ch\$ 11,896 million. The latter is due primarily to a higher operating income of Ch\$ 9,281 million, due a 6% increase in physical energy sales as well as increase in non-operating income of Ch\$ 7,339 million.





OWNERSHIP STRUCTURE

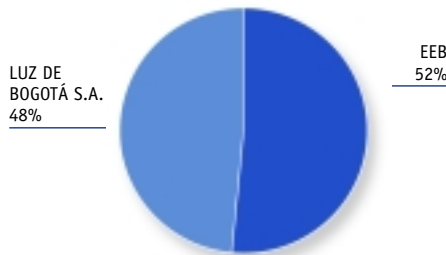
At December 1999, the capital stock of the company was distributed in 187,162,104 shares.

On September 16, 1997, Empresa de Energía de Bogotá S.A. E.S.P. capitalized 48.5% of its ownership in US\$ 1,085 million, which was acquired by the consortium Luz de Bogotá, made up by the companies Enersis, Chilectra and Endesa Desarrollo de España.

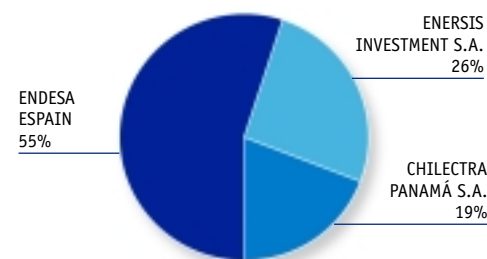
Subsequently, on October 23, 1997 Compañía de Comercialización y Distribución S.A. E.S.P., Codensa, was formed.

Its present ownership structure, as well as that of Luz de Bogotá, are as follows:

CODENSA



LUZ DE BOGOTÁ S.A.



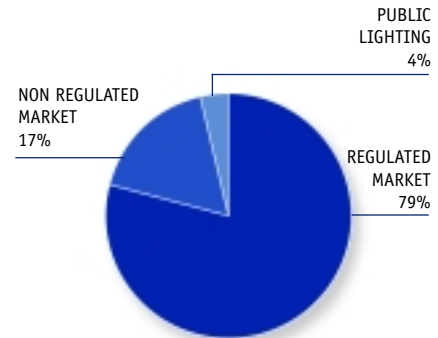
CONCESSION AREA

Codensa serves Santa Fé de Bogotá and 96 other municipal districts, in an area of approximately 14,000 square kilometers.

ENERGY SALES

In 1999, the company sold 8,502 GWh, up by 4% as compared to the previous year.

These sales, distributed by type of customer, are distributed as follows:



IDENTIFICATION OF THE COMPANY

Name
Codensa S.A. E.S.P.
Type of Company
Foreign Limited Liability Stock Company
Address
Av. El Dorado No. 55-51, Bogotá, Colombia
Telephone
(571) 601 6060
Fax
(571) 601 5917
Web Site
www.codensa.com.co

External auditors
Arthur Andersen
Subscribed and Paid-in Capital ThChS
815,125,518
Participation of Enersis
22%
Company Purpose
Distribution and selling electric energy as well as performing similar, kindred, complementary and related activities with respect to the above mentioned scope of business.

BOARD OF DIRECTORS
Chairman
Andrés Regué
Directors
Jorge E. Amaya
José M. Kindelán
Enersis' Regulation Manager
Alberto López
Enersis' Corporate Affairs Manager
Carlos A. Sandoval
Julio Valenzuela
José A. Vargas
CHIEF EXECUTIVE OFFICER
MARCELO LLÉVENES

The tariffs for the provision of electric energy are set every five years in Colombia, and the next tariff setting process is to take place during the year 2003.

ENERGY PURCHASES

Total physical energy purchases for the year 1999 were 9,045 GWh, which show a 12.6% decrease with respect to the previous year. The company bought 7,679 GWh for the regulated market and 1,366 GWh to meet the needs of the non regulated market.

ENERGY LOSSES

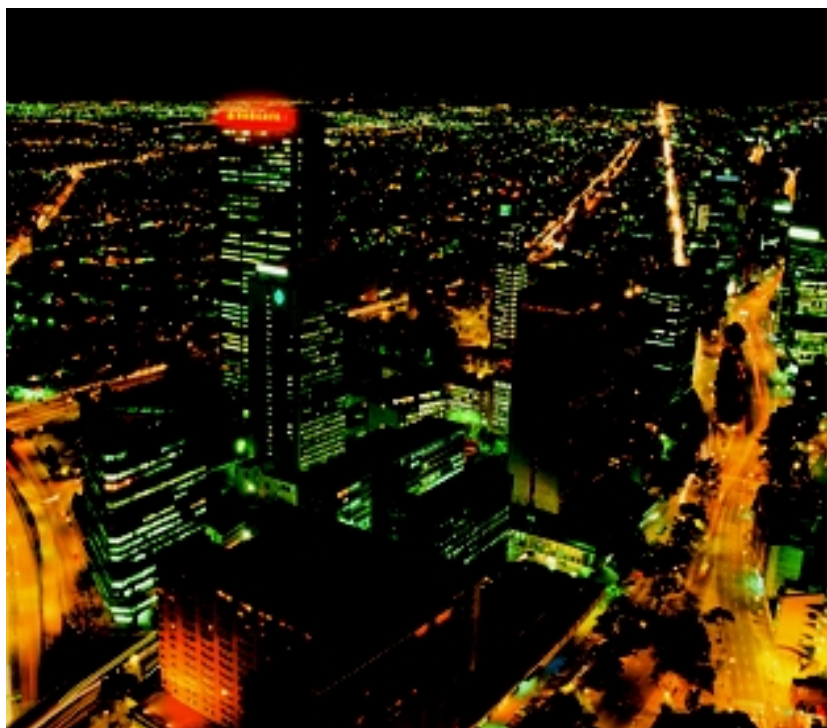
At the end of 1999, the company recorded an index for energy losses of 14.4% (without including the losses assigned by the National Transmission System), a figure involving a 5 percentage points decrease as compared to the previous year.

CUSTOMERS

During 1999, 118,241 new customers were drawn, ending the year with 1,746,352 regulated customers, as against 1,628,111 in the year 1998, which represents a 7% increase during the period.

During the year 1999, Codensa oriented its efforts to improve the quality of the product in order to provide its customers an electricity service under optimal conditions, based on a concept of efficiency aimed at benefiting them.

Concurrently, the company implemented important investment projects aimed at improving the quality of life of its customers,



BOGOTÁ - COLOMBIA

making available to them easier and more expedient mechanisms for their attention, increasing the number and quality of its customer service facilities.

PERSONNEL

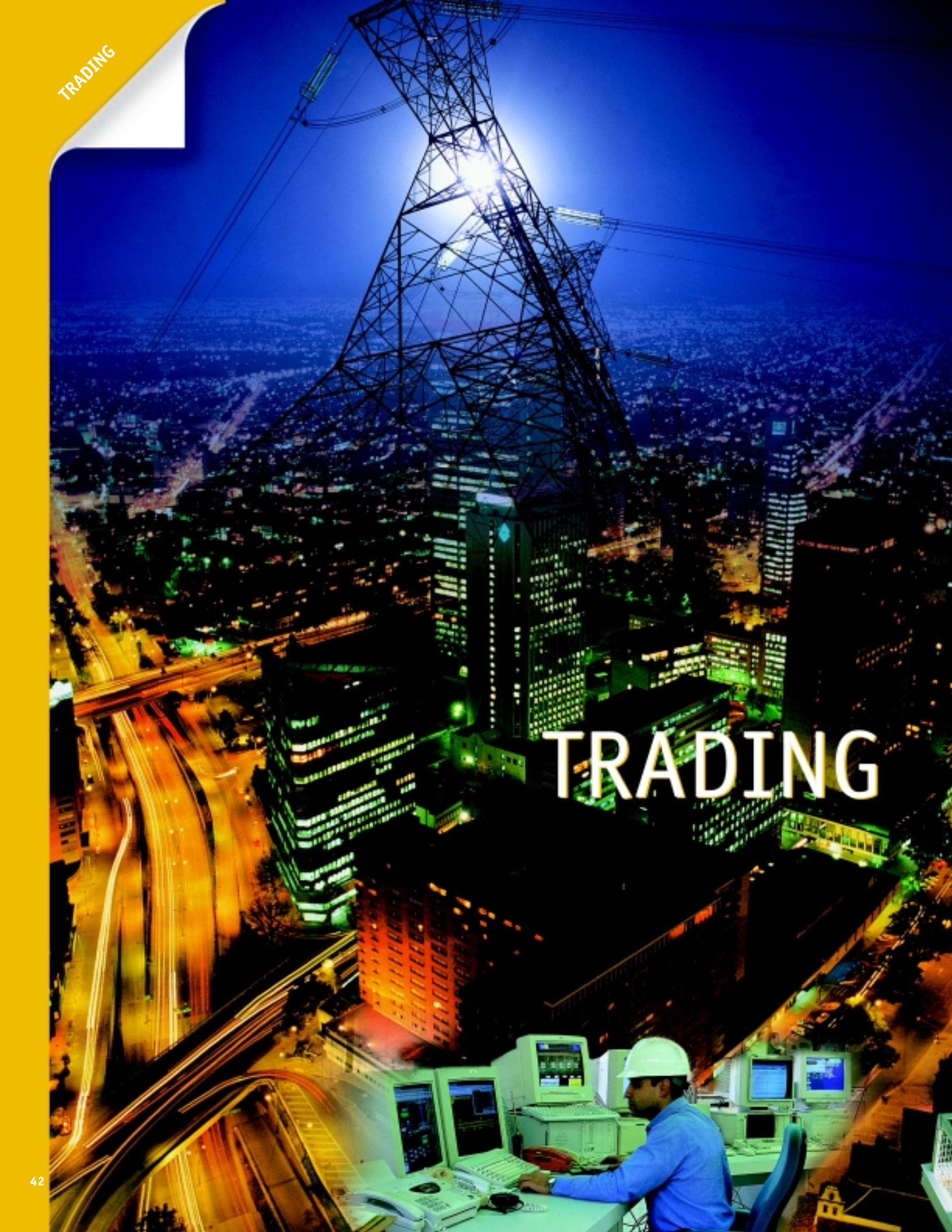
Headcount was 1,213 employees, down by 36% with respect to the previous year.

RESULTS 1999

In 1999, Codensa reported a net income of Ch\$ 18,655 million, 38% lower than that reported for the previous year. This was due to a lower operating income of Ch\$ 14,655 million owing to a 12% decrease in the average sales price, a lower non-operating income of Ch\$ 7.925 million and a higher income tax of Ch\$ 7,669 million.

TRADING

TRADING



In order to operate in the energy trading segment of the Colombian market, on August 30, 1999, the company Empresa Colombiana de Comercialización de Electricidad ECCE S.A. E.S.P. was formed. Subsequently, on October 1, 1999, with the definite participation of Enersis as majority stockholder, the corporate name as changed to Enersis Energía de Colombia S.A. E.S.P., under which it is operating at present.

ENERGY SALES AND CUSTOMERS

Enersis Energía de Colombia began its commercial operations on October 1, 1999, and its sales at December 31, 1999, totaled 21 GWh and it had 98 customers.

The above figures place the company as the largest net energy trader in Colombia.

ENERGY PURCHASES

To meet its present and future demands, the company has entered into energy purchase contracts with Emgesa and Betania.

PERSONNEL

The company's own staff at December 31, 1999, is made up by the Chief Executive Officer and the Commercial Manager and as of January of the year 2000 the headcount will be increased according to the needs of the company.

RESULTS 1999

At December 31, 1999, Enersis Energía de Colombia had an excellent financial position, with investments of Ch\$ 92.3 million. Its fixed assets (furniture and equipment) to an amount of Ch\$ 33 million.

It had no financial short or long-term liabilities. The most important liabilities correspond to energy purchases, to an amount of Ch\$ 1,431 million.

On December 15, 1999, the company completed the capital increase approved at the extraordinary shareholders' meeting held on November 2, 1999 to an amount of Ch\$ 300 million of total capital, contributed by the Enersis Group.

The final net income of Enersis Energía de Colombia was Ch\$ 2.6 million, explained by an operating revenue of Ch\$ 645 million, an operating cost of Ch\$ 591 million and administrative and selling expenses of Ch\$ 50 million, which generates an operating income of Ch\$ 3.2 million. Non-operating income totaled 2.5 million, which was offset by an income tax of Ch\$3.2 million.

IDENTIFICATION OF THE COMPANY

Name

Enersis Energía de Colombia S.A. E.S.P.

Type of Company

Foreign Closed Limited Liability Stock Company

Address

Av. El Dorado No. 55-51, Bogotá, Colombia

Telephone

(571) 601 5790

Fax

(571) 601 5799

External Auditors

Arthur Andersen

Subscribed and

Paid-in Capital ThCh\$

82,607

Participation of Enersis

100 %

Company Purpose

Energy trading

BOARD OF DIRECTORS

Chairman

Ignacio Blanco
Enersis' Strategy and Management Manager

Directors

Rafael Errázuriz
Diego Muñoz

CHIEF EXECUTIVE OFFICER

LUIS FREDES



BOGOTÁ - COLOMBIA

SERVICES



SERVICES

IDENTIFICATION OF THE COMPANY
Name

Compañía Americana de Multiservicios S.A

Type of Company

Closed Limited Liability Stock Company

Tax Register Number

96.530.650-1

Address

Tarapacá No. 934, Santiago, Chile.

Telephone

(562) 632 5000

Fax

(562) 639 7608

External Auditors

Arthur Andersen Langton Clarke

Subscribed and Paid in Capital ThCh\$

985,381

Participation of Enersis

100 %

Company Purpose

Perform professional and technical services for the management of warehouses, control execution of works, measure and gauge, start-up and maintenance of systems, machinery and apparatus, maintenance of distribution and transmission networks, all of them related with the production, transport and distribution of water, gas, telecommunications and power in any of its forms.

BOARD OF DIRECTORS
Chairman

Emilio García
Enersis' Diversification and Services Manager

Vice-Chairman

Ernesto Silva
Enersis' Director

Directors

Ramón Vásquez
Víctor M. Jarpa
Carlos Cabrera
Pedro Bermejo

CHIEF EXECUTIVE OFFICER

PANTALEÓN CALVO

GENERAL INFORMATION

In order to allow Ingeniería e Inmobiliaria Manso de Velasco S.A. to fully develop the potential of its activity in the management of massive support services to electricity companies, in what relates mainly to the installation and verification of meters, networks and connections for new customers and maintenance of installations, it was highly convenient to restructure that company, through a process that entailed dividing the company. The new companies were: Inmobiliaria Manso de Velasco S.A. e Inversiones Manso de Velasco S.A., the latter created with a sole asset consisting in the stock which the former subsidiary held in Endesa Chile. In order to ensure the continuity of the activities performed, two new companies were organized:

- a) INMOBILIARIA MANSO DE VELASCO S.A., that retains the real estate assets and projects with a potential in the real estate sector.
- b) COMPAÑÍA AMERICANA DE MULTISERVICIOS S.A. (CAM) with the assets that are specific to the business purpose involving the provision of massive support services to the electricity companies.

Management during the year 2000 will be oriented to the consolidation in multiple services by participating in the markets of other public utility services and with a special emphasis on international development.

ENGINEERING AND ELECTRICAL SERVICES ACTIVITIES

The keynote during the year was the restructuring of the company, so as to conduct business activities more adequately and attain greater efficiencies within the new framework of multiple services. During the year 2000, the commercial services related to cutting off and replacing public utility services, reading meters, collecting past dues, providing support in emergencies and disciplining the market will be added.

In Argentina, Elenet, the subsidiary of the company in Buenos Aires, was awarded a three year contract for the provision of Market

Discipline services in relation to Edenor's Commercial Schedule. On the other hand, services are provided in the laboratory area of Codensa in Bogotá, Colombia, and similar projects are under study in Brazil and Perú.

With respect to Construction in High Tension, the works for the 57 kilometers long Polpaico Maitenes transmission line, in 220 kV, entrusted by Colbún S.A, was finished. In addition, the company participated in the construction and assembly of the Pelambres substation, installed the electrical works for the new water treatment plant of Emos in La Florida and finished the works at Hualpen substation.

During the year 1999, in what respects public utilities, the company implemented yearly maintenance plans that involved the replacement of 9,040 electricity meters and 1,610 electricity meters were overhauled.

On the other hand, a more active participation of the company in this segment of services involved attaining a 40% market share. Over the last months of the year, the construction of underground connections and public lighting works were also included.

RESULTS 1999

The lower net income reported by CAM during 1999 were due, primarily, to the loss of the investment in Endesa Chile.

On the other hand, the real estate area showed a decrease in its results as a consequence of the economic crisis that affected the country. Furthermore, a lower activity was observed in business with third parties owing to the economic contraction.

If the effects of real estate area and the investment in Endesa Chile are isolated, the company had an operating income in 1999 that 45% lower than that recorded in 1998.

OPERATING ACTIVITY

During 1999, Diprel experienced a decrease in the volume of global business activity, explained by the economic crisis that affected the country, and which in the main had negative effects on the construction and housing sectors, in which the company has an important participation, and also on the industrial sector, where the strategic decision to have a more active participation had been made.

With the redefinition of Diprel's mission that aims at optimizing the procurement and purchasing function of the Enersis Group, cutting down prices, management costs and levels of stock as well as assuring the quality of materials and services, by taking advantage of the know-how of the Endesa Group and the size of the Group, Diprel was restructured as the centralized purchasing and hiring agent, which has involved becoming the manager and coordinator of purchases, inventories, warehouse logistics and for contracts for works and services.

This created the need to set up operating subsidiaries of Diprel in Brazil, Colombia and Perú; to transfer the management of purchases, inventories and warehouses of the related companies Codensa and Cerj; and to consolidate global management of the procurement activity in Chile, including the management, operation and control of the warehouses of CAM, Río Maipo and Chilectra.

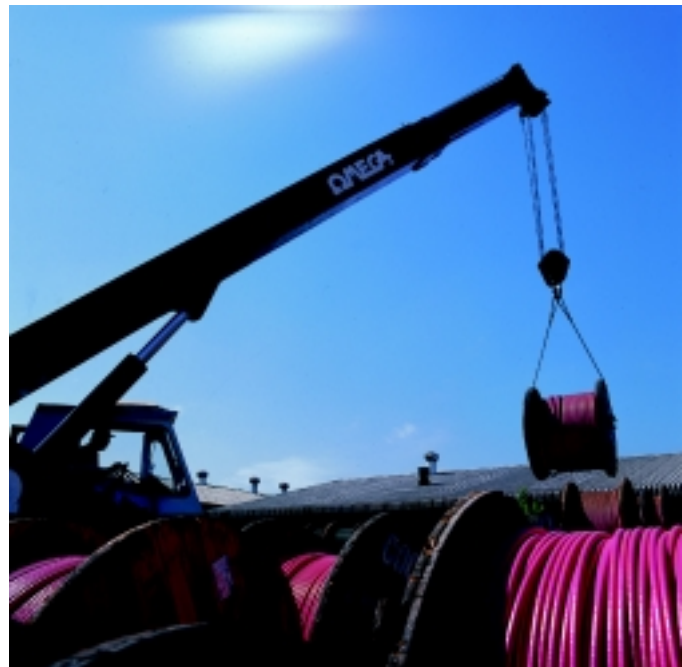
As from the month of August, Diprel absorbed the Assistant Management of Contracts of Enersis, assuming the responsibility for the management of contracts for works and services of all companies in the Group.

Concurrently, Diprel formulated in Chile a process of training and transfer of its know-how to the

supervisory personnel at its subsidiaries in Brazil, Peru and Colombia. In order to complement the foregoing aspects, professionals from Diprel gave field support to the startup and transfer of the functions that were formulated, in the countries mentioned above.

During 1999, a broad program aimed at calling bids for centralized purchases of all the Latin American distribution companies owned by the Group was implemented; public tenders for six important families of electrical materials were called, an action which has resulted in important benefits in terms of lower purchasing prices, an aspect whose potential the company intends to fully enhance during the next year.

On the commercial management side, it is worth emphasizing the international business activities, involving a volume of transactions of more than US\$ 13 million, and within which important bidding process called in Brazil, Colombia, Perú and Paraguay are specially relevant.



IDENTIFICATION OF THE COMPANY

Name

Distribuidora de
Productos Eléctricos S.A

Type of Company

Closed Limited Liability
Stock Company

Tax Register Number

96.543.670-7

Address

Bulnes No.1238,
Santiago, Chile

Telephone

(562) 688 4502

Fax

(562) 681 2219

Web Site

www.diprel.com

E-mail

info@diprel.enersis.cl

External Auditors

Arthur Andersen

Securities Register

No. 162

Subscribed and

Paid-in Capital ThCh\$

1,471,198

Participation of Enersis

100 %

Company Purpose

Buy, sell, import and
distribute products related
to electricity.

BOARD OF DIRECTORS

Chairman

Emilio García
*Enersis' Diversification and
Services Manager*

Directors

Francisco Nuñez
Ramón Vásquez

CHIEF EXECUTIVE OFFICER

EDUARDO LÓPEZ



It is also worth mentioning the efforts made by Diprel in matters of hygiene and safety at work, which was reflected in a 35% decrease in days lost due to accidents, with respect to the year 1998, considerably improving the safety indices and rates.

Diprel made its maximum effort to ensure that the restructuring process and the processes implemented should be undertaken in the best manner possible. Thus, during the layoff process in place during the second semester of 1999 and which affected 18% of the personnel, special consideration was given to the people affected, by giving them support through a general strategy formulated by the Group, that included a number of social benefits to reduce to the greatest extent possible the effect of the

severance of the work relationship for the workers and their families.

RESULTS 1999

Diprel's net result reflected profits to an amount of Ch\$ 1,391 million, which involved a 32% decrease with respect to the previous year. This decrease is due mainly to the lower sales price and margins, a natural consequence of a recessive market that prevailed in the national economy and the economic crisis at an international level.



OPERATING ACTIVITY

In 1999, Synapsis continued consolidating itself as one of the most important companies in the provision of information technology solutions and services in Latin America and, in particular, within the Enersis Group.

During the year, the company continued implementing solutions and performing services for important companies in the sector, while securing new contracts.

At Coelce, the company implemented the following Solutions: Synapsis, Synergy Large Customers, Commercial Management and Financial and Administrative Management.

At Codensa, the company completed the implementation of the solution Synergy Large Customers, a project contracted in 1998.

On the other hand, Synapsis was awarded a contract at the end of the year for the provision and implementation of the solution Synergy Commercial Management, in addition to data processing and maintenance services.

At Aguas Cordillera, it finished the implementation of the solution Synergy Commercial Management, a project contracted in 1998.

At STOCK S.A., Chile, it finished implementing the solution Synergy Shareholders Management, a project contracted in 1998.

At EMOS, the solution Synergy Commercial Management was implemented, using the new invoicing system.

At CEEE, Brazil, it implemented the solution Synergy Commercial Management and Financial and Administrative Management which in conjunction with the solution Synergia Technical Management were contracted in 1998. In Addition, a one-year contract for support and maintenance services of the solutions was signed.

At ESVAL: Synapsis was awarded a contract to implement and subsequently outsource the Customer Management, Large Customers, Administrative and Financial, Shares, Technical and Administrative Systems and the Central Management Module for Esval., all of which will be based on both the Synergy solutions developed by Synapsis as well as the SAP solutions, the latter for financial and economic systems.

It is worth pointing out that the key to Synapsis' success, enabling it to secure new projects such

IDENTIFICATION OF THE COMPANY

Name

Synapsis S.A.

Type of Company

Closed Limited Liability
Stock Company

Tax Register Number

96.529.420-1

Address

Catedral 1284, 10th floor,
Santiago, Chile

Telephone

(562) 632 1240

Fax

(562) 696 5999

Web Site

www.synapsis-sa.com

E-mail

Synapsis@synapsis.enersis.cl

External auditors

Arthur Andersen
Langton Clarke

Securities Register

No. 714

Subscribed and

Paid-in Capital ThCh\$

3,766,552

Participation of Enersis

100%

Company Purpose

Supply and sell services and equipment related to computers and data processing for public utility companies and others, both national and foreign.

BOARD OF DIRECTORS

Chairman

Cristóbal Sánchez

Directors

Ramón Vásquez

Emilio García

*Enersis' Diversification and
Services Manager*

Osvaldo Schaerer

Enersis' Development Manager

CHIEF EXECUTIVE OFFICER

VÍCTOR H. MUÑOZ





as those mentioned above, has been the proposal of customized information technology alternatives for each company, within the frame of a technological research policy and training programs for technicians and engineers that allow offering last generation solutions and services, along with the operation of one of the largest data processing centers in the country.

The technological strategy developed by Synapsis in implementing its solutions and operating its Data Center, have enabled it to address the problems related to the new millennium without any major problems. On the other hand, an overall Contingency Plan was available in order to face any anomalous situation with the greatest efficiency and speed possible. All the above, led to a total and normal transition to the year 2000.

One of the most relevant events in place in the year 1999 and which will mark the future of the company, is the commissioning in mid-1999 of the so-called Systems Master Plan, within the frame of the Genesis Project devised by the Holding, and through which it is expected to

consolidate and further enhance the potential of the role entrusted by the Enersis Group to Synapsis over the last ten years, by including the Control and Telecommunications Systems within its scope, and which to date had been outsourced and managed by the companies on an individual basis, and reinforce its organization with a structure in terms of each country such that it warrants an adequate level of service, always as close as possible to the customer.

RESULTS 1999

During the year, Synapsis S.A. recorded a net income of Ch\$ 3,314 million, up by 5% relative to 1998. This was due to a higher operating income of Ch\$ 196 million, as a consequence of increases in sales abroad and a higher non-operating income of Ch\$ 30 million.

DIVERSIFICATION



DIVERSIFICATION

IDENTIFICATION OF THE COMPANY
Name

Inmobiliaria Manso de Velasco S.A..

Type of Company

Closed Limited Liability Stock Company

Tax Register Number

96.909.280-8

Address

Tarapacá No. 934, Santiago, Chile.

Telephone

(562) 632 5000

Fax

(562) 633 4522

Web Site

www.mvelasco.cl

E-mail

gercom@mvelasco.cl

External Auditors

Arthur Andersen Langton Clarke

Subscribed and
Paid-in Capital ThCh\$

5,586,105

Participation of Enersis

100 %

Company Purpose

Buy, sell, parcel, subdivide, market and commercially operate, at any title, all types of real property, either on its own behalf or on behalf of third parties, invest the company's funds in all types of assets, real property or securities, tangible or intangible, and rights in companies, manage them and receive the corresponding revenues and income.

BOARD OF DIRECTORS
Chairman

Emilio García
Enersis' Diversification and Services Manager

Directors

Víctor M. Jarpa
Felipe Larraín

CHIEF EXECUTIVE OFFICER

ANDRÉS SALAS

REAL ESTATE MANAGEMENT ACTIVITIES

ENEA

Enea showed important progress during 1999. It completed urban development works associated to its first stage, entered into agreements and closed transactions in connection with developed lots of land for industries and offices, and also made important general progress consistent with the guidelines of the Master Plan for the Project.

In what respects the urban development of its first stage, works were carried out that make it possible to sell the first 61.2 hectares with 101 lots of ground associated to them and located on a privileged site adjacent to Av. Américo Vespucio, Route 68 - Road to Viña del Mar and Valparaíso - and with direct connectivity to the Santiago International Airport.

In line with the concept of an Industrial and Business Park, it is worth mentioning the high standard of its urban development which has all the services that are specific to this type of development at an international level.

On the commercial side, Enea closed business deals in 1999 for an area of 14 hectares, consisting of 30 lots of ground, with clients from the different industrial and services sectors, and it is expected that they will begin construction of their facilities during the year 2000, thus contributing to the development and consolidation of Enea's first stage.

SANTUARIO DEL VALLE

At December of the 1999, the urban development works for the First Stage (146 hectares) of Santuario del Valle reached 90%, and during this period the works for the fourth sub-stage of the

subdivision was completed, thus adding 68 residential lots of land to the sales program.

To date, Santuario del Valle has more than 190 inhabited housing units and another 30 under construction. Sales commitments involve 456 residential lots of land out of a total of 554 that are scheduled for the first stage of the project.

During the year 2000, Santuario del Valle will begin the process of selling the lots of land for middle density housing units and commercial and services purposes.

With respect to the second stage of Santuario del Valle, the project to parcel the lots of land is under way and it covers an approximate area of 40 hectares.

PUERTO PACÍFICO

During the year 1999, the company finished marketing the 504 apartments that correspond to the Galápagos, Juan Fernández, Isla Grande and Cabo de Hornos buildings and the Puerto Pacífico residential complex, which at present is a landmark in the townscape of Viña del Mar.

The area to be developed is 3.7 hectares, located on a flat plateau with a privileged view of the Pacific Ocean; the project considers apartment buildings and all additional facilities.

RESULTS 1999

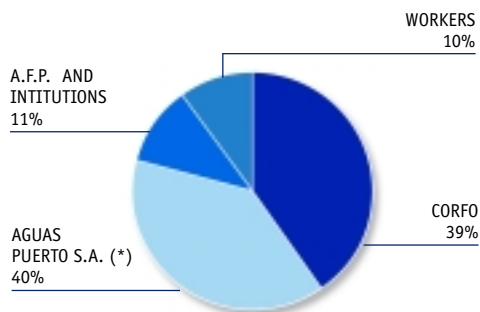
The final result of Manso de Velasco in 1999 was Ch\$ 1,101 million, basically due to the lower revenues from real estate projects.





OWNERSHIP STRUCTURE

At December 1999, the capital stock of the company was distributed in 2,536,519,678 shares.



(*) In Aguas Puerto S.A., Enersis controls 72% and Anglian Water the remaining 28%.

INFORMATION ON ESVAL

On December 21, 1998, Enersis, through its subsidiary Aguas Puerto S.A., participated in an international bidding process called by the Chilean Development Agency (CORFO), through such agency's Company Management System (S.A.E.) to sell approximately 40% of Esval within the frame of the process to incorporate private capital in the sanitary services sector.

The company Aguas Puerto S.A., formed by Enersis (72%) and Anglian Waters (28%), offered an amount of US\$ 138.4 million for the package of shares tendered (US\$ 0.12398 per share). The other consortiums that participated in the international tender, and the amounts offered by them, were as follows: Enron, US\$ 124 million, Suez Lyonnaise des Eaux with Aguas Barcelona, US\$ 107 million, and Compañía General de Electricidad (CGE) US\$ 113 million.

This bidding process shows that investors have shown their confidence in the water utility regulatory framework, that combines the provision of services with an adequate price to quality ratio, showing a special concern for environmental aspects, in addition to a fair retribution to those that contribute work, knowledge and capital.



VIÑA DEL MAR - CHILE

On April 15, 1999, Aguas Puerto took full control of the company Esval, within the frame of the Shareholders' Agreement signed with the Chilean Development Agency (CORFO). Within the frame of the new strategic orientation and the full implementation of an action plan that meets the diagnosis made, Esval proceeded to restructure its operational, commercial, financial and administrative systems, by incorporating executives and management procedures from the Enersis Group.

Under this framework, a number of maintenance and procurement services were outsourced, reorienting efforts to those areas requiring higher levels of training and technology and that were more relevant to the quality of service. Working systems were changed to give the organization more flexibility.

Furthermore, Esval's investment plan has been reviewed so as to obtain a higher profitability by applying the new criteria contributed by Enersis and Anglian Water, fully meeting the obligations of the Shareholders' Agreement by and between CORFO and Aguas Puerto and the standards set by the Superintendency of Sanitary Services.

IDENTIFICATION OF THE COMPANY

Name
Empresa de Obras Sanitarias de Valparaíso S.A.

Type of Company
Open Limited Liability Stock Company

Tax Register Number
89.900.400-0

Address
Cochrane No. 751,
Valparaíso, Chile

Telephone
(5632) 209 000

Fax
(5632) 209 502

Web Site
www.esval.cl

E-mail
infoesval@esval.cl

Securities Register No.
348

Subscribed and Paid-in Capital ThCh\$
95,400,137

Participation of Enersis
29%

Company Purpose
Production and distribution of potable water, collection and disposal of sewage waters and all other services related to such activities.

BOARD OF DIRECTORS

Chairman
Juan Domínguez
Enersis' Adjunct C.E.O.

Vice-Chairman
Edmundo Dupré

Directors
Dante Bacigalupo
Emilio García
Diversification and Enersis' Services Manager
Julio Gibrán
Jorge Moraga
Carlos Vicuña
Enersis' Director

CHIEF EXECUTIVE OFFICER
GUSTAVO GONZALEZ

Esval's key performance indicators have improved. Productivity has increased from 370 customers per employee to approximately 600 customers per employee. Operating and administrative costs have also improved with the introduction of the new management approaches. The renewal of the computer-based information services, along with the experience from the Enersis Group, has allowed the company to successfully face the change of the millennium and have more reliable commercial and financial systems.

All the above mentioned measures have already had important effects and it is expected that they will fully attain maturity in the year 2000, by creating value for the shareholders, giving a better service to the customers and providing the Fifth Region supplied by Esval a sound basis to expand tourism, develop its economy, protect the environment by reducing the levels of contamination in beaches and rivers, and implement new real estate projects on the basis of sanitary services in areas where it had not been feasible to give service in the past.

POTABLE WATER SALES

Sales of potable water dropped by 2% relative to 1998, down from 93,210 to 91,356 cubic meters.

| Years | Potable Water Sold (thousands m ³) |
|-------|--|
| 1997 | 86,888 |
| 1998 | 93,210 |
| 1999 | 91,356 |

LOSS CONTROL

Potable water losses went down from 38.3% in 1998 to 36.9% during 1999 and the Company is now implementing a systematic process to improve networks and replace old meters, part of which have been replaced during the last quarter by 30,000 new units.

PERSONNEL

At year-end, Esval's headcount was 720 employees.

In August 1999, the process of collective bargaining took place, and a Collective Contract for a term of two years was signed with the Professionals and Supervisors Trade Union of the Company. Trade Unions Nos. 1 and 2 resorted to Article No. 369 of the Labor Code.

TARIFFS

Throughout the year 1999 technical and back-up studies were carried out in order to file Esval's tariff with the Superintendency of Sanitary Services. The new tariffs will become effective as from March 1, 2000 and will be in force for a five-year period. The tariffs are adjusted on the basis of a price adjustment polynomial.

INVESTMENTS

During the year 1999, the Company completed the assembly and start-up of the Project to Improve Sanitary Conditions of Greater Valparaíso, which is the most important work that the company has undertaken over the last years. In addition, the extension of the Higerillas Emissary was finished, in order to solve the problems which existed with sewage waters in the Concón area. In what respects potable water production and distribution, important projects were carried out, among which it is worth mentioning the automation of the San Felipe plants, the macro-measurement project at different points on the Esval network, the improvement of the Concón plants and Las Vegas Aqueduct, and the commissioning of the soundings at Nogales and Parrones.

RESULTS 1999

During 1999 the company had losses in the order of Ch\$ 11,424 million, due to a lower operating income by 13%, extraordinary expenses to restructure assets to an amount of Ch\$ 8,000 million, and the effects of the price level restatement that reached Ch\$ 4,374.



GENERAL INFORMATION

Aguas Cordillera and its subsidiary Villa Los Dominicos S.A., provide services for the production and distribution of potable water and the collection and disposal of sewage waters to a population of 310,000 inhabitants in the municipal districts of Lo Barnechea, Vitacura and part of Las Condes.

IDENTIFICATION OF THE COMPANY

Name

Aguas Cordillera S.A

Type of Company

Closed Limited Liability
Stock Company

Tax Register Number

80.311.300-9

Address

Eduardo Marquina No. 3912,
Santiago, Chile

Telephone

(562) 242 2343

Fax

(562) 208 7688

External Auditors

Deloitte & Touche Tohmatsu

Securities Register

No. 369

Subscribed and

Paid-in Capital ThCh\$

32,717,967

Participation of Enersis

100 %

Company Purpose

Production and distribution of potable water, collection and disposal of sewage waters and all other services related to such activities.

BOARD OF DIRECTORS

Chairman

Juan Domínguez
Enersis' Adjunct C.E.O.

Vice-Chairman

Víctor M. Jarpa

Directors

Francisco Silva
Enrique Bordiú
José M. Fesser

Enersis' Director

Carlos Cabrera
José M. Kindelan

Enersis' Regulation Manager

CHIEF EXECUTIVE OFFICER

FELIPE LARRAÍN

OPERATING ACTIVITY

In operational terms, a number of activities were carried out during this year. In April 1999, the contract for the renewal of potable water pipelines in high density polyethylene (HDPE) reached its completion, thus becoming the first water utility company in the country to renew its potable water pipelines through the cracking method.

This enabled the company to attain significant savings in economic terms, due primarily to lower investment costs, lower water losses and lower maintenance costs, as well as quality of service, reflected by an increase in water pressure for customers.

In June-July, the problems deriving from the driest months in the century were overcome, providing customers with a continued water supply on a 24 basis, and even facing successive electric energy outages in the company's concession area.

In July 1999, a pilot program was started to artificially recharge the underground watershed and in August 1999 the telemetry system of Aguas Cordillera and subsidiary (stage I) began to operate, enabling the company to cut down its water distribution costs through a centralized dispatch system with on-line information.

ENGINEERING AREA

This area implemented programs aimed at managing and executing projects to an amount of UF 131,000, among which it is worth mentioning works such as the improvement of Las Perdices Canal, Potable Water Impulsion for La Dehesa and the Los Dominicos Integral Project.

On the Planning side, the Development Programs were updated and reached its completion when the relevant programs were filed with the Superintendency of Sanitary Services at the end of December.

Progress was also made in the works associated to the performance of private agreements entered into by the company, which in a near future will be reflected in substantial increases of the company's sales. Among them it is worth mentioning the Hijuelas del Arrayán agreement and the Pontificia Universidad Católica de Chile agreement.





COMMERCIAL ACTIVITY

Among the main events of the year 1999, it is worth mentioning the implementation of new Synergía commercial system (April 1999) and the beginning of the process to implement the control of industrial waste waters in the concession area. Decree No. 609 of August of 1998 issued by the Ministry of Public Works regulates the discharge of Industrial Waste Waters (riles) to the sewage water networks. According to standing rules, it is the responsibility of the concessionaires of sanitary services that collect sewage waters to oversee these operations.

Additionally, the implementation of TeleService for Customers and the Service System for Emergencies and Repairs as well as having been awarded the concession in the San Carlos de Apoquindo Sector are also relevant events that deserve being mentioned. According to estimations published in newspapers, the projected population in that sector is 11,000 inhabitants.

Aguas Cordillera at December of 1999 had 88,393 customers on file, up by 3% with respect to the previous year. A total of 60 million cubic meters of water was sold, down by 2% with respect to the previous year and yearly sales of potable water totaled Ch\$ 13,469 million, a nominal increase of 3% higher.

RESULTS 1999

Net income after taxes accumulated at December 1999 was Ch\$ 1,410 million, representing an increase of Ch\$ 774 million with respect to the same period in the previous year, due to an increase in operating and non-operating income of Ch\$ 555 million and Ch\$ 119 million (lower loss), respectively.

As regards non-operating income, the increase in the period was due primarily to higher non-operating revenues, lower financial expenses and a lower income tax, resulting from applying accelerated depreciation.



GROWTH AND DEVELOPMENT STRATEGY

Energis' main objective is to maximize the value of its equity, through a stable growth based on businesses rigorously evaluated and managed. The enforcement of such objective is sustained by an investment strategy focused on increasing the value of the subsidiary and related companies, as well as acquiring new companies.

On the other hand, Energis has been defined by its new controller, Endesa Spain, as the vehicle through which this company will invest in Latin America. This further strengthens the development and expansion strategy that Energis has maintained in the region over several years.

A key factor of this strategy involves making investments that significantly call for the experience, management skills and operating capabilities of Energis and its subsidiaries. Such requirement makes it necessary to effect investments in companies in which Energis will have a final decision in their management and operation, as well as the faculty to approve or reject its investment projects.

Another development factor consists in having an exceptional team of professionals that interact actively with the subsidiaries, providing them with assistance in evaluating their investment projects and are permanently alert to new business opportunities in their respective business areas in the Latin American market.

The factors mentioned above enable Energis to make investments that contribute to the growth of profits, with an adequate weighting of the risks deriving from the business activities in which it participates.

INVESTMENTS MADE DURING 1999

IN CHILE

As a part of its strategy of having a final decision in the management and operation of the business activities in which it participates, Energis

increased its stake in the ownership of Endesa Chile, the largest generation company in the country, from 25 % to 60 %. The transaction was made through a public offer for shares and involved a payment of Ch\$ 360 for each share, to a total amount of US\$ 2,146 million.

As an outcome of factors that prevent Aguas Cordillera from growing and being developed in keeping with the growth strategy of Energis, in September initial actions were taken for the sale of this subsidiary. Aguas Cordillera distributes potable water to 88 thousand customers in the eastern area of the capital city and is the oldest private water utility in Chile. Fourteen companies evidenced an interest in participating in the sales process that was scheduled to take place on October 29, 1999. Finally, on October 22, 1999, the sale was suspended indefinitely by an order from the Antitrust Resolutive Commission.

The subsidiary Endesa Chile inaugurated Gas Atacama. With a total investment of US\$ 850 million, the project is made up by the natural gas pipeline Gas Atacama, two combined cycle generation units of 370 MW each one (thus far, one of 370 MW and an open cycle unit of 185 MW) and more than 800 kilometers of transmission lines for the provision of gas to residential and industrial customers in northern Chile.

Endesa installed 303 MW of thermal capacity as a part of the 500 MW of additional capacity that the President of the Republic requested in order to cope with the energy crisis experienced by the country during the year. The amount of the investment associated to this increase in capacity had a cost of US\$ 140 million.

IN BRAZIL

The power interconnection company CIEN, controlled by Energis Group, signed a contract with the Brazilian company Copel (Compañía Paranaense de Energía) for a yearly supply of 800 MW. This contract will ensure Energis a key

role in trading electricity between Brazil and Argentina and will generate yearly revenues in the order of US\$ 200 million. In addition, the contract will make it necessary to build a second transmission line 510 kilometers long.

Investluz bought an additional 6% of the subsidiary Coelce, the distributor of electric energy in the State of Ceará, thereby increasing its participation in the ownership of the company to 57%. The transaction was effected through Investluz, which bought shares directly from the workers of the company. The amount of the investment involved was US\$ 45 million.

PROSPECTS FOR THE YEAR 2000

IN CHILE

The subsidiary Endesa Chile will continue to restructure its portfolio of assets so as to adjust them to its strategy and that they represent added value. Consequently, the company has started the studies to analyze the convenience and feasibility of divesting itself of some business activities. Specifically, during the year 2000 it expects to sell its subsidiary Infraestructura 2000 (which owns the highways Autopista del Sol and Autopista Los Libertadores) and El Melón Tunnel.

For the first semester of the year, the power interconnection between the Central Interconnected System (SIC) and the Northern Interconnected System (SING) is scheduled. This project will be in place through the commissioning of the first stage of the Taltal project, owned by the subsidiary Endesa Chile. This initiative involves the extension of the Atacama natural gas pipeline which will supply the Taltal combined cycle unit (360 MW) which, in turn, will be connected to the SIC through a new transmission line. In the first stage, scheduled for the year 2000, a 120 MW gas turbine will be installed. This stage involves an investment of US\$ 115 million dollars.

Compañía Americana de Multiservicios (CAM), recently formed on the basis of the engineering area of the subsidiary Ingeniería e Inmobiliaria Manso de Velasco, will concentrate on managing massive services to public utility companies,

especially in the electricity and water distribution areas, so as to bank on the experience of the Group in this type of services through the attainment of economies of scale.

In turn, Inmobiliaria Manso de Velasco, created on the basis of the real estate area of the subsidiary Ingeniería e Inmobiliaria Manso de Velasco, will continue developing the projects in which it is currently involved and will continue to seek and evaluate attractive investment opportunities. It is worth mentioning the plan to continue developing the project Núcleo Empresarial Aeroportuario (Enea) in the municipal district of Pudahuel. The concept underlying this urban development program sums up the last generation approach to industrial parks, business centers and services areas in the an area that is very close to the Comodoro Arturo Merino Benítez international airport, on a lot of land of approximately 1,000 hectares.

The subsidiary Diprel, devoted to buy, sell, import and distribute electrical materials will continue to develop business activities that will allow it take advantage of economies of scale through its operations in different countries. Additionally, it expects in the short-term to become the Procurement Center for the Group in Latin America, by undertaking all purchases and logistics activities related to materials and equipment needed for the operation of the different companies.

Synapsis, active in the markets of Chile, Brazil and Colombia, intends to create a new subsidiary in Perú in order to consolidate itself as one of the main information technology companies in Latin America by taking advantage of its broad experience in information services platforms that are consistent with the needs and characteristics of each company.

IN BRAZIL

Energis' presence in the Brazilian electricity market generates great opportunities for the Company, in special during the privatization process of the electricity companies in the north-eastern states, as is the case of Alagoas, Paraíba, and Maranhao.

The business of electricity interconnection between Brazil and Argentina will be one of the Group's most important projects during this year, and it is expected that in May operations will begin to connect both countries in 500 kV of tension and with an initial transport of 1,000 MW of capacity. Additionally, a second transmission line of 510 kilometers in length will be installed and it is expected that it will be finished by May 2002 involving an investment of US\$ 350 million.

Enesis, through Cerj, signed an agreement to participate in the consortium that will build the Norte Fluminense thermoelectric power station with a capacity of approximately 700 MW, in the State of Rio de Janeiro.

On the other hand, the subsidiary Endesa Chile will analyze the investment opportunities which are afforded by the privatization of the federal generation companies.

IN ARGENTINA

One of Edesur's key objectives is to continue investing in quality of service. By way of an example, the company has started its program "Summer 1999-2000", involving an investment of US\$ 20 million, in order to build the necessary infrastructure to attain an important increase in transport and transformation capacity of the electricity networks that supply power to the Federal Capital and Greater Buenos Aires. The most important specific work is the Eugenio Blanco substation, in the vicinity of the intersection of Maipú Street and Avenida Corrientes, a strategic point of the city that will enhance the service provided to 60,000 customers.

The CIEN interconnection project between Argentina and Brazil involved the formation of two companies in Argentina, Compañía Comercializadora de Energía del Mercosur S.A. and Compañía de Transmisión del Mercosur S.A. (CTM). The energy associated to this project will be supplied in Argentina by Costanera (750 MW) and Piedra Buena (250 MW) power stations.

IN PERÚ

The Peruvian electricity distribution subsidiary Edelnor, which serves the city of Lima, will seek to consolidate its investments in quality of service and cut down energy losses along with developing new customer-centered products. It expects to implement a novel program called PAC, Protection and Assistance to the Customer, to provide the service of technical assistance within households and companies with the support of Edelnor.

IN COLOMBIA

During 1999, Enersis Energía de Colombia, an electric energy trading company owned by the Group, was created. This initiative will enable the Group to exert leadership in the commercial activity in Santa Fé de Bogotá and Colombia, especially in the large customers segment (capacity over 100 kVA as from January 2000). The company will consolidate itself as the most important trader in Colombia through a strategic alliance entered into with the generator Emgesa and the distribution company Codensa.

INVESTMENT AND FINANCING POLICY FOR YEAR 2000

The Board of Directors of Enersis will submit to the Shareholders' Meeting for its approval the following investment and financing policy for year 2000.

1. INVESTMENTS

A) INVESTMENT AREAS

Enersis S.A., will make investments, pursuant to the provisions in its by-laws, in the following areas:

- Equity contributions to its public utility subsidiaries.
- Equity contributions for investment or to form subsidiary or related companies, the scope of business of which is similar, related or connected to energy in any of its forms or nature or to the provision of public utility services or that have energy as their main input.

- Other investments in real property and in any other kind of financial assets, negotiable commercial instruments, securities and equity contributions to companies.

B) MAXIMUM INVESTMENT LIMITS

The maximum investment limits for each investment area will be as follows:

- Investments in public utility subsidiaries, as needed to enable such subsidiaries to attain their scope of business and perform their function as concessionaires.
- Investments in other subsidiary companies, such that the sum total of the proportions of fixed assets that correspond to the participation in each one of these other subsidiary companies should not exceed the proportion of the fixed asset that corresponds to the participation in the public utility subsidiaries and in the parent company.
- Other investments, such that the clean assets factor for accounting purposes of Enersis, calculated on the basis of the individual balance sheet, should represent, as a proportion of the assets of Enersis, a percentage not below that stipulated in the first section of Article 45 bis of Decree Law No. 3,500.

C) CONTROLLING PARTICIPATION IN AREAS OF INVESTMENT

In order to control the areas of investment and pursuant to what is stipulated in the general scope of business of the company, actions will be taken as follows:

- Propose to the Shareholders' Meetings of the subsidiary and related companies for the appointment of directors that correspond proportionally to enersis' participation in the ownership of such companies, with appointees originating preferably from the Board of Directors or the senior management of both the Company or other subsidiary companies.
- Propose to the subsidiary companies the investment, financing and commercial

policies as well as the accounting systems and criteria which they are to abide by.

- Supervise and coordinate the management and operation of the subsidiary and related companies.
- Maintain a permanent control on the borrowing limits and the clean assets factor for accounting purposes, in a manner such that the investments or equity contributions made or to be made do not involve a variation that departs from the parameters defining the maximum investment limits.

2. FINANCING

- Maximum debt level:

The maximum debt level for Enersis will be based on a ratio of total debt to equity plus minority interest equal to 1.75 of the consolidated balance sheet. Notwithstanding the latter, such ratio may increase up to 2.40 on a temporary basis and until the total placement of the capital increase approved at the Extraordinary Shareholders' Meeting held on April 30, 1999 is made.

- Authority of management to agree with creditors on restrictions to dividend distributions:

Restrictions to dividend distributions may be agreed solely provided that they are previously approved at a General Shareholders' Meeting (either Ordinary or Extraordinary).

- Authority of management to agree with creditors on granting collateral:

Management has the authority to agree with creditors on granting real and personal collateral within the frame of the provisions in standing laws and the Company's by-laws.

- Essential assets for the operation of the Company:

The shares of common stock that represent equity contributions made by the Company to its subsidiaries Chilectra and Río Maipo are essential assets for the operation of the Company.

DIVIDEND POLICY FOR YEAR 2000

The provisional dividend policy that the Board of Directors expects to enforce in the fiscal year 2000 will be the following:

Distribute in the months of May, August and November of the year 2000 and in the month of February of the year 2001, a provisional dividend to be charged against the net income of the year 2000, amounting to 85 % of the net income from normal operations in the quarters ending in the months of March, June, September and December of such fiscal year. For purposes of the above calculation, the provisional dividends for the year 2000 already distributed on such distribution date will be deducted from 85% of the cumulative net income for such quarter.

Dividends established in pursuance of this policy will be applied to the income originating from normal company operations, understanding as such the net income obtained by the Company in fiscal year 2000, without considering those originating from the following events:

- 1.- Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
- 2.- Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.
- 3.- Profits arising directly or indirectly from participation in related companies organized in Chile or abroad.

- 4.- Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 60 % of the capital stock of those companies, as well as the profits deriving from the disposal of assets in such companies.
- 5.- Accounting recognition of positive and negative goodwill associated with the investments.

The Board of Directors shall not distribute dividends chargeable against profits that arise from the above events and the Ordinary Shareholders' Meeting will state their view thereon when approving the final dividend.

The foregoing is the intention of the Board of Directors of the Company and, consequently, its compliance will be subject to actual profits as well as to the results reflected in the projections that the Company makes from time to time, or to the existence of given conditions.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends will be as a minimum the provisional dividends already distributed or the minimum provided under the operation of the Chilean Law on Joint Stock Companies, whichever of the two is higher.

The following table shows the dividends per share paid out over the last five years, expressed in constant Chilean pesos at December 31, 1999.

| Year | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------|-------|-------|-------|------|------|
| Ch\$ per share | 10.99 | 11.96 | 12.75 | 7.23 | 4.07 |

The table that follows shows the detail of the dividends paid out in 1999.

| Dividend | Date of distribution | Nominal Ch\$ per share | Constant Ch\$ per share at 31/12/99 | Dividend accrued in |
|----------|----------------------|------------------------|-------------------------------------|---------------------|
| 70 | 17/05/99 | 4.00 | 4.07 | 1998 |

EXECUTION OF THE ANNUAL REPORT HEREIN

Pursuant to General Rule N°. 30 issued by the Superintendency of Securities and Insurance, the annual report herein was approved by unanimity and signed by all the members of the board of Directors of the Company.



Alfredo Llorente



Rafael Miranda



Luis Rivera



José M. Fesser



Hernán Somerville



Ernesto Silva



Carlos Vicuña

IDENTIFICATIONS OF OTHERS SUBSIDIARIES AND RELATED COMPANIES

| Name | AGUAS PUERTO S.A. | DISTRILEC INVERSORA S.A. | ELECTRIC CORPORATION S.A. |
|---------------------------------------|--|---|---|
| Type of Company | Chilean Limited Liability Stock Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company |
| Address | Avda. Américo Vespucio N° 100, Oficina Alfa, 2° piso, Santiago, Chile | San José N° 140 (1076), Buenos Aires, Argentina | Avenida Samuel Lewis y Calle N° 53, Edificio Omega, Mezzanine, Panamá, República de Panamá |
| Telephone | (562) 353 4641 | (5411) 4370 3700 | (507) 263 5333 |
| Fax | (562) 632 4290 | (5411) 4371 0708 | (507) 263 6983 |
| External Auditors | Price Waterhouse | Arthur Andersen/ Pistrelli Díaz and Associates | Arthur Andersen |
| Subscribed and Paid-in Capital ThCh\$ | 67,091,490 | 269,013,518 | 4,825 |
| Participation of Enersis | 72% | 45% | 100% |
| Purpose of Company | Undertake on its own behalf or on behalf of third parties the operation of public or private utilities related to water or which have water as their main input. | Participate on its own behalf or on behalf of third parties or in association with parties in Edesur. | Any activity related to energy or fuels. |
| BOARD OF DIRECTORS | | | |
| Chairman | Tonny Eckford | Enrique García <i>Enersis' C.E.O.</i> | Enrique García <i>Enersis' C.E.O.</i> |
| Vice-Chairman | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> | Rafael Fernández | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> |
| Directors | Emilio García <i>Enersis' Divers. and Services Manager</i> Osvaldo Schaerer <i>Enersis' Development Manager</i> Carlos Vicuña <i>Enersis' Director</i> Glynn Eastman Carlos Cabrera | Fernando Nadal <i>Enersis' Corp. Communications Manager</i> Marcelo Silva Osvaldo Schaerer <i>Enersis' Development Manager</i> Tadeo Perich Carlos A. Cuirolo Rolando Saavedra Horacio Babino Ignacio Blanco <i>Enersis' Strategy and Energy Management Manager</i> | Domingo Valdés <i>Enersis' General Legal Counsel</i> |

| Name | EMPRESA ELÉCTRICA DE PANAMÁ S.A. | ENERSIS ARGENTINA S.A. | ENERSIS BUENOS AIRES S.A. |
|---------------------------------------|--|--|--|
| Type of Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company |
| Address | Avenida Samuel Lewis y Calle N° 53, Edificio Omega, Mezzanine, Panamá, República de Panamá | Suipacha N° 1111 Piso 18°, Buenos Aires, Argentina | Suipacha N° 1111, Piso 18°, Buenos Aires, Argentina |
| Telephone | (507) 263 5333 | (541) 315 9959 | (541) 315 9959 |
| Fax | (507) 263 6983 | (541) 311 2317 | (541) 311 2317 |
| External Auditors | Arthur Andersen | Arthur Andersen/Pistrelli Díaz and Associates | Arthur Andersen/Pistrelli Díaz and Associates |
| Subscribed and Paid-in Capital ThCh\$ | 15,749,717 | 72,552 | 13,953 |
| Participation of Enersis | 95% | 100% | 100% |
| Purpose of Company | Any activity related to energy or fuels. | Primarily financial, performing any type of financial or investment activity. | Primarily financial, performing any type of financial or investment activity. |
| investment activity. | | | |
| BOARD OF DIRECTORS | | | |
| Chairman | Enrique García <i>Enersis' C.E.O.</i> | Enrique García <i>Enersis' C.E.O.</i> | Enrique García <i>Enersis' C.E.O.</i> |
| Vice-Chairman | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> |
| Directors | Domingo Valdés <i>Enersis' General Legal Counsel</i> | Domingo Valdés <i>Enersis' General Legal Counsel</i> Mariano F. Grondona Alan Amsten Betina Di Croce María I. Justo | Domingo Valdés <i>Enersis' General Legal Counsel</i> Mariano F. Grondona Alan Amsten Betina Di Croce María I. Justo |

| Name | ENERSIS INTERNATIONAL LIMITED | ENERSIS INVESTMENT S.A. | INTEROCEAN DEVELOPMENTS INC. |
|---------------------------------------|---|---|---|
| Type of Company | Foreign Joint Stock Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company |
| Address | P.O. Box 309, Uglan House, South Church St., Grand Cayman, Cayman Islands, British West | Avenida Samuel Lewis y Calle N° 53, Edificio Omega, Mezzanine, Panamá, Rep. de Panamá | Avenida Samuel Lewis y Calle N° 53, Edificio Omega, Mezzanine, Panamá, Rep. de Panamá |
| Telephone | (345) 949 8066 | (507) 263 5333 | (507) 263 5333 |
| Fax | (345) 949 8080 | (507) 263 6983 | (507) 263 6983 |
| External Auditors | Arthur Andersen | Arthur Andersen | Arthur Andersen |
| Subscribed and Paid-in Capital ThCh\$ | 1 | 278,780,459 | 29,418,485 |
| Participation of Enersis | 100% | 100% | 100% |
| Purpose of Company | Any activity related to energy or fuels. | Any activity related to energy or fuels. | Any activity related to energy or fuels. |
| BOARD OF DIRECTORS | | | |
| Chairman | Enrique García <i>Enersis' C.E.O.</i> | Enrique García <i>Enersis' C.E.O.</i> | Enrique García <i>Enersis' C.E.O.</i> |
| Vice-Chairman | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> |
| Directors | Domingo Valdés <i>Enersis' General Legal Counsel</i> | Domingo Valdés <i>Enersis' General Legal Counsel</i> | Domingo Valdés <i>Enersis' General Legal Counsel</i> |

| Name | INVERSIONES DISTRILIMA S.A. | INVESTLUZ S.A. | LUZ DE BOGOTÁ S.A. |
|--|--|--|--|
| Type of Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company | Foreign Limited Liability Stock Company |
| Address | Tnte. César López Rojas N° 201, Urbanización Maranga, San Miguel, Lima , Perú | Avda. Nilo Pecanha 50 - 1,608 (grupo), Río de Janeiro, Brasil | Carrera 7a. N° 71, Of. 1502, Piso 15, Bogotá, Colombia |
| Telephone | (511) 561 1604 | (085) 216 1355 | (571) 312 2473 |
| Fax | (511) 561 0174 | (085) 216 1411 | (571) 312 2513 |
| External Auditors | Arthur Andersen | Arthur Andersen | Arthur Andersen |
| Subscribed and Paid-in Capital ThCh\$ | 98,330,891 | 461,581,949 | 19,055,829 |
| Participation of Enersis | 48% | 37% | 40% |
| Purpose of Company | Make investments in other companies, in special those related to the distribution and generation of electric energy. | Participate in the capital stock of Coelce or in other companies, in Brazil either as a partner or stockholder. | Any activity related to energy or fuels. |
| BOARD OF DIRECTORS | | | |
| Chairman | José M. Kindelán <i>Enersis' Regulation Manager</i> | | Andrés Regué |
| Vice-Chairman | José M. Hidalgo | | |
| Directors | Eduardo Escaffi Pantaleón Calvo José Chueca Emilio García <i>Enersis' Divers. and Services Manager</i> Reynaldo Llosa Alfredo Llorente <i>Enersis' Chairman</i> Alberto López <i>Enersis' Corporate Affairs Manager</i> Osvaldo Schaerer <i>Enersis' Development Manager</i> Ricardo Silva | | Julio Valenzuela Alberto López <i>Enersis' Corporate Affairs Manager</i> José M. Kindelán <i>Enersis' Regulation Manager</i> |

| | |
|--|--|
| Name | PANAGUIDE CORPORATION INC. |
| Type of Company | Foreign Limited Liability Stock Company |
| Address | Avenida Samuel Lewis y Calle N° 53, Edificio Omega, Mezzanine, Panamá, Rep. de Panamá |
| Telephone | (507) 263 5333 |
| Fax | (507) 263 6983 |
| External Auditors | Arthur Andersen |
| Subscribed and Paid-in Capital ThCh\$ | 4,825 |
| Participation of Enersis | 100% |
| Purpose of Company | Any activity related to energy or fuels. |
| BOARD OF DIRECTORS | |
| Chairman | Enrique García <i>Enersis' C.E.O.</i> |
| Vice-Chairman | Juan Domínguez <i>Enersis' Adjunct C.E.O</i> |
| Directors | Domingo Valdés <i>Enersis' General Legal Counsel</i> |

ENERSIS S.A. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 1998 and 1999

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| | | |
|--------|---|---|
| Ch\$ | = | Chilean pesos |
| ThCh\$ | = | Thousands of Chilean pesos |
| US\$ | = | United States dollars |
| ThUS\$ | = | Thousands of United States dollars |
| £ | = | British pound sterling |
| ¥ | = | Japanese yen |
| Fr. S. | = | Swiss francs |
| Lira | = | Italian liras |
| \$ Arg | = | Argentine pesos |
| \$ Col | = | Colombian pesos |
| Soles | = | New Pervian soles |
| ThRs | = | Thousands of Brazilian reales |
| Rs | = | Brazilian reales |
| UF | = | The Unidad de Fomento, or UF, is an inflation-indexed peso denominated monetary unit in Chile. The UF rate is set daily in advance based on the change in the Chilean Consumer Price Index in relation to the previous month. |

Application of Constant Chilean Pesos

The consolidated financial statements included herein have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 1999 purchasing power.

REPORT OF INDEPENDENT ACCOUNTANTS

(Translation of a report originally issued in Spanish - See Note 2 to the consolidated financial statements)

ARTHUR ANDERSEN LANGTON CLARKE®

To the Shareholders of Enersis S.A.:

We have audited the accompanying consolidated balance sheet of Enersis S.A. and Subsidiaries (the "Company") as of December 31, 1999, and the related consolidated statement of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have not audited the financial statements of Empresa Nacional de Electricidad S.A. (a subsidiary of the Company) and certain of its subsidiaries, which total assets amount to ThCh\$3,608,088,370 as of December 31, 1999, and total revenue of ThCh\$386,983,659 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors. The consolidated financial statements of Enersis S.A. and Subsidiaries as of December 31, 1998 were audited by other auditors whose report dated February 24, 1999, except note 33 dated March 9, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards in Chile, which are substantially the same as those followed in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Enersis S.A. and Subsidiaries as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Chile.

As indicated in Note 3, as of January 1, 1999, the Company has recorded the obligation related to pensions and post-retirement benefits in connection with the employees' collective bargaining agreement. In addition, as of June 30, 1999, the Company consolidated the financial statements of the subsidiaries Investluz, Luz de Bogotá and Companhia de Electricidade de Río de Janeiro (Cerj).

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with generally accepted accounting principles in Chile, but do not conform with accounting principles generally accepted in the United States of America. A reconciliation of consolidated net income and shareholders' equity under accounting principles generally accepted in Chile to the corresponding amounts that would be reported in accordance with United States generally accepted accounting principles, except for the omissions, as allowed pursuant to Item 18 of SEC Form 20-F, of adjustments necessary to eliminate the effect of price-level changes and the translation of non-Chilean operations described in Notes 2(c) and 3 (e) , is set forth in Note 34 to these financial statements.



Cristián Bastián E.

ARTHUR ANDERSEN – LANGTON CLARKE

Santiago (Chile)

February 15, 2000

(except for Notes 2 (a), 2 (c) and 34 for which the dates are June 17, 2000)

AUDITED CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| ASSETS | As of December 31, | | |
|---|----------------------|-----------------------|-------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| CURRENT ASSETS: | | | |
| Cash | 7,703,941 | 28,226,861 | 53,251 |
| Time deposits | 165,254,200 | 158,912,844 | 299,796 |
| Marketable securities | 9,459,427 | 7,518,598 | 14,184 |
| Accounts receivable, net | 208,039,632 | 411,543,853 | 776,395 |
| Notes receivable | 5,878,908 | 12,084,113 | 22,797 |
| Other accounts receivable | 40,118,889 | 73,710,623 | 139,058 |
| Amounts due from related companies | 71,689,114 | 35,882,891 | 67,695 |
| Inventories | 90,336,978 | 104,288,966 | 196,746 |
| Income taxes recoverable | 13,038,617 | 33,127,860 | 62,497 |
| Deferred income taxes | 630,704 | 3,850,696 | 7,265 |
| Prepaid expenses | 6,817,440 | 7,649,223 | 14,431 |
| Other current assets | 22,400,467 | 181,963,672 | 343,282 |
| Total current assets | 641,368,317 | 1,058,760,200 | 1,997,397 |
| Property, Plant and Equipment, Net | 5,777,183,356 | 8,360,807,874 | 15,773,026 |
| OTHER ASSETS: | | | |
| Investments in related companies | 629,958,197 | 155,202,947 | 292,797 |
| Investments in other companies | 71,431,706 | 117,802,623 | 222,240 |
| Long-term receivables | 61,919,417 | 78,712,982 | 148,495 |
| Goodwill, net | 384,229,135 | 1,184,833,910 | 2,235,240 |
| Negative goodwill, net | (164,367,098) | (177,066,874) | (334,044) |
| Amounts due from related companies | 20,717,143 | 82,170,921 | 155,019 |
| Intangibles | 30,032,788 | 44,064,432 | 83,129 |
| Accumulated amortization | (2,753,592) | (6,535,294) | (12,329) |
| Others | 185,807,434 | 225,080,180 | 424,624 |
| Total other assets | 1,216,975,130 | 1,704,265,827 | 3,215,171 |
| TOTAL ASSETS | 7,635,526,803 | 11,123,833,901 | 20,985,594 |

AUDITED CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| LIABILITIES | As of December 31, | | |
|---|----------------------|-----------------------|-------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| CURRENT LIABILITIES: | | | |
| Due to banks and financial institutions current portion | 137,426,263 | 170,137,258 | 320,971 |
| Due to banks and financial institutions long -term | 174,349,794 | 257,932,305 | 486,600 |
| Current portion of bonds payable | 49,545,345 | 148,496,726 | 280,146 |
| Current portion of long-term debt | 9,465,901 | 29,152,866 | 54,998 |
| Dividends payable | 13,562,257 | 7,863,040 | 14,834 |
| Accounts payable and accrued expenses | 101,802,465 | 135,907,756 | 256,396 |
| Notes payable and other accounts payable | 139,288 | 14,901,476 | 28,112 |
| Amounts payable to related companies | 5,762,504 | 36,433,549 | 68,733 |
| Withholdings | 33,097,717 | 55,856,935 | 105,377 |
| Miscellaneous payables | 102,887,383 | 133,386,726 | 251,640 |
| Accrued expenses | 22,867,831 | 95,690,213 | 180,524 |
| Deferred income | 7,802,296 | 8,148,096 | 15,372 |
| Deferred income taxes | 229,595 | 7,469,237 | 14,091 |
| Other current liabilities | 22,150,555 | 200,941,641 | 379,085 |
| Total current liabilities | 681,089,194 | 1,302,317,824 | 2,456,879 |
| LONG-TERM LIABILITIES: | | | |
| Due to banks and financial institutions | 1,889,781,158 | 2,354,552,362 | 4,441,965 |
| Bonds payable | 1,233,713,903 | 1,601,217,618 | 3,020,766 |
| Notes payables | 181,039,587 | 249,504,888 | 470,702 |
| Accounts payable | 66,896,834 | 46,786,346 | 88,265 |
| Amounts payable to related companies | - | 1,113,614,028 | 2,100,881 |
| Accrued expenses | 22,079,999 | 93,494,046 | 176,380 |
| Other long-term liabilities | 47,113,966 | 61,214,376 | 115,484 |
| Total long-term liabilities | 3,440,625,447 | 5,520,383,664 | 10,414,443 |
| MINORITY INTEREST | 2,709,466,080 | 3,602,470,005 | 6,796,216 |
| SHAREHOLDERS' EQUITY: | | | |
| Paid-in capital, no par value | 398,624,586 | 398,624,586 | 752,022 |
| Additional paid-in capital – share premium | 24,184,786 | 24,184,786 | 45,626 |
| Other reserves | 23,157,824 | 23,295,280 | 43,948 |
| Retained earnings | 277,206,634 | 330,716,485 | 623,911 |
| Net income (loss) for the year | 92,435,598 | (78,158,729) | (147,450) |
| Interim dividends | (11,263,346) | - | - |
| Total shareholders' equity | 804,346,082 | 698,662,408 | 1,318,057 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 7,635,526,803 | 11,123,833,901 | 20,985,594 |

AUDITED CONSOLIDATED STATEMENTS OF INCOME

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| | Years ended December 31, | | |
|---|--------------------------|----------------------|------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| OPERATING INCOME: | | | |
| Operating revenues | 1,588,758,332 | 2,270,896,983 | 4,284,145 |
| Operating costs | (966,787,668) | (1,596,915,520) | (3,012,650) |
| Gross profit | 621,970,664 | 673,981,463 | 1,271,495 |
| Administrative and selling expenses | (133,233,018) | (244,741,781) | (461,716) |
| Operating income | 488,737,646 | 429,239,682 | 809,779 |
| NON-OPERATING INCOME: | | | |
| Interest income | 49,570,640 | 104,038,699 | 196,274 |
| Equity in income of non-consolidated affiliates, net | 23,775,283 | 1,547,913 | 2,920 |
| Other non-operating income | 61,112,795 | 314,875,058 | 594,025 |
| Amortization of goodwill | (21,392,165) | (52,437,561) | (98,926) |
| Interest expense | (238,045,529) | (444,874,261) | (839,275) |
| Other non-operating expenses | (45,917,627) | (184,519,629) | (348,104) |
| Price-level restatement | (18,723,236) | (138,876,473) | (261,996) |
| Non-operating expense | (189,619,839) | (400,246,254) | (755,082) |
| Income before taxes, minority interest and amortization of negative goodwill | 299,117,807 | 28,993,428 | 54,697 |
| Income taxes | (74,383,657) | (85,245,875) | (160,820) |
| Income before minority interest and amortization of negative goodwill | 224,734,150 | (56,252,447) | (106,123) |
| Minority interest | (164,811,078) | (56,384,534) | (106,372) |
| Income before amortization of negative goodwill | 59,923,072 | (112,636,981) | (212,495) |
| Amortization of negative goodwill | 32,512,526 | 34,478,252 | 65,045 |
| NET INCOME (LOSS) FOR THE YEAR | 92,435,598 | (78,158,729) | (147,450) |

AUDITED CONSOLIDATED SHAREHOLDERS' EQUITY

(Expressed in thousands of historical Chilean pesos, except as stated)

| | Number of Shares (in thousands) | Paid-in Capital ThCh\$ | Additional paid-in capital ThCh\$ | Other Reserves ThCh\$ | Retained Earnings ThCh\$ | Interim Dividends ThCh\$ | Net Income ThCh\$ | Total ThCh\$ |
|--|---------------------------------------|------------------------------|--|-----------------------------|--------------------------------|--------------------------------|----------------------|--------------------|
| As of January 1, 1997 | 6,800,000 | 350,428,280 | 21,260,688 | 20,849,900 | 185,098,573 | (41,283,142) | 105,968,507 | 642,322,806 |
| Transfer of prior year income to | | | | | | | | |
| retained earnings | - | - | - | - | 64,685,365 | 41,283,142 | (105,968,507) | - |
| Dividends | - | - | - | - | (31,688,000) | - | (31,688,000) | - |
| Price-level restatement of capital | - | 22,076,982 | 1,339,423 | 1,313,544 | 14,373,804 | (1,105,680) | - | 37,998,073 |
| Changes in equity affiliates | - | - | - | (568,555) | - | - | - | (568,555) |
| Net income for the year | - | - | - | - | - | - | 103,516,270 | 103,516,270 |
| Interim dividends | - | - | - | - | - | (45,560,001) | - | (45,560,001) |
| As of December 31, 1997 | 6,800,000 | 372,505,262 | 22,600,111 | 21,594,889 | 232,469,742 | (46,665,681) | 103,516,270 | 706,020,593 |
| As of December 31, 1997 (1) | 6,800,000 | 398,624,586 | 24,184,786 | 23,109,079 | 248,770,055 | (49,937,785) | 110,774,624 | 755,525,345 |
| As of January 1, 1998 | 6,800,000 | 372,505,262 | 22,600,111 | 21,594,889 | 232,469,742 | (46,665,681) | 103,516,270 | 706,020,593 |
| Transfer of prior year income to | | | | | | | | |
| retained earnings | - | - | - | - | 56,850,589 | 46,665,681 | (103,516,270) | - |
| Dividends | - | - | - | - | (30,600,001) | - | - | (30,600,001) |
| Price-level restatement of capital | - | 16,017,726 | 971,805 | 928,580 | 11,461,574 | (97,920) | - | 29,281,765 |
| Equity variations in affiliates | - | - | - | (668,503) | - | - | - | (668,503) |
| Cumulative translation adjustment | - | - | - | 716,013 | - | - | - | 716,013 |
| Interim dividends | - | - | - | - | - | (10,880,000) | - | (10,880,000) |
| Net income for the year | - | - | - | - | - | - | 90,093,175 | 90,093,175 |
| As of December 31, 1998 | 6,800,000 | 388,522,988 | 23,571,916 | 22,570,979 | 270,181,904 | (10,977,920) | 90,093,175 | 783,963,042 |
| As of December 31, 1998 (1) | 6,800,000 | 398,624,586 | 24,184,786 | 23,157,824 | 277,206,634 | (11,263,346) | 92,435,598 | 804,346,082 |
| As of January 1, 1999 | 6,800,000 | 388,522,988 | 23,571,916 | 22,570,979 | 270,181,904 | (10,977,920) | 90,093,175 | 783,963,042 |
| Transfer of prior year income | | | | | | | | |
| to retained earnings | - | - | - | - | 79,115,255 | 10,977,920 | (90,093,175) | - |
| Final dividends | - | - | - | - | (27,200,000) | - | - | (27,200,000) |
| Price-level restatement of capital | - | 10,101,598 | 612,870 | 586,845 | 8,619,326 | - | - | 19,920,639 |
| Changes in equity of affiliates. | - | - | - | (4,038,923) | - | - | - | (4,038,923) |
| Subsidiary start-up deficit for the year | - | - | - | (2,693,257) | - | - | - | (2,693,257) |
| Cumulative translation adjustment | - | - | - | 6,869,636 | - | - | - | 6,869,636 |
| Net income for the period | - | - | - | - | - | - | (78,158,729) | (78,158,729) |
| As of December 31, 1999 | 6,800,000 | 398,624,586 | 24,184,786 | 23,295,280 | 330,716,485 | - | (78,158,729) | 698,662,408 |

(1) Restated in constant Chilean pesos as of December 31, 1999.

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| | Years ended of December 31, | | |
|---|-----------------------------|--------------------|------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) for the year | 92,435,598 | (78,158,729) | (147,450) |
| Gain (losses) from sales of assets: | | | |
| Gain on sales of property, plant and equipment | (3,168,646) | 4,899,898 | 9,244 |
| Loss on sales of investments | (26,466) | - | - |
| Charges (credits) to income which do not represent cash flows: | | | |
| Depreciation | 227,405,513 | 334,640,301 | 631,313 |
| Amortization of intangibles | 1,000,248 | 28,006,636 | 52,836 |
| Write-offs and accrued expenses | 20,940,580 | 66,370,642 | 125,211 |
| Equity in income of non-consolidated affiliates | (24,487,779) | (1,844,690) | (3,480) |
| Equity in loss of non-consolidated affiliates | 712,496 | 296,777 | 560 |
| Amortization of goodwill | 21,392,165 | 52,437,561 | 98,926 |
| Amortization of negative goodwill | (32,512,526) | (34,478,252) | (65,045) |
| Price-level restatement | 18,723,236 | 138,876,473 | 261,996 |
| Other credits to income which do not represent cash flows | (12,764,284) | (165,074,038) | (311,419) |
| Other charges to income which do not represent cash flows | 51,977,394 | 33,925,539 | 64,002 |
| Changes in assets which affect cash flows: | | | |
| Decrease (increase) in trade receivables | 19,726,652 | 31,916,486 | 60,212 |
| Decrease (increase) in inventory | 2,056,244 | 34,640,546 | 65,351 |
| Decrease (increase) in other assets | (36,622,845) | (136,692,213) | (257,876) |
| Changes in liabilities which affect cash flows: | | | |
| Increase in accounts payable associated with operating results | 69,281,407 | (39,799,980) | (75,084) |
| Increase in interest payable | 62,968,567 | 191,257,575 | 360,816 |
| Increase (decrease) in income tax payable | (25,461,840) | 15,714,024 | 29,645 |
| Increase (decrease) in other accounts payable associated with non-operating results | 31,335,319 | 123,008,870 | 232,062 |
| Net increase (decrease) in value added tax and other similar taxes payable | (3,091,094) | (99,910,973) | (188,486) |
| Income attributable to minority interest | 164,811,078 | 56,384,534 | 106,372 |
| Net cash flows from operating activities | 646,631,017 | 556,416,987 | 1,049,705 |

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| | Years ended of December 31, | | |
|--|-----------------------------|------------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from the issuance of debt | 1,281,335,372 | 2,900,722,832 | 5,472,339 |
| Proceeds from bond issuances | 201,360,234 | 357,522,977 | 674,483 |
| Other loans from related parties | - | 26,310,167 | 49,635 |
| Proceeds from other loans obtained from related companies | - | 1,039,497,600 | 1,961,057 |
| Other sources of financing | 23,212,191 | 137,360,884 | 259,137 |
| Dividends paid | (49,317,201) | (27,835,105) | (52,512) |
| Payment of debt | (1,280,853,273) | (3,034,924,447) | (5,725,516) |
| Bond redemption | (52,625,300) | (109,899,166) | (207,330) |
| Payment of loans obtained from related companies | - | (79,332,927) | (149,665) |
| Other disbursements for financing | (124,262,763) | (480,464,228) | (906,417) |
| Net cash provided by (used in) financing activities | (1,150,740) | 728,958,587 | 1,375,212 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds from sales of property, plant and equipment | 3,401,653 | 4,570,084 | 8,622 |
| Proceeds from sales of other investments | - | 40,893,024 | 77,146 |
| Other loans provided to related companies | (18,588,448) | (48,531,011) | (91,556) |
| Other receipts from investments | 2,947,393 | 2,000,028 | 3,773 |
| Additions to property, plant and equipment | (199,369,556) | (359,519,698) | (678,249) |
| Long-term investments | (297,677,525) | (1,156,502,081) | (2,181,791) |
| Investment in financial instruments | - | (40,888,643) | (77,138) |
| Payment of capitalized interest | - | (2,803,374) | (5,229) |
| Other investment disbursements | (55,889,185) | (39,663,992) | (74,828) |
| Net cash used in investing activities | (565,175,668) | (1,600,445,663) | (3,019,310) |
| POSITIVE (NEGATIVE) NET CASH FLOW FOR THE YEAR | 80,304,609 | (315,070,089) | (594,393) |
| EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS | 4,925,035 | (47,007,570) | (88,682) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 85,229,644 | (362,077,659) | (683,075) |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 93,617,398 | 556,007,236 | 1,048,932 |
| CASH AND CASH EQUIVALENTS END OF YEAR | 178,847,042 | 193,929,577 | 365,857 |

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

1. DESCRIPTION OF BUSINESS:

Enersis S.A. (the «Company») is registered in the Securities Register under No. 0175 and is regulated by the Chilean Superintendency of Securities and Insurance (the “SVS”). The Company issued publicly-registered American Depositary Receipts in 1993 and 1996 and Yankee bonds in 1996. Enersis S.A. is a reporting company under the United States Securities and Exchange Act of 1934.

The Company’s subsidiaries, Chilectra S.A., Compañía Eléctrica del Río Maipo S.A. (Río Maipo S.A.), Empresa Nacional de Electricidad S.A. (Endesa S.A.) and Aguas Cordillera S.A. are registered in the Securities Register under No’s 0321, 0345, 0114 and 0369, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) GENERAL:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively “Chilean GAAP”), and the specific corporate regulations of Law No. 18.046, related to the formation, registration and liquidation of Chilean corporations, among others. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Chile do not conform with generally accepted accounting principles in the United States (“US GAAP”). Certain amounts in the prior years’ financial statements have been reclassified to conform to the current year’s presentation.

The preparation of financial statements in conformity with Chilean GAAP, along with the reconciliation to US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements reflect the consolidated results of operations of Enersis S.A. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Company consolidates the financial statements of companies in which it controls over 50% of the voting shares, which are the following:

| Company name | Percentage participation | | | |
|--|--------------------------|-------------------------|----------|--------|
| | As of December 31, 1998 | As of December 31, 1999 | | |
| | Total | Direct | Indirect | Total |
| Chilectra S.A. | 73.80 | 72.56 | - | 72.56 |
| Compañía Eléctrica del Río Maipo S.A. | 84.08 | 83.74 | - | 83.74 |
| Synapsis S.A. | 99.99 | 99.99 | 0.01 | 100.00 |
| Inmobiliaria Manso de Velasco S.A. | - | 99.99 | 0.01 | 100.00 |
| Distribuidora de Productos Eléctricos S.A. | 100.00 | 99.93 | 0.07 | 100.00 |
| Endesa S.A. | 25.28 | 59.98 | - | 59.98 |
| Enersis de Argentina S.A. | 100.00 | 99.99 | 0.01 | 100.00 |
| Enersis International Ltd. | 100.00 | 100.00 | - | 100.00 |
| Inversiones Distrilima S.A. | 48.19 | 14.79 | 33.08 | 47.87 |
| Empresa Distribuidora Sur S.A. (Edesur) | 51.22 | 14.50 | 36.50 | 51.00 |
| Empresa Eléctrica de Panamá S.A. | 95.02 | 81.00 | 13.79 | 94.79 |
| Aguas Cordillera S.A. | 100.00 | 99.99 | 0.01 | 100.00 |
| Enersis Investment S.A. | 100.00 | 100.00 | - | 100.00 |
| Electric Corporation Inc. | 100.00 | 100.00 | - | 100.00 |
| Panaguide Corporation Inc. | 100.00 | 100.00 | - | 100.00 |
| Interocean Developments Inc. | 100.00 | 100.00 | - | 100.00 |
| Enersis de Buenos Aires S.A. | 99.98 | 99.96 | 0.02 | 99.98 |
| Aguas de los Andes S.A. | 100.00 | - | - | - |
| Aguas Puerto S.A. | - | 72.00 | - | 72.00 |
| Luz de Bogotá S.A. | - | - | 39.71 | 39.71 |
| Cerj | - | - | 37.42 | 37.42 |
| Investluz | - | - | 36.79 | 36.79 |
| Compañía Americana de Multiservicios S.A. | 100.00 | 99.99 | 0.01 | 100.00 |

(1) Includes certain majority owned companies not presented herein.

(2) In 1999, Aguas de los Andes S.A. was amalgamated with Enersis S.A.

(3) The Company obtained shareholder agreements dated June 25, 1999, from Endesa Internacional, the majority shareholder of these companies, giving the Company the right to elect a majority of the Board of Directors. The Superintendency of Securities and Insurance were notified on June 28, 1999.

B) PERIODS COVERED:

These financial statements reflect the Company's financial positions as of December 31, 1998 and 1999, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years ended December 31, 1997, 1998 and 1999.

C) CONSTANT CURRENCY RESTATEMENT:

The cumulative inflation rate in Chile as measured by the Chilean Consumer Price Index ("CPI") for the three-year period ended December 31, 1999 was approximately 13.8%.

Chilean GAAP requires that the financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method described below is based on a model that enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency. The model prescribes that the historical cost of all non-monetary accounts be restated for general price-level changes between the date of origin of each item and the year-end.

The financial statements of the Company have been price-level restated in order to reflect the effects of the changes in the purchasing power of the Chilean currency during each year. All non-monetary assets and liabilities, all equity accounts and income statement accounts have been restated to reflect the changes in the CPI from the date they were acquired or incurred to year-end (see also Note 4).

The purchasing power gain or loss included in net income reflects the effects of Chilean inflation on the monetary assets and liabilities held by the Company.

The restatements were calculated using the official consumer price index of the National Institute of Statistics and based on the “prior month rule,” in which the inflation adjustments are based on the CPI at the close of the month preceding the close of the respective period or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index that most closely complies with the technical requirement to reflect the variation in the general level of prices in Chile, and consequently it is widely used for financial reporting purposes.

The values of the Chilean consumer price indices used to reflect the effects of the changes in the purchasing power of the Chilean peso (“price-level restatement”) are as follows:

| | Index | Change over Previous November 30 |
|-------------------|--------------|---|
| November 30, 1997 | 95.39 | 6.3% |
| November 30, 1998 | 99.49 | 4.3% |
| November 30, 1999 | 102.04 | 2.6% |

By way of comparison, the actual values of the Chilean consumer price indices as of the balance sheet dates are as follows:

| | Index | Change over previous December 31, |
|-------------------|--------------|--|
| December 31, 1997 | 95.54 | 6.0% |
| December 31, 1998 | 100.00 | 4.7% |
| December 31, 1999 | 102.31 | 2.3% |

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in Net Income or loss results for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

Index-linked assets and liabilities

Assets and liabilities that are denominated in index-linked units of account are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (“UF”), which is adjusted daily to reflect the changes in Chile’s CPI. Certain of the Company’s investments are linked to the UF. As the Company’s indexed liabilities exceed its indexed assets, the increase in the index results in a net loss on indexation. Values for the UF are as follows (historical Chilean pesos per UF):

| | Ch\$ |
|-------------------|-------------|
| December 31, 1997 | 14,096.93 |
| December 31, 1998 | 14,685.39 |
| December 31, 1999 | 15,066.96 |

Comparative financial statements

For comparative purposes, the historical December 31, 1997, 1998 and 1999 consolidated financial statements and their accompanying notes have been presented in constant Chilean pesos as of December 31, 1999. Amounts previously

presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the CPI to December 31, 1999, as follows:

| Year | Change in Index |
|------|-----------------|
| 1997 | 7.0% (1) |
| 1998 | 2.6% (2) |

(1) Equivalent to the amounts for 1997 multiplied by the change in the CPI for 1998, then by the change in the CPI for 1999.

(2) Equivalent to the amounts for 1998 multiplied by the change in the CPI for 1999.

This updating does not change the prior periods' statements or information in any way except to update the amounts to constant Chilean pesos of similar purchasing power.

Convenience translation to U.S. dollars

The financial statements are stated in Chilean pesos. The translations of Chilean pesos into US dollars are included solely for the convenience of the reader, using the observed exchange rate reported by the Chilean Central Bank as of December 31, 1999 of Ch\$ 530.07 to US\$ 1.00. The convenience translations should not be construed as representations that the Chilean peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

D) ASSETS AND LIABILITIES IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currency are detailed in Note 18. These amounts have been stated at the observed exchange rates reported by the Central Bank of Chile as of each year-end as follows:

| | 1998 | 1999 |
|--|--------------|--------------|
| | Ch\$ | Ch\$ |
| United States dollar | 472.41 | 530.07 |
| British pound sterling | 785.00 | 855.92 |
| Swiss franc | 341.56 | 331.79 |
| Argentinean peso | 472.41 | 530.07 |
| Colombian peso | 0.31 | 0.28 |
| New Peruvian sol | 149.73 | 151.04 |
| Brazilian real | 391.10 | 295.80 |
| Italian lira | 0.28 | 0.28 |
| Japanese yen | 4.11 | 5.17 |
| IBRD unit of account (World Bank unit) | 6,421,143.86 | 7,135,091.92 |

E) TIME DEPOSITS:

Time deposits are presented at cost plus accrued interest and UF indexation adjustments, as applicable.

F) MARKETABLE SECURITIES:

Marketable securities consist of short-term highly liquid Chilean Government debt securities valued at cost plus accrued interest, which approximates market value.

G) ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Accounts receivable are classified as current or long-term, depending on their collections terms. Current and long-term accounts receivable are presented net of an allowance for doubtful accounts of ThCh\$ 17,942,951 and ThCh\$61,548,730 as of December 31, 1998 and 1999, respectively.

H) INVENTORY CONSTRUCTION CONTRACT:

Inventory of goods in transit and operations and maintenance materials, as well as real estate projects, are valued at the lower of price-level restated cost or net realizable value. The cost of real estate projects under development, included in inventory, includes the cost of land, demolition, urbanizing, payments to contractors and other direct costs.

The costs and revenues of building projects are accounted for under the completed contract method in accordance with Technical Bulletin No. 39 of the Chilean Institute of Accountants. Capitalized costs are included in current assets as their completion is expected in the short-term.

I) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are shown at contributed amounts or cost, as appropriate, plus price-level restatement.

In 1986, an increase based upon a technical appraisal of property, plant and equipment was recorded in the manner authorized by the SVS in Circulars No.s 550 and 566 dated October 15 and December 16, 1985, respectively, and Communication No. 4790, dated December 11, 1985.

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets.

J) POWER INSTALLATIONS FINANCED BY THIRD PARTIES:

As established by D.F.L. 1 of the Ministry of Mines dated September 13, 1982, power installations financed by third parties are treated as reimbursable contributions. As such, the installations constructed using this mechanism form part of the Company's plant and equipment.

Such installations made prior to D.F.L. 1 are deducted from Plant and equipment and their depreciation is charged to "Power installations financed by third parties".

K) INVESTMENTS IN RELATED COMPANIES:

Investments in related companies are included in Other Non-Current Assets using the equity method. This valuation method recognizes in income the Company's equity in the net income or loss of each investee on the accrual basis (Note 10).

Investment in foreign affiliates are recorded in accordance with Technical Bulletin No.64 of the Chilean Institute of Accounting (Technical Bulletin No. 51 in 1997).

L) INTANGIBLES, OTHER THAN GOODWILL:

Intangibles other than goodwill, correspond mainly to easements, parent company contributions, and rights for the use of telephone lines and are amortized according to the standards defined in Technical Bulletin No. 55 of the Chilean Institute of Accountants.

M) SEVERANCE INDEMNITY:

The severance indemnity that the Company is obliged to pay to its employees under the collective bargaining agreements is stated at the present value of the benefit under the vested cost method, discounted at 9.5% and assuming an average employment span which varies based upon years of services with the Company.

N) OPERATING INCOME:

Energy supplied and unbilled at each year - end is valued at the selling price using the current rates and has been included in revenue from operations. The amount is presented in current assets as trade receivables. The corresponding cost is included in cost of operations.

O) DEFERRED INCOME TAXES:

In accordance with circular No.986 issued in 1991 by the SVS and Technical Bulletin No.41 issued by the Chilean Institute of Accountants, the Company records the effects of deferred taxes resulting from significant timing differences that will not be fully offset when they reverse by similar new differences.

In accordance with circular No. 1466 issued in 2000 by the SVS, deferred taxes are presented in accordance with BT's No.s' 60 and 68 of the Chilean Institute of Accountants, which became effective as of January 1, 2000.

P) ACCRUED VACATION EXPENSE:

In accordance with Technical Bulletin No.47 issued by the Chilean Institute of Accountants, employee vacation expenses are recorded on the accrual basis.

Q) REPURCHASE AGREEMENTS:

Reverse repurchase (resale) agreements are included in Other current assets and are stated at cost plus interest and indexation accrued at year end, in conformity with the related contracts.

R) CASH EQUIVALENTS:

The consolidated statement of cash flows have been prepared in accordance with the indirect method.

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin No. 50 issued by the Chilean Institute of Accountants, include time deposits, investments in fixed income securities classified as marketable securities, repurchase agreements classified as other current assets, and other balances classified as other accounts receivable with maturities less than 90 days.

For classification purposes, cash flows from operations include collections from clients and payments to suppliers, payroll and taxes.

S) GOODWILL AND NEGATIVE GOODWILL:

Goodwill and negative goodwill are determined according to Circular No. 368 of the SVS. Amortization is determined using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, and does not exceed 20 years.

T) RECLASSIFICATIONS:

The following reclassifications were made in the 1998 financial statements:

As of December 31, 1998, ThCh\$ 69,640,888 was reclassified from Investments in related companies to Investment in other companies. In addition, ThCh\$ 99,693,602 was reclassified from Proceeds from bond issuances to Other sources of financing and from Payment of dividends to Other disbursements for financing.

U) PENSION AND POST-RETIREMENT BENEFITS:

The complimentary pension plans and other post-retirement benefits have been calculated based on the actuarial value of future benefits.

3. CHANGE IN ACCOUNTING PRINCIPLES:

CONSOLIDATION

Since June 30, 1999, the Company consolidates its financial statements with Investluz, Luz de Bogotá and Companhia de Electricidade do Rio de Janeiro (Cerj), since the Company has a majority on the Board of Directors. This was obtained by the signing of a shareholder's agreement between Endesa Internacional S.A. and subsidiaries of Enersis S.A., Empresa Eléctrica de Panamá S.A., Interocean Developments Inc. and Enersis Investment S.A.

PENSIONS AND POST-RETIREMENT BENEFITS

Beginning January 1, 1999, the Parent Company and its Chilean subsidiaries have accounted for the total obligation for complementary pension plans and other post-retirement benefits. The post-retirement benefits comprise of a pension plan payment that is complementary to that granted by the social pension system and which is paid for life to former employees. Also, healthcare benefits and electric tariff discounts are included.

This commitment has been calculated based on the actuarial value of future benefits. This method results in the company recording the present value of the future obligations for the concepts mentioned before, discounted at an annual rate of 9.5% and incorporating the probabilities that these payments be effectively made, be it due to mortality (in the case of the retired) and personnel turnover (in the case of active employees). In the case of the active employees, only the proportional accrued portion at the closing date for the period is reflected. Until December 31, 1998, the Company reflected the expense for this concept at the moment of the monthly payment made to the beneficiaries of this benefit.

Included under the heading Short and Long-term Liability Provisions, is the amount of the obligation for these concepts, that as of December 31, 1999 is ThCh\$ 2,024,920 and ThCh\$ 12,395,764 respectively. Of that amount, ThCh\$ 6,400,927 has been charged to income for 1999 and the balances of ThCh\$ 598,591 and ThCh\$ 7,421,166 were registered under the heading Other Short and Long-term Accrued liabilities, respectively. Complementary pension plans and other benefits are amortized over 5 years and 14 years, respectively, accounting to ThCh\$ 4,558,124 and ThCh\$ 2,863,042, respectively.

4. PRICE-LEVEL RESTATEMENT:

The (charge) credit to income for price-level restatement as of each year-end is as follows:

| | As of December 31, | | |
|---|--------------------|---------------------|----------------------|
| | 1997 | 1998 | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Credits (charges) to income for the restatement of: | | | |
| Shareholders' equity | (40,662,422) | (30,043,091) | (19,920,639) |
| Property, plant and equipment | 253,236,205 | 92,723,690 | 65,112,252 |
| Other assets | 14,709,857 | 42,484,031 | 56,703,096 |
| Current and long-term liabilities | (26,176,672) | (39,997,576) | (17,463,288) |
| Minority interest | (89,817,528) | (31,121,278) | (19,196,263) |
| Foreign exchange | (51,610,722) | (44,420,421) | (186,190,387) |
| Indexation | (5,756,021) | (3,298,309) | (17,217,782) |
| Net credit (charges) for price-level restatement of balance sheet accounts | 53,922,697 | (13,672,954) | (138,173,011) |
| Price-level restatement of the income statement | (9,990,482) | (5,050,282) | (703,462) |
| Net credit (charge) to income | 43,932,215 | (18,723,236) | (138,876,473) |

5. TIME DEPOSITS:

Time deposits as of each year-end are as follows:

| Institution | Annual Rate % | Maturity | 1998 ThCh\$ | 1999 ThCh\$ |
|---------------------------------|------------------|----------|----------------|----------------|
| American Express | 5.55% | 05-2000 | - | 11,705,031 |
| Banco Bilbao Vizcaya | 6.00% | 01-2000 | 29,407,773 | 46,434,875 |
| Bank Boston | 18.00% | 01-2000 | 95,282 | 1,354,989 |
| Bank Boston | 11.75% | 01-2000 | 2,097,375 | 170,660 |
| Bank Boston | 4.25% | 01-2000 | - | 3,591,313 |
| Bank Boston (Brasil) | - | - | 899,590 | - |
| Banco Bozano Simonsen | 18.80% | 01-2000 | - | 955,541 |
| Banco Bozano | 18.86% | 01-2000 | - | 830,372 |
| Banco Bradesco | 20.00% | 12-2000 | 21,428 | 1,831,958 |
| Banco CCF-Brasil-Commodities | 18.00% | 01-2000 | - | 1,235,980 |
| Banco Bogotá Colombia | 3.70% | 03-2000 | - | 89,325 |
| Banco Colpatría | 15.43% | 02-2000 | - | 3,655,963 |
| Banco Continental | 5.80% | 01-2000 | 49,156 | 3,710,490 |
| Banco Cooperativo Colombia | 16.00% | 01-2000 | - | 16,065 |
| Banco de Chile - Nueva York | 2.50% | 01-2000 | - | 468,503 |
| Banco de Lima dólares | 3.75% | 01-2000 | 1,546,170 | 270 |
| Banco do Estado do Ceará | 20.00% | 01-2000 | - | 1,525,942 |
| Banco Exterior de España | - | - | 6,648,459 | - |
| Banco Galicia | 10.00% | 01-2000 | 3,156,276 | 1,622,384 |
| Banco Galicia | 10.88% | 01-2000 | - | 3,741,312 |
| Banco HSBC-Bamerindus | 19.00% | 01-2000 | 1,672,776 | 2,830,282 |
| Banco ING Barings | 18.00% | 01-2000 | 1,633,356 | 734,372 |
| Banco Itau - Brasil | 18.00% | 01-2000 | - | 607,388 |
| Banco Nationale de Paris | - | - | 756,059 | - |
| Banco Provincia de Buenos Aires | 8.25% | 01-2000 | - | 4,871,340 |
| Banco Río | 10.75% | 01-2000 | - | 194,802 |
| Banco Río | 10.00% | 01-2000 | - | 111,233 |
| Banco Río | 9.00% | 01-2000 | 109,754 | - |
| Banco Río de la Plata | 18.00% | 01-2000 | 704,243 | 1,030,386 |
| Banco Río de la Plata | 8.25% | 12-2000 | 62,105 | 6,562,806 |
| Banco Roberts | - | - | 812,951 | - |
| Banco Safra | 20.00% | 01-2000 | - | 148,134 |
| Banco Santander (Perú) | 19.60% | 01-2000 | 3,801,831 | 2,114,842 |
| Banco Santander dólares | 2.67% | 01-2000 | - | 3,225,837 |
| Banco Santander - Brasil | 18.00% | 01-2000 | - | 1,999,790 |
| Banco Santiago | 5.30% | 01-2000 | - | 59,407 |

| Institution | Annual Rate % | Maturity | 1998 ThCh\$ | 1999 ThCh\$ |
|-------------------------------------|------------------|----------|--------------------|--------------------|
| Banco Santiago | 6.70% | 01-2000 | - | 191,867 |
| Banco Sudameris | 14.84% | 02-2000 | - | 3,378,010 |
| Bancosur – Perú | - | - | 4,846,927 | - |
| Banco del Sur | 4.50% | 01-2000 | - | 5,301,271 |
| Bank of América | - | - | 26,236,952 | - |
| Caja de Ahorro- Bco.Río de la Plata | - | - | 159,815 | - |
| Chase Manhattan Bank | 18.00% | 01-2000 | 126,147 | 1,472,934 |
| Chase Manhattan Bank (Brasil) | - | - | 914,675 | - |
| Citibank N.A. | 14.15% | 01-2000 | 1,008,849 | 3,903,870 |
| Citibank Nueva York | 4.53% | 01-2000 | 1,106,124 | 100,735 |
| Citibank Nueva York | 4.00% | 01-2000 | - | 1,861,166 |
| Citibank Nueva York | 5.30% | 01-2000 | - | 6,243,702 |
| Citibank Perú | - | - | 1,082,319 | - |
| Citibank Perú | - | - | 4,846,927 | - |
| Corfivalle | 5.30% | 01-2000 | - | 1,171,934 |
| Crédito-Perú | - | - | 154,617 | - |
| Dresdner Bank New York | - | - | 29,566,252 | - |
| Fiduciaria Banco de Bogotá | 16.67% | 01-2000 | - | 11,201,463 |
| Fiduciaria BanColombia | 17.43% | 01-2000 | - | 139,343 |
| Fiduciaria BanColombia | 14.22% | 01-2000 | - | 1,720,930 |
| Banco Unir Colombia | 3.20% | 03-2000 | - | 270,501 |
| Fiduciaria Cititrust | 16.61% | 01-2000 | - | 1,737,257 |
| Fiduciaria de Crédito | 16.84% | 01-2000 | - | 48,832 |
| Fiduciaria de Crédito | 14.00% | 01-2000 | - | 743,267 |
| Fiduciaria de Crédito | 15.02% | 01-2000 | - | 1,193,626 |
| Fiduciaria Santander | 16.88% | 01-2000 | - | 2,558,493 |
| Fiduciaria Santander | 11.78% | 01-2000 | - | 2,583,300 |
| Fiduciaria Banco Ganadero | 13.08% | 01-2000 | - | 203,849 |
| Banco Lima | - | - | 4,823,942 | - |
| Interbank (Perú) | - | - | 500,687 | - |
| Interbank | - | - | 5,583,736 | - |
| J.P. Morgan | - | - | 646,383 | - |
| Liberal-Perú | 18.00% | 01-2000 | 743,977 | 891,283 |
| Banco Francés del Río de la Plata | - | - | 72,735 | - |
| Crédito-Perú | - | - | 1,855,888 | - |
| Crédito-Perú | - | - | 618,953 | - |
| Caja Ahorro-Bco Río de la Plata | - | - | 1,352 | - |
| Chase Manhattan Bank | - | - | 13,167,390 | - |
| Continental Perú | 16.00% | 01-2000 | 3,619,199 | 113,420 |
| BHIF | - | - | 423,491 | - |
| Citiliquid Reserve-Colombia | - | - | 2,158,337 | - |
| Cititrust-Colombia | - | - | 110,745 | - |
| Continental Perú | - | - | 6,913,788 | - |
| Wiese-Perú | 5.50% | 01-2000 | 297,833 | 1,113,147 |
| Wiese-Perú | 19.00% | 01-2000 | - | 1,510,601 |
| Ahorramás | 17.00% | 02-2000 | - | 367,756 |
| Las Villas | 17.00% | 02-2000 | - | 763,802 |
| Banco Popular | 5.25% | 01-2000 | - | 584,733 |
| Standard Chartered-dólares | 4.75% | 01-2000 | - | 406 |
| Banco del Tesoro | - | - | 119,831 | - |
| Banco Central Hispano | - | - | 163,650 | - |
| Banco Cooperativo | - | - | 17,849 | - |
| Total | | | 165,254,200 | 158,912,844 |

6. MARKETABLE SECURITIES:

Marketable securities as of each year-end are as follows:

| Institution | Security | As of December 31, | |
|--------------------------------------|--------------|--------------------|------------------|
| | | 1998 ThCh\$ | 1999 ThCh\$ |
| Banco Central | P.R.C. | 9,450,731 | - |
| Emel S.A. | Stocks | 1,780 | 1,780 |
| C.T.C. | Stocks | 290 | 1,106 |
| C.G.E.I. | Stocks | 1,106 | 292 |
| Chilectra S.A. | Stocks | 5,520 | 60,833 |
| Citicorp Chile de Fondos Mutuos S.A. | Mutual Funds | - | 470,073 |
| Santander | Mutual Funds | - | 1,505,399 |
| Banco Roberts S.A. | Mutual Funds | - | 2,763,007 |
| Banco Nationale de Paris | Mutual Funds | - | 2,716,108 |
| Total | | 9,459,427 | 7,518,598 |

7. INVENTORIES:

Inventories include the following items and are presented net of a provision for obsolescence amounting to ThCh\$4,099,124 and ThCh\$6,495,338 as of December 31, 1998 and 1999, respectively:

| | As of December 31, | |
|--------------------------------------|--------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Real estate under development | 41,249,409 | 45,937,847 |
| Materials in transit | 273,544 | 3,749,830 |
| Operations and maintenance materials | 44,055,221 | 46,357,632 |
| Construction in progress | 3,952,894 | 2,410,467 |
| Computer equipment | 805,910 | 85,344 |
| Fuel | - | 4,220,221 |
| Other | - | 1,527,625 |
| Total | 90,336,978 | 104,288,966 |

8. PROPERTY, PLANT AND EQUIPMENT:

The composition of property, plant and equipment at each year-end is as follows:

| | As of December 31, | |
|--|----------------------|-----------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Land | 101,238,018 | 137,024,986 |
| Buildings and infrastructure | 75,110,715 | 4,955,948,582 |
| Distribution and transmission lines and public lighting | 4,888,479,783 | 2,677,428,009 |
| Less: third party contributions | (30,054,734) | (48,773,765) |
| Total | 4,933,535,764 | 7,584,602,826 |
| Machinery and equipment | 2,382,849,446 | 2,677,457,848 |
| Work in progress | 261,120,330 | 385,272,327 |
| Construction materials | 6,461,684 | 263,227,350 |
| Equipment in transit | 164,114 | 11,672,993 |
| Total | 267,746,128 | 660,172,670 |
| Technical appraisal | 419,698,508 | 456,894,455 |
| Total | 8,105,067,864 | 11,516,152,785 |
| Less: accumulated depreciation | (2,327,884,508) | (3,155,344,911) |
| Property, plant and equipment, net | 5,777,183,356 | 8,360,807,874 |

The depreciation charged to income amounted to ThCh\$227,405,513 and ThCh\$334,640,301 for the year ended 1998 and 1999, respectively.

9. PREPAID EXPENSES:

Prepaid Expenses and other current assets as of each year-end are as follows:

| | As of December 31, | |
|---|--------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Rent guarantees | 139,920 | 2,795,933 |
| Forward contracts (1) | 1,285,754 | 154,166,850 |
| Deferred expenses | 8,161,954 | 7,866,785 |
| Construction contract advances | 228,128 | 752,504 |
| General materials | 180,149 | 15,253 |
| Prepaid taxes | 4,466,346 | 44,389 |
| Repurchase agreements (2) | 5,522,609 | 4,107,561 |
| Insurance recoverable | 31,634 | 99,806 |
| Bond discount | 585,139 | 586,236 |
| Receivables from the Ministry of Public Works | - | 608,331 |
| Suppliers fines | - | 4,793,423 |
| Pension and post-retirement benefit | - | 598,591 |
| Other | 1,798,834 | 5,528,010 |
| Totals | 22,400,467 | 181,963,672 |

(1) As of December 31, 1999, the nominal values of forward contracts are the following:

| | |
|---------------------|-----------------|
| Rights | Obligations |
| US\$ 291,000,000.00 | UF 9,618,263.27 |

(2) The detail of reverse repurchase (resale) agreements as of each year-end are as follows:

| Issuer | Instrument | Purchase Date | Maturity Date | Market Value at | | Currency or Index |
|---------------------------------|------------|---------------|---------------|------------------|------------------|-------------------|
| | | | | Purchase Date | Balance | |
| | | | | ThCh\$ | ThCh\$ | |
| As of December 31, 1999: | | | | | | |
| Banco Bhif | P.D.B.C. | Dec. 29/99 | Jan. 5/00 | 1,879,700 | 1,880,452 | Ch\$ |
| Banco Santiago | P.C.D | Dec. 30/99 | Jan. 6/00 | 802,200 | 802,280 | Ch\$ |
| Banco Central | P.C.D. | Dec. 27/99 | Jan. 5/00 | 467 | 467 | Ch\$ |
| Banco Central | P.T.F. | Dec. 27/99 | Jan. 5/00 | 83,190 | 83,257 | Ch\$ |
| Banco del Estado | P.R.C. | Dec. 27/99 | Jan. 3/00 | 38,000 | 38,035 | Ch\$ |
| Banco Santander | P.R.C. | Dec. 16/99 | Jan. 13/00 | 16,557 | 16,612 | Ch\$ |
| Banco Santander | L.H. | Dec. 19/99 | Jan. 13/00 | 733,501 | 735,921 | Ch\$ |
| Banco Central | P.C.D | Dec. 23/99 | Jan. 5/00 | 2,639 | 2,643 | Ch\$ |
| Banco Central | P.R.B.C. | Dec. 23/99 | Jan. 5/00 | 547,004 | 547,894 | Ch\$ |
| Total | | | | 4,103,258 | 4,107,561 | |

| Issuer | Instrument | Purchase Date | Maturity Date | Market Value at | | Currency or Index |
|---------------------------------|------------|---------------|---------------|------------------|------------------|-------------------|
| | | | | Purchase Date | Balance | |
| | | | | ThCh\$ | ThCh\$ | |
| As of December 31, 1998: | | | | | | |
| Banco Central | P.R.C. | Dec. 30/98 | Jan. 4/99 | 630,293 | 630,356 | Ch\$ |
| Citibank | L.H. | Dec. 30/98 | Jan. 4/99 | 220,237 | 220,259 | Ch\$ |
| Banco Santiago | L.H. | Dec. 30/98 | Jan. 4/99 | 214,273 | 214,294 | Ch\$ |
| Banco Crédito e Inv. | L.H. | Dec. 30/98 | Jan. 4/99 | 192,639 | 192,658 | Ch\$ |
| Banco Edwards | L.H. | Dec. 30/98 | Jan. 4/99 | 365,711 | 365,747 | Ch\$ |
| Banco Santiago | D.P.R. | Dec. 30/98 | Jan. 4/99 | 661,429 | 661,514 | Ch\$ |
| Banco Bice | D.P.F. | Dec. 30/98 | Jan. 4/99 | 429,917 | 429,971 | Ch\$ |
| Banco Santiago | D.P.F. | Dec. 30/98 | Jan. 4/99 | 3,409 | 3,409 | Ch\$ |
| Banco Central | P.R.C. | Dec. 30/98 | Jan. 4/99 | 1,285,315 | 1,285,479 | Ch\$ |
| Banco Central | P.D.B.C. | Dec. 30/98 | Jan. 4/99 | 1,518,730 | 1,518,922 | Ch\$ |
| Total | | | | 5,521,953 | 5,522,609 | |

10. INVESTMENT IN RELATED COMPANIES

a. Investments are summarized as follows:

| Related companies% | Percentage Owned | Number of Shares | Equity of the company | Carrying value of investments | | Equity in net earnings (losses) | |
|---|------------------|------------------|-----------------------|-------------------------------|--------------------|---------------------------------|------------------|
| | | | | 1998 | 1999 | 1998 | 1999 |
| | | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Distrilec Inversora S.A. | - | - | - | (819) | (1,746) | (819) | (1,746) |
| Cemsa | 45.00 | 6,305,400 | 7,709,393 | - | 3,469,227 | - | 85,234 |
| Celta S.A. | - | - | - | 25,771,467 | - | - | - |
| Consorcio Ing. B y R Ingendesa Ltda. | 50.00 | - | 19,804 | 94,686 | 9,902 | 129,058 | 31,606 |
| Inv. Eléctricas Quillota S.A. | 50.00 | 608,436 | 14,893,013 | 6,367,449 | 7,446,507 | (157,633) | 1,079,057 |
| Electrogas S.A. | 0.02 | 85 | 7,762,524 | 3,289,627 | 1,650 | (553,859) | 5 |
| Luz de Bogotá S.A. | - | - | - | 274,358,779 | - | 5,731,321 | - |
| Codensa S.A. | - | - | - | 8 | - | - | - |
| Autopista Los Libertadores S.A.(1) | 99.95 | 9,990,000 | 22,585,745 | 22,481,814 | 22,574,452 | - | - |
| Nopel Ltda.(1) | 50.00 | - | 64,603,175 | 24,629,964 | 32,301,588 | - | 385,109 |
| Gasoducto Atacama Ltda. | 50.00 | - | 24,502,620 | 8,234,645 | 12,251,310 | - | 58,212 |
| Cía. Eléctrica Tal Tal Ltda.(1) | 100.00 | - | 42,227 | (602) | 42,227 | - | - |
| Gasoducto Tal Tal Ltda.(1) | 100.00 | - | - | (95,468) | - | - | - |
| Gasoducto Cuenca Noroeste Ltda. | 50.00 | - | 47,703,281 | 21,089,092 | 23,851,641 | - | (216,416) |
| Energex Co. | 40.00 | 4,000 | 9,493 | 18,879 | 3,797 | 7,038 | (20,282) |
| Cía. De Interconexión Energética S.A. (1) | 45.00 | 128,265,607 | 101,693,551 | 16,231,257 | 45,762,098 | - | - |
| Investluz S.A. | - | - | - | 109,362,130 | - | 715,740 | - |
| Atacama Finance Co. | 40.00 | 4,000 | 3,668,870 | 1,255,338 | 1,467,548 | 33,912 | 94,684 |
| Transquillota Ltda. | 50.00 | - | 4,004,564 | - | 2,002,282 | 87,114 | - |
| Adm. de Proyecto Atacama S.A. | 50.00 | 500 | 1 | 98 | - | (185) | (121) |
| Cía. Eléctrica de Río de Janeiro S.A. | - | - | - | 114,954,703 | - | 17,870,710 | - |
| Soc. Trans. Eléct. De Quillota Ltda. | - | - | - | 1,915,150 | - | - | - |
| Inversiones Electrogas S.A. | 42.50 | 425 | 9,459,916 | - | 4,020,464 | - | 81,881 |
| Total | | | | 629,958,197 | 155,202,947 | 23,775,283 | 1,547,913 |

(1) Subsidiaries of Endesa S.A. in the development stage. Companies in development stage are not consolidated under Chilean GAAP.

b. In accordance with current standards, recognition has been given to the excess of the equity in the net assets acquired over the purchase price (negative goodwill) in the purchase of shares as of December 31, 1998 and 1999 as follows:

| Company | As of | Reserve | Period activity | Amortization for the period | As of |
|------------------------------------|--------------------|-------------------|-------------------|-----------------------------|--------------------|
| | January 1, | | | | December 31, |
| | 1999 | | | | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Synapsis S.A. | 182,517 | - | - | (13,775) | 168,742 |
| Elenet S.A. | 68,019 | - | - | (8,502) | 3,827,150 |
| Edelnor S.A. | 4,199,377 | 393,204 | - | (765,431) | 3,827,150 |
| Empresa de Agua Potable | | | | | |
| Los Dominicos S.A. | 16,639 | - | - | (16,639) | - |
| Central Hidr. Betania S.A. | 90,336,969 | 9,849,239 | 22,759,481 | (25,756,006) | 97,189,683 |
| C. Eléctrica Cachoeira Dorada S.A. | 27,515,849 | 2,576,057 | - | (1,543,175) | 28,548,731 |
| Edegel S.A. | 37,807,651 | 3,539,584 | - | (5,906,748) | 35,440,487 |
| Empresa de Energía de Bogotá S.A. | 3,265,361 | 305,706 | - | (187,951) | 3,383,116 |
| Coelce | - | - | 7,663,355 | (127,723) | 3,383,116 |
| Edechancay S.A. | 974,716 | 91,402 | - | (127,723) | 913,816 |
| Total | 164,367,098 | 16,755,192 | 30,422,836 | (34,478,252) | 177,066,874 |

- c. Following current standards, recognition has been given to the excess of the purchase price over the equity in the net assets acquired (goodwill) in the purchase of shares as of December 31, 1998 and 1999 as follows:

| Company | As of January 1, 1999 ThCh\$ | Reserve ThCh\$ | Period Activity ThCh\$ | Amortization for the period ThCh\$ | As of December 31, 1999 ThCh\$ |
|--------------------------------|---------------------------------------|-------------------|------------------------------|--|---|
| Endesa S.A. | 139,721,990 | - | 602,752,978 | (26,079,727) | 716,395,241 |
| Chilectra S.A. | 12,524,024 | - | - | (792,099) | 11,731,925 |
| Río Maipo S.A. | 377,354 | - | - | (21,575) | 355,779 |
| Eskal S.A. | - | - | 18,559,965 | (804,165) | 17,755,800 |
| Inversiones Distrilima S.A. | 16,188 | 1,515 | - | (1,106) | 16,597 |
| Distrilec Inversora S.A. | 9,276,943 | 868,514 | - | (519,257) | 9,626,200 |
| Edesur S.A. | 7,775,651 | 634,714 | 93,249 | (502,677) | 8,000,937 |
| Emgesa S.A. | 20,527,792 | 1,921,831 | - | (1,197,016) | 21,252,607 |
| C. Eléctrica Cachoeira Dourada | 55,717,901 | 5,216,358 | - | (3,207,066) | 57,727,193 |
| Cerj S.A. | 88,437,977 | 8,279,639 | - | (5,346,526) | 91,371,090 |
| Luz de Bogotá | 5,450,752 | 510,304 | - | (316,516) | 5,644,540 |
| Codensa S.A. | - | - | 24,836,744 | (1,318,765) | 23,517,979 |
| Aguas Cordillera S.A. | 12,222,584 | - | - | (649,816) | 11,572,768 |
| Emp. Eléctrica de Colina S.A. | 2,956,431 | - | - | (166,559) | 2,789,872 |
| Central Costanera S.A. | 19,726,607 | 1,932,671 | - | (1,283,974) | 20,375,304 |
| Edegel S.A. | 1,440,215 | 134,834 | - | (82,897) | 1,492,152 |
| Hidroinvest S.A. | 1,098,112 | 102,806 | - | (61,064) | 1,139,854 |
| Investluz | 873,041 | 81,735 | - | (48,963) | 905,813 |
| Coelce | - | - | 186,544,741 | (9,566,397) | 176,978,344 |
| Lajas Holding Inc. | 519,775 | 48,663 | - | (29,787) | 538,651 |
| Hidroeléctrica El Chocón S.A. | 5,565,798 | 521,075 | - | (441,609) | 5,645,264 |
| Total | 384,229,135 | 20,254,659 | 832,787,677 | (52,437,561) | 1,184,833,910 |

- d. Enersis S.A. recognized gains of ThCh\$24,487,779 and ThCh\$1,844,690 for the year ended December 31, 1998 and 1999, respectively, and losses of ThCh\$712,496 and ThCh\$296,777 for the years ended December 31, 1998 and 1999, respectively, presented under the caption Equity in income of non-consolidated affiliates in the statements of income.
- e. In accordance with current standards, the Company has credited income for ThCh\$4,437,604 and ThCh \$8,042,967 for the years ended December 31, 1998 and 1999, respectively, for the premium obtained on the placement of shares by the subsidiaries Chilectra S.A., Compañía Eléctrica del Río Maipo S.A. and Aguas Cordillera S.A. which are reported in Other non-operating income as adjustments to Investments in related companies.
- f. Under Technical Bulletin No. 64 of the Chilean Institute of Accountants, as of 1998, the Company recorded in the cumulative translation adjustment in shareholders' equity the net exchange difference on liabilities that are denominated in the same currency used to control the investment, and, in this way, act as a hedge of the exchange risk affecting the same investment. As of December 31, 1999 the amounts are as follows:

| Company | Country of origin | Investment ThCh\$ | Reporting Currency | Liability ThCh\$ |
|--|-------------------|----------------------|-----------------------|---------------------|
| Edesur S.A. | Argentina | 350,827,951 | US\$ | 339,073,902 |
| Edelnor S.A. | Peru | 38,890,824 | US\$ | 47,997,493 |
| Cerj S.A. | Brazil | 257,059,179 | US\$ | 202,085,508 |
| Codensa S.A. | Colombia | 238,475,284 | US\$ | 287,084,854 |
| Coelce S.A. | Brazil | 118,475,343 | US\$ | 120,898,050 |
| Endesa de Colombia (Emgesa-Betania) | Colombia | 228,440,694 | US\$ | 129,906,318 |
| Endesa Argentina (Costanera) | Argentina | 80,196,720 | US\$ | 50,578,667 |
| Cía. Eléc. Conosur S.A. (Edegel-Cachoeira) | Peru-Colombia | 588,657,442 | US\$ | 584,619,775 |
| Lajas Holding Inc. (Cachoeira) | Brazil | 131,553,545 | US\$ | 145,974,091 |
| Hidroelectricidad (Chocón) | Argentina | 56,838,669 | US\$ | 58,404,890 |
| Hidroinvest (Chocón) | Argentina | 109,499,237 | US\$ | 32,377,526 |
| Energía Hidráulica (Chocón) | Argentina | 23,529,508 | US\$ | 22,537,259 |

11. INTANGIBLES:

Intangibles as of each year-end are as follows:

| Description | As of January 1, 1999 ThCh\$ | Period Activity ThCh\$ | Amortization for the Period ThCh\$ | As of December 31, 1999 ThCh\$ |
|------------------------------|------------------------------------|------------------------------|--|--------------------------------------|
| Easements | 19,886,198 | 1,573,451 | (643,009) | 20,816,640 |
| Water rights | 5,488,098 | 203,205 | (145,050) | 5,546,253 |
| Rights to telephone lines | - | 198,822 | (524) | 198,298 |
| Parent company contributions | 1,424,591 | 3,627,564 | (1,034,636) | 4,017,519 |
| Mineral rights | 169,486 | - | - | 169,486 |
| Trademarks | 8,688 | - | (1,717) | 6,971 |
| Contracts rights | 302,135 | 6,652,625 | (527,316) | 6,427,444 |
| Other | - | 548,118 | (201,591) | 346,527 |
| Total | 27,279,196 | 12,803,785 | (2,553,843) | 37,529,138 |

12. OTHER ASSETS:

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

| Description | As of December 31, | |
|---|--------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Bond discount | 12,950,704 | 11,377,766 |
| Deferred income | 17,088,988 | 36,805,589 |
| Deferred income taxes | 754,432 | 1,511,451 |
| Foreign subsidiaries' reorganization expenses | 10,860,839 | - |
| Loan commissions | 31,450,879 | 7,287,695 |
| Concession rights | 102,099,902 | 106,371,083 |
| Water rights | - | 12,840,322 |
| Passage rights | - | 2,287,751 |
| Deposits | - | 10,346,644 |
| Deferred charges | - | 5,547,716 |
| Pension and post-retirement benefits | - | 7,421,166 |
| Survey and Research costs | - | 18,015,506 |
| Others | 10,601,690 | 5,267,491 |
| Total | 185,807,434 | 225,080,180 |

13. DUE TO BANKS AND FINANCIAL INSTITUTIONS:

a. Short - Term:

| Financial Institution | US\$ | | Other Foreign Currencies | | Foreign Currency | | | | Total | |
|--------------------------------|-------------------|------------------|--------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | 1998 | 1999 | 1998 | 1999 | UF | | Pesos | | 1998 | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Bice | - | 486,660 | - | - | - | - | - | - | - | 486,660 |
| Crédito Chile | - | - | - | - | - | - | - | 500 | - | 500 |
| Santiago | 1,263,756 | 1,415,712 | 757 | - | - | 27,999,961 | 21,882,902 | 16,765,797 | 23,147,415 | 46,181,470 |
| Corp Banca | - | - | - | - | - | - | - | 10,240,267 | - | 10,240,267 |
| Río de la Plata | - | 188,705 | - | - | - | - | - | - | - | 188,705 |
| Bogotá-Colombia | - | - | - | 1,201 | - | - | - | - | - | 1,201 |
| Santander | 71,024 | 1,034,389 | - | - | - | 8,139,818 | 12,242,573 | 738,190 | 12,313,597 | 9,912,397 |
| Estado | - | - | - | - | 23,037,669 | 23,048,637 | - | - | 23,037,669 | 23,048,637 |
| Crédito -Perú US\$ | 1,793,363 | 15,908 | - | - | - | - | - | 1,793,363 | 15,908 | - |
| Continental Perú US\$ | 4,482,626 | - | - | - | - | - | - | - | 4,482,626 | - |
| Citibank Perú US\$ | 3,797,524 | 166,412 | - | - | - | - | - | - | 3,797,524 | 166,412 |
| Medio crédito US\$ | - | 59,368 | - | - | - | - | - | 59,368 | - | - |
| Exterior | - | 801,683 | - | - | - | 3,011,642 | - | - | - | 3,813,325 |
| Latino - Soles | - | - | 484 | - | - | - | - | - | 484 | - |
| Continental Soles | - | - | 208,902 | 3,564,160 | - | - | - | - | 208,902 | 3,564,160 |
| Crédito Soles | - | - | 777,932 | 5,942,069 | - | - | - | - | 777,932 | 5,942,069 |
| ING Baring - Perú | 50,408 | - | - | - | - | - | - | - | 50,408 | - |
| Bndes | - | 86,953 | - | 504,679 | - | - | 10,296,594 | - | 10,296,594 | 591,632 |
| Boston | - | - | - | 1,287,976 | - | 2,844,775 | - | - | - | 4,132,751 |
| Supervielle | 1,454,078 | - | - | - | - | - | - | - | 1,454,078 | - |
| Banco Itau | - | - | - | 6,343,571 | - | - | - | - | - | 6,343,571 |
| Banco Bandeirantes | - | - | - | 560,669 | - | - | - | - | - | 560,669 |
| Banco Safra | - | - | - | 4,093,101 | - | - | - | - | - | 4,093,101 |
| Lima Soles | - | - | 2,354,231 | 91,478 | - | - | - | - | 2,354,231 | 91,478 |
| Wiesse Perú Soles | - | - | - | 1,985 | - | - | - | - | - | 1,985 |
| Argentaria US\$ | 1,501,093 | - | - | - | - | - | - | - | 1,501,093 | - |
| Republic National Bank of N.Y. | - | - | - | - | - | 805,541 | - | - | - | 805,541 |
| Chile | - | 287,580 | - | - | 2,058,249 | 16,837,388 | - | 165 | 2,058,249 | 17,125,133 |
| Bhif | - | - | - | - | - | - | 4,736,591 | 6,683,468 | 4,736,591 | 6,683,468 |
| Santander Soles | - | - | 3,633,313 | 378,590 | - | - | - | - | 3,633,313 | 378,590 |
| Wiesse Perú | 2,423 | - | - | - | - | - | - | - | 2,423 | - |
| Interbank-Soles | - | - | 63,010 | 31,368 | - | - | - | - | 63,010 | 31,368 |
| Citibank | 17,724,016 | - | - | - | - | - | - | - | 17,724,016 | - |
| Edwards | - | - | - | - | 8,027,393 | 9,416,424 | - | 4 | 8,027,393 | 9,416,428 |
| Standard CH US\$ | 155,587 | - | - | - | - | - | - | - | 155,587 | - |
| Tokio | 2,138,639 | - | - | - | - | 653,084 | - | - | 2,138,639 | 653,084 |
| BancoSur-US\$ | 7,901,976 | - | - | - | - | - | - | - | 7,901,976 | - |
| BancoSur- Soles | - | - | - | 52 | - | - | - | - | - | 52 |
| Interbank Perú US\$ | 2,427,295 | 3,483 | - | - | - | - | - | - | 2,427,295 | 3,483 |
| Francés | 859,692 | - | - | - | - | - | - | - | 859,692 | - |
| Interamericano-soles | - | - | 769,353 | 115 | - | - | - | - | 769,353 | 115 |
| Bank of America | - | 1,282,374 | - | - | - | - | - | - | - | 1,282,374 |
| Dresdner B. Luxemburg | - | - | - | - | - | 1,115,602 | - | - | - | 1,115,602 |
| Security | - | - | - | - | - | 805,192 | - | - | - | 805,192 |
| Chase Manhattan Bank | - | 186,015 | - | - | - | - | - | - | - | 186,015 |
| Boston Soles | - | - | 1,712,810 | 17 | - | - | - | - | 1,712,810 | 17 |
| Total | 45,623,500 | 6,015,242 | 9,520,792 | 25,111,072 | 33,123,311 | 104,582,553 | 49,158,660 | 34,428,391 | 137,426,263 | 170,137,258 |
| Total principal | - | 5,652,821 | - | 24,622,179 | - | 50,792,683 | - | 17,198,254 | - | 98,265,937 |
| Weighted average | | | | | | | | | | |
| Annual interest rate | | 6.10% | | 15.16% | | 6.37% | | 10.32% | | 9.25% |

| | 1998 | 1999 |
|---|---------|---------|
| Percentage of debt in foreign currency: | 40.13% | 18.29% |
| Percentage of debt in local currency: | 59.87% | 81.71% |
| | 100.00% | 100.00% |

To develop the investment plans the Company obtained financing from banks and financial institutions through the issue of debt in local and foreign markets which have financial and non-financial covenants.

14. MISCELLANEOUS SHORT AND LONG-TERM LIABILITIES

a. The obligations included in current liabilities as of each year-end are as follows:

| Items | Currency | | | | | | | | | |
|---|-------------------|--------------------|--------------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | US\$ | | Other foreign currencies | | UF | | Ch\$ | | Total | |
| | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ |
| Bond Issues | 22,562,077 | 109,235,995 | - | 12,323,596 | 26,699,723 | 26,937,135 | 283,545 | - | 49,545,345 | 148,496,726 |
| Long.-term obligations current maturities | 8,870,128 | 23,931,968 | 270,026 | 5,064,175 | 325,747 | 156,723 | - | - | 9,465,901 | 29,152,866 |
| Notes payable | - | - | 11,855,458 | - | 2,984,328 | 139,288 | 61,690 | 139,288 | 14,901,476 | - |
| Notes and accounts payable to related parties | - | - | - | - | - | 5,762,504 | 36,433,549 | 5,762,504 | 36,433,549 | - |
| Other current liabilities | 59,633,465 | 55,856,839 | 19,973,025 | 373,615,037 | 685,974 | 149,912,482 | 224,107,635 | 65,879,286 | 304,400,099 | 645,263,644 |
| Total | 91,065,670 | 189,024,802 | 20,243,051 | 402,858,266 | 27,711,444 | 179,990,668 | 230,292,972 | 102,374,525 | 369,313,137 | 874,248,261 |
| Total principal due | - | 105,422,020 | - | 11,993,603 | - | 28,920,057 | - | - | - | 146,335,680 |
| Weighted average annual interest rate | - | 8.71% | - | 12.28% | - | 6.37% | - | - | - | 8.54% |

| | 1998 | 1999 |
|--|----------|---------|
| Percentage of debt in foreign currency | : 30.14% | 67.70% |
| Percentage of debt in local currency | : 69.86% | 32.30% |
| | 100.00% | 100.00% |

b. The long-term obligations as of each year-end are as follows:

| Items | Currency or Readjustment Index | Years to maturity | | | | | | Average Annual Interest Rate % | Principal Due as of 1999 ThCh\$ |
|--------------------------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------------|--------------------------------------|--------------------------|----------------------|--------------------------------|---------------------------------|
| | | 1998 Long-term portion ThCh\$ | Greater Than 1 Up to 2 ThCh\$ | Greater Than 2 Than 5 Up to 5 ThCh\$ | Greater Than 5 Than 8 Up to 8 ThCh\$ | More Than 8 years ThCh\$ | Total 1999 ThCh\$ | | |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | |
| Bond issues | U.F. | 77,260,966 | 14,397,454 | 13,791,943 | 12,656,857 | 10,864,786 | 51,711,040 | 6.12% | 51,711,040 |
| | US\$ | 1,131,757,361 | - | 90,111,900 | 254,433,600 | 1,033,636,500 | 1,378,182,000 | 7.63% | 1,378,182,000 |
| | Soles | 24,695,576 | 33,126,314 | 4,350,367 | 2,039,029 | 2,010,525 | 41,526,235 | 8.64% | 41,526,235 |
| | Reales | - | - | 33,518,647 | - | - | 33,518,647 | 14.00% | 33,518,647 |
| Notes payable | \$ Col. | - | - | 10,003,560 | 5,157,987 | 81,118,149 | 96,279,696 | 15.97% | 96,279,696 |
| | US\$ | 168,668,216 | 37,204,180 | 62,173,013 | 46,753,509 | 34,528,125 | 180,658,827 | 7.31% | 180,658,827 |
| | Reales | - | 16,698,468 | 25,806,727 | 11,785,692 | 4,305,471 | 58,596,358 | 13.33% | 58,596,358 |
| | Pounds | 48,456 | 17,164 | - | - | - | 17,164 | - | - |
| Accounts payable | U.F. | 5,965,455 | 2,469,866 | 51,812 | 3,071,202 | 4,639,659 | 10,232,539 | 8.33% | 10,232,539 |
| | Soles | 6,357,460 | - | - | - | - | - | - | - |
| | \$ | - | 509,912 | 444,413 | 368,319 | - | 1,322,644 | - | - |
| | U.F. | - | - | - | - | 272,682 | 272,682 | - | - |
| Amounts payable to related companies | US\$ | - | 19,487,185 | 10,278,257 | 1,468,618 | 625,567 | 31,859,627 | - | - |
| | Reales | - | - | - | 12,946,125 | - | 12,946,125 | - | - |
| | \$ Col. | - | 385,268 | - | - | - | 385,268 | - | - |
| | U.F. | - | 1,113,614,028 | - | - | - | 1,113,614,028 | 5.84% | 1,113,614,028 |
| Accrued expenses | \$ | 22,079,999 | 2,601,898 | 5,254,503 | 4,309,190 | 7,771,891 | 19,937,482 | - | - |
| | Reales | - | 7,532,416 | - | - | 51,766,393 | 59,298,809 | - | - |
| | Soles | - | 47,762 | - | - | - | 47,762 | - | - |
| | \$ Col. | - | - | 14,209,993 | - | - | 14,209,993 | - | - |
| Reimbursable Contributions | \$ | 28,772,790 | 3,223,422 | 6,691,854 | 2,197,739 | 5,112,782 | 17,225,797 | - | - |
| Other long-term liabilities | \$ | 21,009,372 | 1,452,375 | 1,148,000 | 1,120,481 | 10,382,471 | 14,103,327 | - | - |
| | US\$ | 63,572,135 | 10,294,859 | 1,445,177 | 249,665 | - | 11,989,701 | 8.00% | 31,537,586 |
| | U.F. | 656,503 | 10,976,619 | 8,332 | - | - | 10,984,951 | - | - |
| | Reales | - | - | 877,033 | - | - | 877,033 | - | - |
| | Soles | - | 4,109,120 | 1,924,447 | - | - | 6,033,567 | - | - |
| Total | | 1,550,844,289 | 1,278,148,310 | 282,089,978 | 358,558,013 | 1,247,035,001 | 3,165,831,302 | | 2,995,856,956 |

| | 1998 | 1999 |
|--|----------|---------|
| Percentage of debt in foreign currency | : 87.41% | 59.59% |
| Percentage of debt in local currency | : 12.59% | 40.41% |
| | 100.00% | 100.00% |

15. ACCRUED EXPENSES:

The accrued expenses included in current liabilities as of each year-end are as follows:

| | As of December 31, | |
|---------------------------------|--------------------|-------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Bonus and other fringe benefits | 11,315,273 | 20,995,532 |
| Accrued expenses | 11,552,558 | 74,694,681 |
| Total | 22,867,831 | 95,690,213 |

Bad expense was ThCh\$332,823 and ThCh\$ 1,348,831 for the year ended December 31, 1998 and 1999, respectively.

16. TRANSACTIONS WITH RELATED COMPANIES:

a. Related companies and the nature of the relationship are as follows:

| Company name | Taxpayer Identification No. | Relationship |
|---|--------------------------------|-----------------------------|
| Elesur | 96.800.570-7 | Parent company |
| Distrilec Inversora S.A. | Foreign Company | Associated |
| Edegel S.A. | Foreign Company | Subsidiary |
| Endesa Desarrollo S.A. | Foreign Company | Member of Controlling Group |
| Cía. De Inversiones Luz S.A. | 96.552.100-3 | Member of Controlling Group |
| Consorcio B&R Ingendesa Ltda. | 78.142.980-5 | Associated |
| Cía. Eléctrica Tarapacá S.A. | 96.770.940-9 | Subsidiary |
| Electrogas S.A. | 96.806.130-5 | Subsidiary |
| Gasoducto Atacama Cía. Ltda. | 78.882.820-9 | Subsidiary |
| Nopel Ltda. | 78.932.860-9 | Subsidiary |
| Servicio de Agua Potable Barrancas S.A. | 96.773.290-7 | Subsidiary |
| Cía. De Inv. Chispas Uno S.A. | 96.641.060-4 | Member of Controlling Group |
| Inversiones Eléctricas Quillota S.A. | 96.827.970-k | Subsidiary |
| Atacama Finance Co. | Foreign Company | Associated |
| Emp. Eléctrica de Bogotá S.A. | Foreign Company | Associated |
| Gasoducto Tal-Tal Ltda. | 77.032.280-4 | Subsidiary |
| Autopista Los Libertadores S.A. | 96.818.910-7 | Subsidiary |
| Codensa | Foreign Company | Subsidiary |
| Coelce | Foreign Company | Subsidiary |
| Etevensa | Foreign Company | Member of Controlling Group |
| Cerj | Foreign Company | Subsidiary |
| Edenor | Foreign Company | Member of Controlling Group |
| Endesa Internacional | Foreign Company | Member of Controlling Group |
| Gesa S.A. | Foreign Company | Member of Controlling Group |
| Investluz | Foreign Company | Subsidiary |
| Luz de Bogotá S.A. | Foreign Company | Subsidiary |
| Unelco | Foreign Company | Member of Controlling Group |
| Cemsa | Foreign Company | Member of Controlling Group |
| Empresa Eléctrica Piura | Foreign Company | Member of Controlling Group |

- b. Balances of accounts receivable and payable classified according to the nature of the transaction are as follows as of December 31, 1998 and 1999:

| Company name | Nature of Transaction | As of | As of December 31, 1999 | | |
|---------------------------------------|------------------------|-------------------|-------------------------|-------------------|-------------------|
| | | December 31, 1998 | Operating | Other | Total |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Accounts receivable short-term | | | | | |
| Elesur S.A. | Miscellaneous services | - | - | 180 | 180 |
| Codensa S.A. | Miscellaneous services | 13,104,469 | - | - | - |
| Coelce | Miscellaneous services | 379,273 | - | - | - |
| Gasoducto Atacama y Cía. Ltda. | Intercompany Account | 76,336 | - | 68,595 | 68,595 |
| Etevensa | Intercompany Account | - | - | 666 | 666 |
| | Miscellaneous services | - | 195,317 | - | 195,317 |
| Autopista Los Libertadores S.A. | Intercompany Account | 102,081 | - | 332,473 | 332,473 |
| Cía. de Inversiones Luz S.A. | Miscellaneous services | 2,194 | - | - | - |
| Cerj | Miscellaneous services | 224,120 | - | - | - |
| Serv.Agua Potable Barrancas S.A. | Intercompany Account | 203,838 | - | 1,602,163 | 1,602,163 |
| Edenor | Miscellaneous services | - | 6,955,913 | - | 6,955,913 |
| Endesa Internacional S.A. | Intercompany Account | - | - | 500,077 | 500,077 |
| Consorcio B&R Ingendesa Ltda. | Miscellaneous services | 78,906 | 7,892 | - | 7,892 |
| Electrogas S.A. | Miscellaneous services | 17,326 | - | - | - |
| | Intercompany Account | 18,558,195 | - | 2,740,438 | 2,740,438 |
| Gesa S.A. | Intercompany Account | - | - | 15,345,630 | 15,345,630 |
| Cía. Eléctrica Tarapacá S.A. | Miscellaneous services | 3,360,419 | - | - | - |
| | Intercompany Account | 33,498,992 | - | 885,560 | 885,560 |
| Distrilec Inversora S.A. | Intercompany Account | 4,847 | - | 5,301 | 5,301 |
| Investluz | Miscellaneous services | 27,119 | - | - | - |
| Empresa Eléctrica de Bogotá S.A. | Miscellaneous services | 56,745 | 2,547,573 | - | 2,547,573 |
| | Intercompany Account | - | - | 163,944 | 163,944 |
| Cía. Inv. Chispa Uno S.A. | Miscellaneous services | 2,133 | 2,134 | - | 2,134 |
| Gasoducto Tal Tal Ltda. | Intercompany Account | - | - | 651,518 | 651,518 |
| Luz de Bogotá S.A. | Miscellaneous services | 16,824 | - | - | - |
| Inv. Eléct. Transquillota S.A. | Intercompany Account | 64,976 | - | 20,692 | 20,692 |
| Nopel Ltda. | Intercompany Account | 1,910,079 | - | 427,007 | 427,007 |
| Unelco S.A. | Intercompany Account | - | - | 3,429,553 | 3,429,553 |
| Endesa Desarrollo S.A. | Miscellaneous services | 242 | 265 | - | 265 |
| Total short-term | | 71,689,114 | 9,709,094 | 26,173,797 | 35,882,891 |
| Accounts receivable long-term | | | | | |
| Inv. Eléct. Transquillota S.A. | Intercompany Account | 1,984,545 | - | 1,384,574 | 1,384,574 |
| Atacama Finance Co. | Intercompany Account | 18,732,598 | - | 80,786,347 | 80,786,347 |
| Total long-term | | 20,717,143 | - | 82,170,921 | 82,170,921 |

| Company name | Nature of Transaction | As of | As of December 31, 1999 | | |
|-------------------------------------|------------------------|-------------------|-------------------------|-------------------|----------------------|
| | | December 31, 1998 | Operating | Other | Total |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Accounts payable short-term: | | | | | |
| Autopista Los Libertadores S.A. | Intercompany Account | 1,679,438 | - | 127,641 | 127,641 |
| Inv. Eléctr. Transquillota S.A. | Miscellaneous services | - | - | 34,635 | 34,635 |
| Edenor | Intercompany Account | - | - | 57,725 | 57,725 |
| Empresa Eléctrica de Bogotá S.A. | Miscellaneous services | 79,221 | 10,903,003 | - | 10,930,003 |
| Elesur S.A. | Intercompany Account | - | 21,553,541 | - | 21,553,541 |
| Luz de Bogotá | Miscellaneous services | 7 | - | - | - |
| Cía. Eléc. Tarapacá S.A. | Miscellaneous services | 272,398 | - | - | - |
| Cemsa | Intercompany Account | - | - | 3,520,355 | 3,520,355 |
| Infraestructura 2000 S.A. | Intercompany Account | - | - | - | - |
| Autopista del sol S.A. | Intercompany Account | - | - | - | - |
| Inecsa 2000 S.A. | Intercompany Account | - | - | - | - |
| Etevensa | Intercompany Account | - | - | 2,652 | 2,652 |
| Codensa S.A. | Miscellaneous services | 97,317 | - | - | - |
| Electrogas S.A. | Intercompany Account | 163,286 | - | 206,997 | 206,997 |
| Cerj | Miscellaneous services | 419 | - | - | - |
| Consorcio B&R Ingendesa Ltda. | Miscellaneous services | 11,463 | - | - | - |
| Nopel Ltda. | Miscellaneous services | 625,442 | - | - | - |
| Edegel S.A. | Miscellaneous services | 2,833,513 | - | - | - |
| Total short-term | | 5,762,504 | 32,483,544 | 3,950,005 | 36,433,549 |
| Accounts payable long-term: | | | | | |
| Elesur S.A. | Intercompany account | - | 1,096,562,307 | - | 1,096,562,307 |
| Endesa Internacional | Intercompany account | - | - | 17,051,721 | 17,051,721 |
| Total long-term | | - | 1,096,562,307 | 17,051,721 | 1,113,614,028 |

Miscellaneous services represent billings with 30 days terms.

The transfer of short-term funds between related companies, which are not for collection or payment of services, is on the basis of a current cash account, at a variable interest rate based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30 day terms, with automatic rollover for the same period and settlement in line with cash flows.

c. Effects on income for each year-end are as follows:

| 1998 | Interest Expense (Income) ThCh\$ | Service Expense (Income) ThCh\$ | Energy Sales (Purchases) ThCh\$ | Total Net Charge ThCh\$ |
|--------------------------------------|---|--|--|--|
| Autopista Los Libertadores S.A. | - | 317,824 | - | 317,824 |
| Electrogas S.A. | 1,683,553 | 91,771 | - | 1,775,324 |
| Cía. Eléctrica Tarapacá S.A. | 1,668,771 | 1,998,442 | - | 3,667,213 |
| Gasoducto Atacama Cía Ltda. | - | 61,218 | - | 61,218 |
| Nopel Ltda. | - | 1,542,423 | - | 1,542,423 |
| Cía de Inversiones Luz y Fuerza S.A. | - | (4,371) | - | (4,371) |
| Coelce | (1,504) | (252,154) | - | (253,658) |
| Codensa S.A. | - | (1,344,285) | - | (1,344,285) |
| Cía de Inversiones Chispa Uno S.A. | - | (17,042) | - | (17,042) |
| Cerj S.A. | (7,914) | (3,350,618) | - | (3,358,532) |
| Total | 3,342,906 | (956,792) | - | 2,386,114 |

| 1999 | Interest Expense (Income) ThCh\$ | Service Expense (Income) ThCh\$ | Energy Sales (Purchases) ThCh\$ | Total Net Charge ThCh\$ |
|----------------------------------|---|--|--|--|
| Autopista Los Libertadores S.A. | 113,599 | 720,043 | - | 833,642 |
| Autopista del Sol S.A. | 175,009 | 466,482 | - | 641,491 |
| Gasoducto Atacama Cía. Ltda. | - | 13,622 | - | 13,622 |
| Gasoducto Taltal Ltda. | - | 536,402 | - | 536,402 |
| Inv. Eléctr. Transquillota S.A. | 167,991 | (346,006) | - | (178,015) |
| Nopel Ltda. | - | 2,037,480 | - | 2,037,480 |
| Cía. Eléctrica Tarapacá S.A. | - | - | 758,371 | 758,371 |
| Empresa eléctrica Piura | - | - | 760,961 | 760,961 |
| Atacama Finance Co. | 3,969,629 | - | - | 3,969,629 |
| Compañía Eléctrica Tal-Tal Ltda. | - | 3,008 | - | 3,008 |
| Soc. Inversiones Chispa Uno S.A. | - | 21,948 | - | 21,948 |
| Elesur S.A. | (31,324,468) | - | - | (31,324,468) |
| Etevensa | - | - | 1,967,102 | 1,967,102 |
| Electrogas S.A. | 1,036,044 | (19,227) | (2,109,922) | (1,093,105) |
| Total | (25,862,196) | 3,433,752 | 1,376,512 | (21,051,932) |

17. INCOME TAXES:

Income taxes recoverable as of each year-end are as follows:

| | As of December 31, | |
|--|---------------------------|---------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Income tax provision – current | 72,460,657 | 84,750,175 |
| Installments, donations, and credits for training expenses | (85,499,274) | (117,878,035) |
| Total | (13,038,617) | (33,127,860) |

- a. Taxable income for the years ended December 31, 1998 and 1999 amounted to ThCh\$94,413,265 and ThCh\$38,387,812, respectively.
- b. The balance of taxable retained earnings and the related tax credits are as follows:

| Year | Retained Earnings ThCh\$ | Credit ThCh\$ |
|------|-----------------------------|------------------|
| 1998 | 288,995,856 | 32,238,395 |
| 1999 | 157,589,603 | 27,809,931 |

- c. Timing differences amounted to ThCh\$1,923,000 and ThCh\$495,700 for the years ended December 31, 1998 and 1999, respectively.
- d. In accordance with BT No. 41 and Circular No. 986 of the SVS, deferred income taxes recorded as of December 31, 1998 and 1999 are as follows:

| | As of December 31, | | | |
|---------------------------------|----------------------|---------------------|----------------------|---------------------|
| | 1998 | | 1999 | |
| | Short-term ThCh\$ | Long-term ThCh\$ | Short-term ThCh\$ | Long-term ThCh\$ |
| Assets: | | | | |
| Allowance for doubtful accounts | 166,070 | - | 185,952 | - |
| Deferred revenue | 167,921 | 487,599 | 83,638 | 475,118 |
| Obsolescence of raw materials | 90,915 | 240,710 | 88,611 | 234,610 |
| Maipo Canal Rights | 17,384 | 7,244 | 7,243 | - |
| Severance indemnities | 1,920 | 18,879 | 2,503 | 22,521 |
| Vacation accrual | 186,494 | - | 189,495 | - |
| Accounts receivable long-term | - | - | - | 1,957 |
| Post retirement benefits | - | - | 22,192 | 777,245 |
| Others | - | - | 3,271,062 | - |
| Total | 630,704 | 754,432 | 3,850,696 | 1,511,451 |
| Liabilities | | | | |
| Depreciation | - | 7,865,041 | 7,275,801 | 12,288,436 |
| Severance indemnity | 317 | 100,745 | 338 | 212,044 |
| Deferred charges | 30,943 | - | 30,944 | 306,857 |
| Property, plant and equipment | 52,968 | - | - | - |
| Bond discount | 74,487 | 563,883 | 93,070 | 564,168 |
| Leases payable | 70,880 | - | 69,084 | - |
| Others | - | 337,801 | - | - |
| Total | 229,595 | 8,867,470 | 7,469,237 | 13,371,505 |

Future Accounting Change

In accordance with circular No. 1.450 and 1.466 of the SVS, deferred taxes as determined under BT No.'s 60 and 68 of the Accountants Association of Chile are presented solely for information purposes and have not been reflected in the financial position of the Company.

If this accounting change would have been applied for the year ended December 31, 1999, the deferred income taxes would have been comprised of the following:

| | As of December 31, 1999 | | | |
|--|-------------------------|------------------|------------------|--------------------|
| | Asset | | Liability | |
| | Short-term | Long-term | Short-term | Long-term |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Provision for allowance for doubtful accounts | 1,423,847 | - | - | - |
| Provision for obsolescence | (4,241) | - | - | - |
| Provision for unearned income | 233,108 | 1,226,120 | - | - |
| Provision for vacations | 161,171 | - | 3,200 | - |
| Provision for participation | 24,015 | - | - | - |
| Provision usufruct of Assoc. Canalistas of Maipo | 7,244 | - | - | - |
| Provision for employees | - | - | - | - |
| Provision for depreciation of fixed assets | - | - | 134,574 | 4,307,762 |
| Severance indemnity | - | 6,394 | (1,610,793) | 282,143 |
| Bond discount | - | - | 14,824 | (486,732) |
| Financial expenses | - | - | 903,202 | - |
| Deferred expenses | - | - | 7,167,711 | (12,590,282) |
| Others | 11,060,316 | 6,615,455 | 2,838,414 | - |
| Total | 12,905,460 | 7,847,969 | 9,451,132 | (8,487,109) |

The detail of the deferred income tax assets and liabilities that would have been generated and reversed during the year ended December 31, 1999 is as follows:

| | Year ended |
|---------------------------------|-------------------|
| | December 31, 1999 |
| | ThCh\$ |
| Allowance for doubtful accounts | 213,577 |
| Provision for obsolescence | (636) |
| Provision for unearned income | 218,884 |
| Provision for vacations | 24,656 |
| Provision for employees | 3,602 |
| Depreciation of fixed assets | (666,350) |
| Severance indemnity | 200,256 |
| Bond discount | 70,786 |
| Financial expenses | (135,495) |
| Deferred expenses | 813,386 |
| Others | 2,225,745 |
| Total | 2,968,411 |

The detail of the accumulated balances of deferred income taxes and the corresponding complementary accounts as of January 1, 1999 would have been the following:

| Short-term | Assets | | Liabilities | | Period of Reversal Years | Weighted Average Period of Reversal Years |
|--|------------------|------------------|-------------|------------------|-----------------------------|---|
| | Long-term | | Short-term | Long-term | | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | |
| Allowance for doubtful accounts | 2,129,125 | - | - | - | 4 | 1.83 |
| Complementary liability | (2,120,131) | - | - | - | 1 | 0.07 |
| Provision for obsolescence – short-term. | 608,706 | - | - | - | - | - |
| Complementary liability | (608,706) | - | - | - | 1 | 0.02 |
| Provision for obsolescence – long-term | 19,957 | - | - | - | 3 | 1.08 |
| Complementary liability | (19,957) | - | - | - | - | - |
| Provision unearned income – short-term | 287,968 | - | - | - | 1 | 0.00 |
| Complementary liability | (287,968) | - | - | - | 1 | 1.79 |
| Provision unearned income – long-term | - | 2,957 | - | - | 1 | 2.00 |
| Complementary liability | - | (2,957) | - | - | - | - |
| Provision for vacations | 1,065,854 | - | - | - | 2 | 0.13 |
| Complementary liability | (1,051,132) | - | - | - | 1 | 0.04 |
| Provision for participation | - | - | - | - | - | - |
| Complementary liability | - | - | - | - | - | - |
| Provision for employees | 45,475 | - | - | - | 1 | 0.00 |
| Complementary liability | (45,475) | - | - | - | - | - |
| Depreciation of fixed assets | - | - | - | 45,017,934 | 17 | 13.79 |
| Complementary asset | - | - | - | (42,291,416) | 10 | 4.26 |
| Severance indemnity – short-term | - | - | 566,385 | 7,927 | 11 | 2.00 |
| Complementary asset | - | - | (566,385) | 6,470 | 1 | 0.02 |
| Severance indemnity – long-term | - | - | - | 8,559 | 13 | 1.44 |
| Complementary asset | - | - | - | (8,559) | - | - |
| Bond discount – short-term | - | - | - | - | - | - |
| Complementary asset | - | - | - | - | - | - |
| Bond discount – long-term | - | - | - | - | - | - |
| Complementary asset | - | - | - | - | - | - |
| Amortization of financial expenses | - | - | - | 2,539,353 | - | - |
| Complementary asset | - | - | - | (2,539,353) | 1 | 0.03 |
| Others | 3,323,645 | 3,499,900 | 5,220,849 | - | 1 | 0.00 |
| Complementary liability | (1,641,416) | (1,256,928) | (5,220,849) | - | 1 | 0.05 |
| Total | 1,705,945 | 2,242,972 | - | 2,740,915 | | |

Income tax expense for the year ended December 31, 1999 would have been the following:

| | Year ended December 31, 1999 ThCh\$ |
|--|--|
| Current income tax provision: | |
| First category income taxes | 84,750,175 |
| Total current tax provision | 84,750,175 |
| Deferred income tax provision: | |
| Deferred tax provision | 2,968,411 |
| Amortization of the complementary asset and liability accounts | (1,956,469) |
| Total deferred income taxes | 1,011,942 |
| Total | 85,762,117 |

18. FOREIGN CURRENCY:

As of December 31, 1998 and 1999, foreign currency denominated assets and liabilities are as follows:

| Assets | | As of December 31, 1998 | | | As of December 31, 1999 | | | |
|--|---|-------------------------|----------------|----------------------|-------------------------|-----------------|----------------------|-------------|
| | | Foreign Currency | Exchange rate | Total ThCh\$ | Foreign Currency | Exchange rate | Total ThCh\$ | |
| Cash | US\$ | 337,512 | 472.41 | 163,590 | 726,046 | 530.07 | 384,855 | |
| | Reales | - | - | - | 14,153,506 | 295.80 | 4,186,607 | |
| | Soles | - | - | - | 10,891,472 | 151.04 | 1,645,048 | |
| | \$ Col. | - | - | - | 20,336,807,143 | 0.28 | 5,694,306 | |
| | \$ Arg. | - | - | - | 1,987,283 | 530.07 | 1,053,399 | |
| Time deposits | US\$ | 267,951,093 | 472.41 | 129,873,928 | 91,117,100 | 530.07 | 48,298,441 | |
| | Reales | - | - | - | 21,593,935 | 295.80 | 6,387,486 | |
| | \$ Col. | - | - | - | 261,574,396,429 | 0.28 | 73,240,831 | |
| | \$ Arg. | - | - | - | 3,513,155 | 530.07 | 1,862,218 | |
| Short-term Accounts receivable | US\$ | 13,477,911 | 472.41 | 6,532,644 | 6,273,919 | 530.07 | 3,325,616 | |
| | Reales | - | - | - | 65,105,318 | 295.80 | 19,258,153 | |
| | Soles | - | - | - | 44,471,981 | 151.04 | 6,717,048 | |
| | \$ Col. | - | - | - | 37,756,128,571 | 0.28 | 10,571,716 | |
| | \$ Arg. | - | 14,346,413 | 530.07 | 7,604,603 | | | |
| Long-term Accounts receivable | US\$ | 169,141,591 | 472.41 | 81,981,688 | 123,716,000 | 530.07 | 65,578,140 | |
| | Total assets | | | 218,551,850 | | | 255,808,467 | |
| Liabilities | | | | | | | | |
| Due to Banks and Financial institutions Short-term | US\$ | 428,927,836 | 472.41 | 207,898,174 | 375,019,511 | 530.07 | 198,786,592 | |
| | Fr. S. | 2,115,898 | 341.56 | 741,496 | - | - | - | |
| | Y | 78,143,066 | 4.11 | 329,518 | 898,451,838 | 5.17 | 4,644,996 | |
| | UP | 143.49 | 6,421,143.86 | 945,354 | 140.95 | 7,135,091.92 | 1,005,717 | |
| | Reales | - | - | - | 61,673,935 | 295.80 | 18,243,150 | |
| | Soles | - | - | - | 81,566,969 | 151.04 | 12,319,875 | |
| | \$ Col. | - | - | - | 120,687,478,571 | 0.28 | 33,792,494 | |
| | Libras | 441,507 | 785.00 | 355,594 | 425,300 | 855.92 | 364,023 | |
| | Lira | 349,432,143 | 0.28 | 100,385 | 338,014,286 | 0.28 | 94,644 | |
| | US\$ | - | - | - | - | 530.07 | - | |
| | Y | - | - | - | - | 5.17 | - | |
| | Due to Banks and Financial Institutions Long-term | Libras | 2,284,513 | 785.00 | 1,839,970 | 1,903,759 | 855.92 | 1,629,465 |
| | | Lira | 1,898,521,429 | 0.28 | 545,407 | 1,582,107,143 | 0.28 | 442,990 |
| U.P. | | 636.72 | 6,421,143.86 | 4,194,782 | 511.95 | 7,135,091.92 | 3,652,779 | |
| Reales | | - | - | - | 139,291,602 | 295.80 | 41,202,456 | |
| Soles | | - | - | - | 44,330,906 | 151.04 | 6,695,740 | |
| US\$ | | 3,680,325,289 | 472.41 | 1,783,826,654 | 4,166,365,972 | 530.07 | 2,208,465,610 | |
| \$ Col. | | - | - | - | 9,465,535,714 | 0.28 | 2,650,350 | |
| Y | | 456,689,781 | 4.11 | 1,925,797 | 3,524,909,478 | 5.17 | 18,223,782 | |
| Accounts payable Short-term | | Soles | - | - | - | 304,886,944 | 151.04 | 46,050,124 |
| | | \$ Col. | - | - | - | 416,473,882,143 | 0.28 | 116,612,687 |
| Accounts payable Long-term | | \$ Arg. | - | - | - | 216,218,841 | 530.07 | 114,611,121 |
| | | US\$ | 187,883,328.04 | 472.41 | 91,065,670 | 356,603,471.24 | 530.07 | 189,024,802 |
| | | Libras | 335,265 | 785.00 | 270,026 | 42,064 | 855.92 | 36,003 |
| | Reales | - | - | - | 424,436,548 | 295.80 | 125,548,331 | |
| | \$ Arg. | - | - | - | 23,226,634 | 530.07 | 12,311,742 | |
| | \$ Col. | - | - | - | 395,981,989,286 | 0.28 | 110,874,957 | |
| | Libras | 60,162 | 785.00 | 48,455 | 20,053 | 855.92 | 17,164 | |
| Accounts payable Long-term | Reales | - | - | - | 558,610,453 | 295.80 | 165,236,972 | |
| | Soles | - | - | - | 315,198,385 | 151.04 | 47,607,564 | |
| | US\$ | 2,814,149,717 | 472.41 | 1,363,997,712 | 3,000,317,718 | 530.07 | 1,590,378,413 | |
| | Total liabilities | | | 3,458,084,994 | | | 5,070,524,543 | |

Excluded above are foreign subsidiaries' assets and liabilities expressed in the corresponding country's currency.

19. BONDS PAYABLE:

a) Bonds payable are comprised of the following:

i) Series D-1 and D-2 – Enersis S.A.

On November 30, 1989, the SVS, under regulation No. 117 of the Securities Register, registered the bearer bond issue made by Enersis S.A., as of October 1, 1989, for U.F. 1,500,000, in two series as follows:

| Series | No. of bonds per series | Face value in U.F. | Total amount in U.F. |
|--------|----------------------------|-----------------------|-------------------------|
| D-1 | 150 | 5,000 | 750,000 |
| D-2 | 750 | 1,000 | 750,000 |

The maturity of the bonds is 12 years, interest is payable semiannually and amortization is in 14 installments starting April 1, 1995. Annual interest is 6.9%, compounded semiannually. This issue was 100% sold.

ii) Yankee Bonds Agency Enersis S.A.

On November 21, 1996, the Company, acting through its agency in the Cayman Islands, issued corporate notes (Yankee Bonds) for US\$800 million in three series, as follows:

| Series | Total amount US\$ | Years to maturity | Nominal annual interest rate |
|--------|----------------------|----------------------|---------------------------------|
| 1 | 300,000,000 | 10 | 6.90% |
| 2 | 350,000,000 | 20 | 7.40% |
| 3 | 150,000,000 | 30 | 6.60% |

Interest is payable on a semi-annual basis and principal is paid at maturity. Notes in series three have a put option which can be freely exercised by the holder in the seventh year.

iii) Series A

On September 10, 1999, under regulation No. 213 of the Securities Register, registered the bearer bond issue made by Enersis S.A., as of June 7, 1999, for a maximum amount of U.F. 7,000,000, as follows:

| Series | No. of bonds per series | Face value in U.F. | Total amount in U.F. |
|--------|----------------------------|-----------------------|-------------------------|
| A | 700 | 10,000 | 7,000,000 |

The maturity of the bonds is 30 years, interest is payable semi-annually and amortization is in one installment on June 15, 2029. Annual interest is 5.8%, compounded semi-annually.

iv) Series A, B, C, D and E Bond of Aguas Cordillera S.A.

The subsidiary issued bonds in U.F., as follows:

| Series | Registration No. | Amount issued in UF | Interest rate | Amortization |
|--------|---------------------|---------------------------|------------------|-------------------------------------|
| A | 141 | 200,000 | 7.0% | 27 Installments starting 10/01/1992 |
| B | 154 | 55,000 | 7.0% | 27 Installments starting 07/01/1993 |
| C | 163 | 250,000 | 6.0% | 14 Installments starting 07/01/1999 |
| D | 167 | 300,000 | 6.0% | 14 Installments starting 10/01/2000 |
| E | 187 | 300,000 | 6.5% | 5 Installments starting 01/01/2005 |

v) Edesur Bonds

On October 14, 1993, the National Commission of Securities approved the issuance of corporate notes. As December 31, 1999, four series have been sold.

| Series | Total amount US\$ | Periods to maturity | Nominal interest rate (annual) |
|--------|----------------------|------------------------|-----------------------------------|
| 4 | 150,000,000 | 3 | Libor + 1.45% |

vi) Edelnor Bonds (Subsidiary of Distrilima S.A.)

| First issue | | |
|-------------------------------|---|-------------------------------------|
| Date of Issue | : | March 1, 1996 |
| Number of bonds subscribed | : | 49,919 bonds |
| Face value | : | 100 Nuevos Soles each |
| Redemption term | : | 15 years |
| Interest rate | : | 9.6136% |
| Interest payment | : | Annually, on coupon maturity |
| Amortization | : | Amortiaation of total upon maturity |
| Second issue | | |
| Date of Issue | : | November 10, 1998 |
| Number of bonds subscribed | : | 146,300 bonds |
| Face value | : | 1000 Nuevos Soles each |
| Redemption term | : | 4 years |
| Interest rate | : | 14.396% |
| Interest payment | : | Accrued and paid within 90 days |
| Anticipated redemption option | : | Early redemption option |
| Third issue | | |
| Date of Issue | : | August 7, 1998 |
| Number of bonds subscribed | : | 15,000 bonds |
| Face value | : | US\$1,000 each |
| Redemption term | : | 3 years |
| Interest rate | : | 7.7% |
| Interest payment | : | Accrued and paid within 90 days |

vii) Endesa

I) The Company made three public offerings of bonds in the local market on the following dates:

- On September 12, 1988, the Company registered in the Securities Register of the Chilean Superintendency of Securities and Insurance, under No. 105, the first issuance of bonds in the amount of U.F. 5,000,000, which was fully placed prior to the end of the year ending December 31, 1988.
- On August 24, 1989, the second issuance of bonds was registered under No. 111, amounting to U.F. 6,000,000, and was fully placed as of December 31, 1990.
- On December 7, 1990, the third bond issuance was registered under No. 131 in the amount of U.F. 4,000,000. Of this issuance the amount of U.F. 2,030,000 has been placed as of December 31, 1997. The balance of U.F. 1,970,000 has been cancelled due to the expiration of the placement period.

Risk rating of the bonds issued is as follows as of the the date of these financial statements:

| | Category |
|--|----------|
| - Comisión Clasificadora de Riesgo | AA |
| - Fitch IBCA Chile Clasificadora de Riesgo Ltda. | AA+ |
| - Clasificadora de Riesgo Humphreys Ltda. | AA+ |

FIRST ISSUANCE

| | |
|-----------------------|---|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Bearer bonds in local currency, denominated in Unidades de Fomento |
| Issuance Value | : Five million Unidades de Fomento (U.F. 5,000,000) divided into: <ul style="list-style-type: none">- Series A-1: 300 bonds at U.F. 10,000 each- Series A-2: 2,000 bonds at U.F. 1,000 each |
| Readjustment | : Unidad de Fomento variation |
| Amortization period | : 12 years (3-year grace period and 9 years for capital amortization) |
| Capital amortization | : 18 consecutive installments per semestre starting March 1, 1992, of equal value except for the last installment. |
| Early Redemption | : As elected by the issuer, starting March 1, 1992 and only on the interest payment and amortization dates. |
| Nominal interest rate | : 5.5% annually upon expiration, compound and actual rate per semestre on outstanding capital, readjusted by the value of the Unidad de Fomento. The applicable interest rate per semestre will be equal to 2.71319%. |
| Interest Payments | : Interest will be paid per semestre upon expiration on March 1 and September 1 annually, starting March 1, 1989. Accrued interest at the end of the period amounts to ThCh\$ 151,406 (ThCh\$ 301,464 in 1998), and is shown under current liabilities. |
| Guarantee | : There is no specific guarantee, except for a general guarantee on all the issuer's assets. |
| Placement period | : 24 months from the registration date in the Securities Register of the Chilean Superintendency of Securities and Insurance. |

SECOND ISSUANCE

| | |
|-----------------------|---|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Bearer bonds in local currency, denominated in Unidades de Fomento |
| Issuance Value | : Six million Unidades de Fomento (U.F. 6,000,000) divided into: <ul style="list-style-type: none">- Series B-1: 360 bonds at U.F. 10,000 each- Series B-2: 2,400 bonds at U.F. 1,000 each |
| Readjustment | : Unidad de Fomento variation |
| Amortization period | : 12 years (4-year grace period and 8 years for capital amortization) |
| Capital amortization | : 16 consecutive installments per semestre starting April 1, 1994, all of equal value. |
| Early Redemption | : As elected by the issuer, starting October 1, 1990 and only on the interest payment and amortization dates. |
| Nominal interest rate | : 6.0% annually upon expiration, compound and actual rate per semestre on outstanding capital, readjusted by the value of the Unidad de Fomento. The applicable interest rate per semestre will be equal to 2.95630%. |
| Interest Payments | : Interest will be paid per semestre upon expiration on April 1 and October 1 annually, starting April 1, 1990. Accrued interest at the end of the period amounts to ThCh\$ 334,068 (ThCh\$ 497,461 in 1998), and is shown under current liabilities. |
| Guarantee | : There is no specific guarantee, except for a general guarantee on all the issuer's assets. |
| Placement period | : 24 months from the registration date in the Securities Register of the Chilean Superintendency of Securities and Insurance. |

THIRD ISSUANCE

| | |
|-----------------------|--|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Bearer bonds in local currency, denominated in Unidades de Fomento |
| Issuance Value | : Four million Unidades de Fomento (U.F. 4,000,000) divided into: <ul style="list-style-type: none"> - Series C-1: 120 bonds at U.F. 10,000 each - Series C-2: 2,800 bonds at U.F. 1,000 each - Series D-1: 120 bonds at U.F. 10,000 each - Series D-2: 800 bonds at U.F. 1,000 each |
| Readjustment | : Unidad de Fomento variation |
| Amortization period | : Series C-1 and C-2: 15 years (5-year grace period and 10 years to amortize capital). Series D- 1 and D-2: 20 years (5-year grace period and 15 years to amortize capital). |
| Capital amortization | : Series C-1 and C-2: 20 consecutive installments per semestre, starting April 1, 1996. Series D-1 and D-2: 30 consecutive installments per semestre, starting May 1, 1996. Amortization installments will increase in time. |
| Early Redemption | : As elected by the issuer, starting May 1, 1996 and only on the interest payment and amortization dates. |
| Nominal interest rate | : 6.8% annually upon expiration, compound and actual rate per semester on outstanding capital, readjusted by the value of the Unidad de Fomento. The applicable interest rate per semester will be equal to 3.34409%. |
| Interest Payments | : Interest will be paid per semester upon expiration on May 1 and November 1 annually, starting May 1, 1991. Accrued interest at the end of the period amounts to ThCh\$ 279,220 (ThCh\$ 292,967 in 1998), and is shown under current liabilities. |
| Guarantee | : There is no specific guarantee, except for a general guarantee on all the issuer's assets. |
| Placement period | : 48 months from the registration date in the Chilean Securities Register of the Superintendency of Securities and Insurance. |

II) The Company has issued and placed three public offerings of bonds in the international market as per the following:

Risk rating of these bond issuances is as follows as of the the date of these financial statements:

| | Category |
|-----------------------------|----------|
| - Standard& Poors's | A- |
| - Moodys Investors Services | Baal |
| - Duff & Phelps | A- |

FIRST ISSUANCE

| | |
|-----------------------|---|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Marketable securities in US\$ (Yankee bonds) in the US market. |
| Issuance Value | : Six hundred and fifty million US Dollars (US\$ 650,000,000) divided into: <ul style="list-style-type: none"> - Series 1: US\$ 230,000,000 - Series 2: US\$ 220,000,000 - Series 3: US\$ 200,000,000 |
| Readjustment | : Variation in the US Dollar |
| Amortization period | : Series 1 full expiration on February 1, 2027 Capital amortization: Series 2 full expiration on February 1, 2037 (Put Option on February 1, period 2009, on which date the holders may redeem 100% of them plus accumulated interest). Series 3 full expiration on February 1, 2097. |
| Nominal interest rate | : Series 1: 7.875% annually Series 2: 7.325% annually Series 3: 8.125% annually |
| Interest Payments | : Interest will be paid every six months, on February 1 and August 1 annually, starting January 27, 1997. Accrued interest as of the period end amounts to ThCh\$11,148,587 (ThCh\$ 10,194,197 in 1998), which is shown under current liabilities. |

SECOND ISSUANCE

| | |
|-----------------------|--|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Marketable securities in US\$ (Yankee bonds) in the US market. |
| Issuance Value | : Four hundred million US Dollars (US\$ 400,000,000) : |
| Readjustment | : Variation in the US Dollar |
| Capital amortization | : Series 1 full expiration on July 15, 2008. period |
| Nominal interest rate | : Series 1: 7.75% annually |
| Interest Payments | : Interest will be paid every six months, on January 15 and July 15 annually, starting January 15, 1999. Accrued interest as of the period end amounts to ThCh\$ 7,577,056 (ThCh\$ 7,801,809 in 1998), which is shown under current liabilities. |

THIRD ISSUANCE

| | |
|-----------------------|---|
| Issuer | : Empresa Nacional de Electricidad S.A. |
| Securities issued | : Marketable securities in US\$ (Yankee bonds) in the US market. |
| Issuance Value | : Four hundred million US Dollars (US\$ 400,000,000) : |
| Readjustment | : Variation in the US Dollar |
| Capital amortization | : Series 1 full expiration on April 1, 2009. period |
| Nominal interest rate | : Series 1: 8.502% annually |
| Interest Payments | : Interest will be paid every six months, on October 1 and April 1 annually, starting October 1, 1999. Accrued interest as of the period end amounts to ThCh\$ 4,505,595, which is shown under current liabilities. The bond discounts have been deferred in the corresponding period of the bond issuances, and as of December 31, 1998 and 1999 amounted to ThCh\$ 6,944,364 and ThCh\$ 8,078,199, respectively. |

viii) Subsidiaries of Endesa S.A.

- I) Endesa Chile Overseas Co. issued Yankee Bonds on April 1, 1996.
Risk rating of the bond issuance is as follows as of December 31, 1999:

| | Category |
|-----------------------------|----------|
| - Standard & Poors's | A- |
| - Moodys Investors Services | Baal |

FIRST ISSUANCE

| | |
|-----------------------|---|
| Issuer | : Endesa Chile Overseas Co. |
| Securities issued | : Marketable securities in US\$ (150,000 bonds). |
| Issuance Value | : One hundred and fifty million Dollars (US\$ 150,000,000) : |
| Capital amortization | : Full expiration as of April 1, 2006 |
| Nominal interest rate | : 7.2 % annually upon expiration |
| Interest Payments | : Interest will be paid every six months, upon expiration, starting October 1, 1996. Accrued interest as of the period end amounts to ThCh\$ 1,462,993 (ThCh\$ 1,337,752 in 1998) and is shown under current liabilities. |
| Guarantee | : Guarantee from Empresa Nacional de Electricidad S.A. |

- II) Empresa Eléctrica Pehuenche S.A. issued bonds on May 2, 1996.
Risk rating of the bond issuance is as follows as of the the date of these financial statements:

| | Category |
|-----------------------------------|----------|
| - Duff & Phelps Credit Rating Co. | A- |
| - Moodys Investors Services | Baal |
| - Standard & Poors | BBB+ |

FIRST ISSUANCE

| | | |
|-----------------------|---|---|
| Issuer | : | Empresa Eléctrica Pehuenche S.A. |
| Securities issued | : | Marketable securities in US\$. |
| Issuance Value | : | One hundred and seventy million US Dollars (US\$ 170,000,000) : |
| Capital amortization | : | Full expiration as of May 1, 2003 |
| Nominal interest rate | : | 7.3 % annually |
| Interest Payments | : | Interest will be paid every six months, upon expiration, starting November 1, 1996. Accrued interest as of the period end amounts to ThCh\$ 1,114,634 (ThCh\$ 1,019,214 in 1998) and is shown under current liabilities. |

III) Edegel S.A. issued bonds on June 4, 1999 as per the following:

FIRST ISSUANCE

| | | |
|-----------------------|---|---|
| Issuer | : | Edegel S.A. |
| Securities issued | : | Marketable securities in US\$. (30,000 bonds). |
| Issuance Value | : | Thirty million US Dollars (US\$ 30,000,000) |
| Capital amortization | : | Full expiration as of June 3, 2006 |
| Nominal interest rate | : | 8.75% annually upon expiration |
| Interest Payments | : | Interest will be paid every six months, upon expiration, starting December 3, 1999. Accrued interest as of the period end amounts to ThCh\$ 284,502, and is shown under current liabilities. |

IV) Emegesa S.A. issued bonds on October 8, 1999 as per the following:

FIRST ISSUANCE

| | | |
|-----------------------|---|---|
| Issuer | : | Emegesa S.A. |
| Securities issued | : | Marketable securities in ComLombian \$ |
| Issuance Value | : | \$ Colombian 383,187,492,000 |
| Capital amortization | : | Full expiration as of 2010 |
| Nominal interest rate | : | 18.9% annual average rate |
| Interest Payments | : | Interest will be paid every six and twelve months. Accrued interest as of the period end amounts to ThCh\$ 4,138,476, and is shown under current liabilities. |

b) Balance sheet presentation:

| | As of December 31, | |
|------------------------|----------------------|----------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Current liabilities: | | |
| Capital | 24,923,239 | 113,022,847 |
| Accrued interest | 24,622,106 | 35,473,879 |
| Total current | 49,545,345 | 148,496,726 |
| Long-term liabilities: | | |
| Capital | 1,233,713,903 | 1,601,217,618 |
| Total long-term | 1,233,713,903 | 1,601,217,618 |

20. LONG-TERM ACCRUALS:

Long-term accruals include severance indemnities to personnel, calculated in accordance with the policy described in Note 2. An analysis of the changes in the accruals in each year are as follows:

| | As of December 31, | |
|--------------------------------------|--------------------|-------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Opening balance as of January 1 | 19,768,240 | 46,869,251 |
| Increase in accrual | 3,471,222 | 28,569,305 |
| Payments during the period | (1,186,712) | (11,162,415) |
| Sub-total | 22,052,750 | 63,276,141 |
| Pension and post-retirement benefits | 27,249 | 30,217,905 |
| Total | 22,079,999 | 93,494,046 |

21. OTHER LONG-TERM LIABILITIES:

The detail of other long-term liabilities as of each year-end is as follows:

| | 1998 | 1999 |
|-----------------------------|-------------------|-------------------|
| | ThCh\$ | ThCh\$ |
| Deferred income | 1,490,015 | 959,822 |
| Reimbursable contributions | 28,917,169 | 17,225,797 |
| Deferred income taxes | 8,867,470 | 13,371,505 |
| Provisions | 7,839,312 | 15,838,595 |
| Forward contracts | - | 10,972,939 |
| Other long-term liabilities | - | 2,845,718 |
| Total | 47,113,966 | 61,214,376 |

22. MINORITY INTEREST:

- a. Minority shareholders' participation in the shareholders' equity of the Company's subsidiaries as of each period end is as follows:

| | As of December 31, 1998 | | | As of December 31, 1999 | | |
|--|-------------------------|---------|----------------------|-------------------------|---------|----------------------|
| | Equity | Partici | Total | Equity | Partici | Total |
| | ThCh\$ | % | ThCh\$ | ThCh\$ | % | ThCh\$ |
| Aguas Puerto S.A. | - | - | - | 65,687,577 | 28.00% | 18,392,522 |
| Capital de Energía S.A. | 478,186,484 | 49.00% | 234,311,377 | 428,836,324 | 49.00% | 210,129,798 |
| Central Hidroeléctrica Betania S.A. | 329,717,419 | 25.06% | 82,617,736 | 405,032,112 | 14.38% | 58,234,707 |
| Central Termoeléctrica Buenos Aires S.A. | 29,578,953 | 22.17% | 6,557,533 | 31,938,216 | 22.17% | 7,080,702 |
| Central Cachoeira Dourada | 373,584,168 | 1.16% | 4,346,019 | 413,189,820 | 1.16% | 4,806,761 |
| Central Costanera S.A. | 106,275,333 | 48.32% | 51,353,660 | 116,321,806 | 48.32% | 56,206,697 |
| Cerj S.A. | - | - | - | 364,515,911 | 55.68% | 202,970,189 |
| Chilectra S.A. | 344,195,901 | 26.20% | 88,993,741 | 389,797,358 | 27.44% | 106,944,954 |
| Cía. Eléctrica San Isidro S.A. | 25,396,959 | 50.00% | 12,698,480 | 29,724,447 | 50.00% | 14,862,224 |
| Cía. Peruana de Electricidad S.A. | 27,234,881 | 49.00% | 13,345,092 | 30,956,976 | 49.10% | 15,199,875 |
| Codensa | - | - | - | 897,750,659 | 51.52% | 462,477,620 |
| Compañía Eléctrica del Río Maipo S.A. | 19,774,709 | 15.91% | 3,146,440 | 20,041,647 | 16.25% | 3,257,363 |
| Companhia Energetica Do Ceara-Coelce | - | - | - | 547,572,512 | 43.41% | 237,702,777 |
| Const. y Proy. Los Maitenes S.A. | 1,770,859 | 45.00% | 796,887 | 1,329,378 | 45.00% | 598,220 |
| E.A.P. Los Dominicos S.A. | 3,779,225 | 0.07% | 2,353 | 4,090,513 | 0.06% | 2,323 |
| Edelgel S.A. | 513,960,343 | 40.00% | 205,584,137 | 553,528,633 | 39.87% | 220,679,079 |
| Edelnor S.A.(Ede Chancay S.A.) | 190,054,293 | 40.00% | 76,021,620 | 214,579,745 | 40.00% | 85,831,898 |
| Edesur S.A. | 512,761,273 | 41.39% | 206,990,546 | 558,568,629 | 40.37% | 225,481,977 |
| Elenet S.A. | 1,222,527 | 0.01% | 122 | 1,264,983 | 0.00% | 1 |
| Emgesa S.A. | 817,401,222 | 51.52% | 421,085,361 | 736,868,951 | 51.52% | 379,599,156 |
| Empresa Eléctrica Pangué S.A. | 59,640,030 | 7.52% | 4,486,660 | 49,537,972 | 7.52% | 3,725,255 |
| Endesa Argentina S.A. | 18,640,017 | 0.01% | 1,864 | 31,581,831 | 0.01% | 3,158 |
| Endesa Colombia S.A. | 25,469,267 | 0.30% | 76,408 | - | - | - |
| Endesa S.A. | 1,326,975,177 | 74.72% | 991,503,496 | 1,134,407,406 | 40.02% | 453,979,359 |
| Energía Hidráulica S.A. | 1,902,612 | 0.01% | 189 | 1,071,146 | 0.01% | 108 |
| Esval S.A. | - | - | - | 110,100,282 | 59.59% | 65,613,371 |
| Generandes Perú S.A. | 270,908,652 | 45.74% | 123,905,490 | 297,516,457 | 45.74% | 136,075,102 |
| Hidroeléctrica EL Chocón S.A. | 193,535,317 | 34.81% | 67,368,860 | 170,844,920 | 34.81% | 59,471,117 |
| Hidroelectricidad S.A. | 3,871,214 | 0.01% | 387 | (819,039) | 0.01% | (82) |
| Hidroinvest S.A. | 86,218,495 | 37.57% | 25,925,902 | 83,515,847 | 30.07% | 25,113,215 |
| Inecsa 2000 S.A. | 22,731,665 | 3.02% | 609,208 | 22,824,149 | 2.68% | 611,687 |
| Infraestructura 2000 S.A. | 49,955,587 | 40.00% | 19,982,234 | 55,892,167 | 40.00% | 22,356,866 |
| Ingendesa S.A. | 2,260,748 | 8.34% | 188,546 | 2,660,942 | 3.92% | 104,309 |
| Inm. y Constructora Edif. Stgo. 2000 Ltda. | 59,583 | 7.50% | 4,468 | 62,342 | 7.50% | 4,676 |
| Inmobiliaria Centro Nuevo Ltda. | (6,862) | 0.08% | (5) | (8,220) | 0.08% | (6) |
| Inversiones Distrilima S.A. | 108,920,134 | 32.75% | 35,671,343 | 124,075,463 | 32.75% | 40,634,714 |
| Investluz | - | - | - | 450,585,394 | 37.55% | 169,194,815 |
| Luz de Bogotá S.A. | - | - | - | 517,060,863 | 55.00% | 284,383,475 |
| Manso de Velasco Argentina S.A. | 1,140,426 | 0.10% | 1,141 | 1,586,913 | 0.10% | 1,640 |
| Pehuenche S.A. | 163,452,194 | 7.45% | 12,177,189 | 138,414,879 | 7.45% | 10,311,908 |
| Soc. Agrícola de Cameros Ltda. | 5,545,058 | 42.50% | 2,356,650 | 5,606,947 | 42.50% | 2,382,952 |
| Soc. Agrícola Pastos Verdes Ltda. | 57,700,801 | 45.00% | 17,240,433 | 39,958,638 | 45.00% | 17,981,387 |
| Túnel El Melón S.A. | 2,862,823 | 4.00% | 114,513 | 1,553,396 | 4.00% | 62,136 |
| Total | | | 2,709,466,080 | | | 3,602,470,005 |

b. Minority shareholders' participation in the net income of the Company's subsidiaries as of each year-end is as follows:

| Company | Year-ended December 31, 1998 | | | Year-ended December 31, 1999 | | |
|--|------------------------------|---------------|--------------------|------------------------------|---------------|-------------------|
| | Net | Participation | Total | Net | Participation | Total |
| | Income | | | Income | | |
| | ThCh\$ | % | ThCh\$ | ThCh\$ | % | ThCh\$ |
| Aguas Puerto S.A. | - | - | - | (1,403,913) | 28.00% | (393,096) |
| Capital de Energía S.A. | 20,189,938 | 49.00% | 9,893,070 | 765,351 | 49.00% | 375,023 |
| Central Hidroeléctrica Betania S.A. | (9,813,230) | 25.06% | (2,458,911) | (24,462,833) | 14.38% | (3,517,217) |
| Central Termoeléctrica Buenos Aires S.A. | 5,134,839 | 22.17% | 1,137,962 | (409,943) | 22.17% | (90,884) |
| Central Cachoeira Dourada | 33,648,728 | 1.16% | 391,435 | 19,928,424 | 1.16% | 231,833 |
| Central Costanera S.A. | 33,987,770 | 48.32% | 16,423,442 | 32,223,738 | 48.32% | 15,570,510 |
| Cerj | - | - | - | 87,987,314 | 55.68% | 48,993,202 |
| Chilectra S.A. | 93,912,658 | 26.20% | 23,345,717 | 71,236,797 | 27.44% | 19,544,555 |
| Cía. Eléctrica San Isidro S.A. | (618,483) | 50.00% | (309,242) | 4,327,488 | 50.00% | 2,163,744 |
| Cía. Peruana de Electricidad S.A. | 2,293,566 | 49.00% | 1,123,848 | 4,337,100 | 49.10% | 2,129,516 |
| Codensa S.A. | - | - | - | 18,655,069 | 51.52% | 9,610,187 |
| Compañía Eléctrica del Río Maipo S.A. | 8,932,862 | 15.91% | 1,421,347 | 8,453,025 | 16.25% | 1,373,868 |
| Companhia Energetica Do Ceara - Coelce | - | - | - | 30,972,850 | 43.41% | 13,445,402 |
| Const. y Proy. Los Maitenes | (859,055) | 45.00% | (386,575) | (441,480) | 45.00% | (198,666) |
| E.A.P. Los Dominicos S.A. | 2,342,857 | 0.07% | 1,640 | 265,919 | 0.06% | 151 |
| Edegel S.A. | 37,289,469 | 40.00% | 14,915,788 | 21,367,780 | 39.87% | 8,518,840 |
| Edelnor S.A. (Ede Chancay S.A.) | 14,034,278 | 40.00% | 5,613,711 | 27,594,147 | 40.00% | 11,037,659 |
| Edesur S.A. | 46,072,461 | 40.37% | 18,598,448 | 13,141,976 | 40.37% | 5,305,129 |
| Elenet S.A. | 435,272 | 0.01% | 43 | 337,204 | 0.00% | - |
| Emgesa S.A. | 50,289,174 | 51.52% | 25,906,544 | 19,001,668 | 51.52% | 9,788,738 |
| Empresa Eléctrica Pangué S.A. | (5,611,018) | 7.52% | (422,111) | (10,102,057) | 7.52% | (759,675) |
| Endesa Argentina S.A. | 13,213,515 | 0.01% | 1,321 | 11,321,339 | 0.01% | 1,132 |
| Endesa Colombia S.A. | 5,919,863 | 0.30% | 17,760 | - | 0.00% | - |
| Endesa | 46,351,499 | 74.72% | 34,633,409 | (176,733,788) | 40.02% | (84,297,418) |
| Energía Hidráulica S.A. | 697,104 | 0.01% | 70 | (933,596) | 0.01% | (93) |
| Esva S.A. | - | - | - | (11,424,194) | 59.59% | (10,665,888) |
| Generandes Perú S.A. | 27,753,362 | 45.74% | 12,693,557 | 18,720,958 | 45.74% | 8,562,405 |
| Hidroeléctrica El Chocón S.A. | 1,690,632 | 34.81% | 588,508 | (13,252,396) | 34.81% | (4,613,159) |
| Hidroelectricidad S.A. | (3,922,898) | 0.01% | (340) | (10,416,842) | 0.01% | (1,042) |
| Hidroinvest S.A. | (2,156,719) | 30.07% | (648,525) | (10,436,876) | 30.07% | (3,138,369) |
| Inecsa 2000 S.A. | (2,046) | 2.68% | (55) | 12,975 | 2.68% | 347 |
| Infraestructura 2000 S.A. | (1,276,948) | 40.00% | (510,780) | 438,447 | 40.00% | 175,379 |
| Ingendesa S.A. | 1,335,449 | 8.34% | 111,376 | 1,123,320 | 4.85% | 44,034 |
| Inmob. y Constructora Edif. Stgo. 2000 Ltda. | 5,260 | 7.50% | 395 | 1,759 | 7.50% | 207 |
| Inmobiliaria Centro Nuevo Ltda. | (3,958) | 0.08% | (3) | (1,333) | 0.08% | (1) |
| Inversiones Distrilima S.A. | 9,199,951 | 32.75% | 3,012,984 | 17,417,520 | 32.75% | 5,704,238 |
| Investluz | - | - | - | (4,752,556) | 37.55% | (1,784,585) |
| Luz de Bogotá S.A. | - | - | - | 9,401,956 | 55.00% | 5,171,076 |
| Manso de Velasco Argentina S.A. | 414,513 | 0.10% | 415 | 357,117 | 0.10% | 383 |
| Pehuenche S.A. | (3,684,770) | 7.45% | (274,516) | (25,037,315) | 7.45% | (1,865,280) |
| Soc. Agrícola De Cameros Ltda. | 5,631 | 42.50% | 2,393 | 61,888 | 42.50% | 26,302 |
| Soc. Agrícola Pastos Verdes Ltda. | 100,871 | 45.00% | 45,392 | (25,724) | 45.00% | (11,576) |
| Túnel El Melón S.A. | (1,460,972) | 4.00% | (58,439) | (1,309,426) | 4.00% | (52,377) |
| Total | | | 164,811,078 | | | 56,384,534 |

23. SHAREHOLDERS' EQUITY:

A) SHARES ISSUED

At the General Shareholders' Meeting held on April 30, 1999, the shareholders agreed to increase the capital of the Company by US\$1,000 million through the issue of shares in foreign capital markets, which will occur within a period of 3 years.

B) DIVIDENDS

There are no restrictions on the payment of dividends. The following dividends were paid as of each year-end:

| Dividend Number | Payment date | Historical value Ch\$ per share | Type of dividend | Related to |
|-----------------|--------------|------------------------------------|------------------|------------|
| 67 | Feb/98 | 0.80 | Interim | 1997 |
| 68 | May/98 | 4.50 | Final | 1997 |
| 69 | Nov/98 | 1.60 | Interim | 1998 |
| 70 | May/99 | 4.00 | Final | 1998 |

C) CUMULATIVE TRANSLATION ADJUSTMENT

The change in the cumulative translation adjustment, related to gains and losses on assets and liabilities for the year ended December 31, 1999 is as follows:

| | ThCh\$ |
|--|------------------|
| Balance as of January 1, 1999 | 734,629 |
| Cumulative translation adjustment for the year | 6,869,636 |
| Balance as of December 31, 1999 | 7,604,265 |

The balance of the cumulative translation adjustment is comprised as follows:

| | As of December 31, 1998 ThCh\$ | As of December 31, 1999 ThCh\$ |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Distrilec Inversora S.A. | - | 419,269 |
| Inversiones Distrilima S.A. | - | 192,510 |
| Cía. Peruana de Electricidad S.A. | - | 1,193,429 |
| Edesur | 303,186 | 845,415 |
| Cerj | 61,741 | 801,225 |
| Coelce | - | 53,577 |
| Luz de Bogotá S.A. | 10,329 | - |
| Edelnor S.A. | 359,374 | - |
| Endesa Subsidiaries | - | 4,098,840 |
| Total | 734,630 | 7,604,265 |

24. OTHER INCOME AND EXPENSES:

The detail of other non-operating income in each period is as follows:

| | Year ended December 31, | |
|---|-------------------------|--------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Adjustments to investments in related companies | 5,026,970 | 8,127,057 |
| Gain on sale of property, plant and equipment | 3,168,646 | 2,967,191 |
| Interest billed to customers | 1,652,527 | 1,722,777 |
| Services to companies and customers | 5,417,546 | 4,328,169 |
| Consulting projects and inspections | 3,378,405 | 8,245,455 |
| Sales of materials | 1,312,532 | 1,918,644 |
| Penalties charged to contractors and suppliers | 5,267,164 | 3,060,371 |
| Construction and project construction | 10,711,454 | 12,264,781 |
| Insurance recoverable | 3,424,575 | 1,194,491 |
| Sales of land | 1,038,069 | 1,678,003 |
| Service and installation of network and lines | 995,031 | 947,179 |
| Amortization of unearned revenues | 1,228,342 | 302,144 |
| Reimbursable financial supports | 1,155,243 | 824,493 |
| Income tax recoveries | 3,595,509 | 19,828,490 |
| Effect of application of BT 64 | 4,467,897 | 156,338,928 |
| Gain on forward contract | - | 76,379,680 |
| Miscellaneous | 9,272,885 | 14,747,205 |
| Total | 61,112,795 | 314,875,058 |

Other non-operating expense in each period is as follows:

| | Year ended December 31, | |
|---|-------------------------|--------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Adjustments to investments in related companies | 381,480 | 6,106,299 |
| Cost of sales-materials | 1,678,615 | 3,894,241 |
| Write-off uncollectible accounts receivable | 332,823 | 1,348,831 |
| Amortization of intangibles | 4,211,354 | 206,291 |
| Customer service | 313,534 | 4,587,972 |
| Amortization of discount on bond issue | 1,523,570 | - |
| Equipment costs | 1,758,186 | 5,985,478 |
| Amortization of loss on marketable securities | 3,242,226 | 1,044,748 |
| Public lighting | 2,631,283 | 2,435,582 |
| Provisión- Electro Perú | 12,788,616 | - |
| Land expropriation costs | 1,055,071 | 790,704 |
| Write-off of obsolete materials | 1,219,749 | 6,651,996 |
| Loss on the sale of shares in Distrilec S.A. | 537,660 | - |
| Amortization of water use rights | 1,859,454 | 3,901,256 |
| Damaged electric poles | 611,694 | 584,651 |
| Purchases of energy - Colombia | 702,320 | - |
| Penalties - Edesur | - | 50,547,177 |
| Contingent judgements | - | 17,425,499 |
| Loss on forward contracts | - | 13,535,567 |
| Prepaid expenses | - | 9,573,653 |
| Retirement benefits | - | 11,688,309 |
| Asset maintenance and repair | - | 7,979,276 |
| Research costs | - | 1,926,706 |
| Tank service | - | 3,041,761 |
| Gener agreement | - | 4,984,494 |
| Additional tax provision | - | 935,836 |
| Others | 11,069,992 | 25,343,302 |
| Total | 45,917,627 | 184,519,629 |

25. COMMITMENTS AND CONTINGENCIES:

Deposits, performance bonds, mortgages and guarantees received and granted totaled ThCh\$79,138,365 and ThCh\$89,568,760, respectively, and ThCh\$31,744,047 and ThCh\$82,423,191, for the the years ended December 31, 1998 and 1999, respectively.

CHILECTRA S.A.

Chilectra S.A. assumed a reimbursement obligation in the amount of US\$4,000,000 in favor of Banco de Galicia y Buenos Aires, to serve as a guarantee for the electrical power supply contracts between Edesur S.A., Central Puerto S.A. and Central Costanera S.A.

This guarantee was granted for the purpose of completing the requirements to secure the payment related to the obligations included in appendix XXIX of the basis and conditions of the international public competition for the sale of Edesur S.A. The guarantee expires in August of 2000.

The Company has entered into long-term power purchase contracts with Endesa S.A., Gener S.A., Pangué S.A., Colbún Machicura S.A., Carbomet S.A., Chilquinta S.A., Empresa Eléctrica Pilmaiquén S.A., Empresa Eléctrica de Santiago S.A. and Sociedad Cananistas del Maipo S.A.. The contracts expire in 2000 and subsequent years, and fix the amount and cost of energy supplied.

COMPAÑÍA ELÉCTRICA DEL RÍO MAIPO S.A.

As of December 31, 1999, there are complaints against Rio Maipo for loss compensation that are not considered significant by the management. This is based on the legal advisors' reports and on the existence of insurance contracts subscribed by the Company covering these types of events.

Rio Maipo has entered into power purchase contracts with Chilectra S.A. and Gener S.A., in order to ensure the supply and its corresponding cost.

ENDESA - CHILE

a) Pending lawsuits

There are certain lawsuits pending against Endesa Chile, which has filed the corresponding defense. Such lawsuits amount to ThCh\$646,434 and ThCh\$684,448 for the years ended December 31, 1998 and 1999, respectively.

b) Indirect commitments

On February 21, 1996, the indirect subsidiary Autopista del Sol S.A. has obtained a Syndicated Loan Contract with Banco del Estado de Chile, Banco de Chile, Banco Santander, and others for its project "Santiago-San Antonio Highway", in the amount of UF 3,189,000 over a six-year term. Endesa has undertaken to act as guarantor of these loans and it also undertakes the following commitments:

1. Empresa Nacional de Electricidad S.A. agrees to maintain ownership of at least 51% of the shares issued by the subsidiary Infraestructura 2000 S.A. ,parent company of Autopista del Sol S.A., until the completion of the project.
 2. Empresa Nacional de Electricidad S.A. in conjunction with its subsidiary Infraestructura 2000 S.A. and the latter's subsidiary, Autopista del Sol S.A. agrees to finish and facilitate the timely completion of the work as well as timely compliance with all obligations agreed to in the corresponding Concession contract with the Public Works Ministry.
- On September 10, 1996, Endesa set up a guarantee and surety in favor of its subsidiary Cía Eléctrica San Isidro S.A. for the contractual obligations that the Company assumes as a result of the gas supply contract subscribed with YPF.
 - On July 28, 1998, Endesa assumed the responsibilities of co-debtor in favor of its subsidiary Cía Eléctrica Cono Sur for the obligations incurred by this company in virtue of the codebtor contract it entered into related to Banco Central Hispanoamericano S.A., for up to 45% of the amount that such institution loans to the Brazilian companies Furnas and Gerasul in favor of the Brazilian company Cien, up to ThR\$28,000 and ThR\$12,000 respectively.

- On August 25, 1998, Endesa assumed the codebtor responsibilities with its subsidiary Endesa-Chile Overseas Co., in the total amount of US\$4,000,000, in favor of the companies Minera Meridian and Atacama Minerals for the compliance with the obligations that Endesa-Chile Overseas Co. has entered into.
- On December 17, 1998, Endesa assumed the codebtor responsibilities in favor of its subsidiary Autopista Los Libertadores S.A., in the total amount up to UF 4,000,000, for the obligations arising from the borrowings obtained with Banco de Santiago and Banco de Chile to finance a portion of the public work project "Santiago-Colina- Los Andes".
- On December 31, 1998, Endesa assumed the codebtor responsibilities in favor of its subsidiary Compañía Eléctrica Cono Sur S.A. up to the amount of US\$23,500,000, so as to guarantee obligations assumed by this company with the Chase Manhattan Bank.
- On May 27, 1999, Endesa assumed the codebtor responsibilities in favor of its subsidiary Inversiones Betania S.A., up to US\$9,300,000 for obligations resulting from the loan that this company will receive from J.P Morgan and Dresdner Bank.

c) Others

- The Honorable Resolution Commission of the antitrust law, through resolution No.488 dated June 11, 1997, with respect to the lawsuit concerning vertical integration in the electric sector, rejected the requirement filed by National Economic Commission, which requested the decentralization of power generation, transport and distribution in the SIC (Interconnected Central System). In this resolution the subsidiary Transelec was given the following general instructions:
- The company should become an open stock corporation with exclusive line of business and separate ownership of the transmission assets. This must be carried out as defined by shareholders and in a reasonable period.

The resolution also states that the company should be opened to third parties interested in extension of the trunk network to ensure its growth.

In conformity with these instructions on December 12, 1997, the Superintendency of Securities and Insurance proceeded to register Transelec as a closed stock corporation.

Subsequently, on May 14, 1998, Transelec increased its capital and in this process Endesa contributed fixed assets in the amount of ThCh\$136,070,344 (historical value). Similarly, on June 26, 1998, Endesa leased assets to Traseselec in the amount of ThCh\$177,230,517 (historical value).

- On June 25, 1999, Endesa in conjunction with its subsidiaries Pehuenche S.A. and Pangué S.A., filed a constitutional action against the issuance of the Supreme Decree No. 287, claiming that the grounds for electric rationing were considered arbitrary and illegal, as it requires power generation companies that do not satisfy the normal consumption of its distributors or costumers subject to tariff restrictions to perform the compensations as established in the new article 99 bis of the Electric Law, added by Law No. 19.613.

As this obligation affects the current contracts maintained by the Company, the appellant party considers that it violates a number of constitutional guarantees.

d) Restrictions to management

As a result of the contracts entered into with financial institutions, the Company must comply at a consolidated level with certain ratios and obligations, among which we highlight:

- Gross cash flow equal or greater than 12% of average consolidated financial debt maturing in greater than one year plus the short-term bank debt extendable for more than one year. Such cash flow is measured as presented in the consolidated financial statements as of the closing date of the last four quarters.
- Gross cash flow equal or greater than 1.7 times the consolidated interest expense as presented in the consolidated financial statements as of the closing date of the last four quarters.
- The financial debt maturing in more than one year plus short-term bank debt extendable for a period over one

year cannot exceed 60% of the sum of shareholders' equity plus minority interest, financial debt maturing in more than one year and short-term bank debt.

SUBSIDIARIES OF ENDESA CHILE

a) Contingencies

No contingencies.

b) Direct commitments

To guarantee the loan from Banco del Estado de Chile which financed the acquisition of Central Curillinque's equipment, the subsidiary Pehuenche S.A. established a mortgage on this equipment, in local currency equivalent to up to US\$ 16,740,946.

Endesa Argentina S.A. has pledged 32,338,108 shares of Central Costanera S.A. in favor of SEGBA S.A. and the Secretary of Energy of the Republic of Argentina to guarantee the payment of a loan granted by the Italian government to SEGBA S.A., which has been assumed by Central Costanera S.A. for up to ThUS\$ 93,995.

In relation to the construction of the Pangué Hydroelectric Plant, the subsidiary Pangué S.A. has signed contracts with various contractors in the amount of ThCh\$ 35,138,682 and ThCh\$ 1,565,873 for the years ended December 31, 1998 and 1999, respectively.

The subsidiary Pangué S.A. set up pledges and mortgages in virtue of the Distribution and Administration Agreement dated August 18, 1993 whereby it has set up: (i) a first mortgage on water use rights and on the property of Empresa Eléctrica Pangué S.A. where the Plant is located; (ii) a first mortgage, in conformity with law N° 18.112, on the electric lines, machinery and plant equipment; (iii) an agreement not to sell, transfer or encumber the assets mentioned above, including the definite concession to establish Pangué Plant. The mortgages and their corresponding covenants are registered in the Real Estate registry in Santa Bárbara. The value of the pledged equipment as of December 31, 1999 totaled ThCh\$81,350,325 (ThCh\$81,342,895 in 1998). These encumbrances and covenants ensure compliance with the obligations incurred by Empresa Eléctrica Pangué S.A. with the financiers of the project: Skandinaviska Enskilda Banken, Export Development Corporation, Kreditanstalt für Wiederaufbau and Eksportfinans.

In connection with Rights and Obligations with the Chilean Government, the subsidiary Túnel El Melón S.A. has recorded the billing from the cost of the tunnel construction performed on behalf of the Chilean Government in the memorandum accounts. According to the bid process, this amount will be reduced by 80% until its expiration, as long as the operating income corresponding to highway tolls is earned.

Also, according to the bid process, the Company must annually pay ThUF 140 to the Chilean Government on the final working day of each year of the concession, beginning with the commencement of operation of the tunnel, which occurred on May 2, 1996. The period of the concession is 23 years from the date of organization of the company, July 1, 1993.

Túnel El Melón S.A. has pledged in favor of Banco del Estado de Chile, up to 45% of the revenues arising from the concession and operation of the tunnel to guarantee loans granted by this bank of up to UF 550,000 with a 12-year term and up to 25% of the revenues in favor of Banco Santander to guarantee loans of up to UF 450,000 with a 5 year maturity.

With respect to the construction of the Santiago-San Antonio Highway, Autopista del Sol S.A. has signed an engineering design and construction contract with Besalco Fe Grande S.A. in the amount of ThUF 3,092. In addition, as of March 31, 1999, the Company maintains other engineering, civil work inspection and assembly contracts with Ingendesa in the amount of ThUF 90.

c) Lawsuits and other legal actions

1. Pehuenche S.A. filed a complaint against Colbún S.A. before the Court in Talca, claiming that it is the responsibility of Colbún S.A. to permanently supply the irrigators along the Canal del Maule Norte Bajo, for which effect Colbún S.A. must operate a reservoir above 422.3 meters above sea level.

In a first instance ruling, the court declared that Colbun S.A. has the responsibility to permanently supply the irrigators along the Canal Maule Norte Bajo.

Colbún S.A. appealed this decision to the Court of Appeals in Talca. Pehuenche also appealed to establish that Colbun S.A. must operate its reservoir above 422.3 meters above sea level in order to supply such irrigation customers.

In January of 1999, the Talca Court of Appeals rejected, with costs, Colbún S. A.'s appeal, confirming the first instance ruling and added that Colbún S.A. should operate its reservoir between the elevation of 436.0 meters above sea level and 422.3 meters above sea level, in order to comply with its commitment to supply irrigators.

On March 16, 1999 Colbún S.A. filed a proceeding against this sentence, for review by a higher court on the grounds of errors of law or breach of procedural right, before the Supreme Court, which is still pending. On that same date, Colbún S.A. requested a suspension of sentence, which was rejected in a definite manner by the Talca Court of Appeals.

2. Lawsuit titled "Jorge Galleguillos and Cía. Ltda., against the Chilean Treasury, San Isidro S.A. Power Company, Pehuenche S.A. and Endesa". The lawsuit was presented to the Sixth Civil Court in Valparaíso. The lower court decision rejected the suit. The plaintiff appealed to the Court of Appeals in Valparaíso.

In the lawsuit, the cancellation of a public rights resolution that authorized the change in the use of the lands where San Isidro S.A. Plant was built was requested.

3. A 450 UTM (Monthly Tax Unit) fine was applied to Transelec by the Superintendency of Electricity and Fuel due to a failure in the power supply on May 1, 1997. Transelec appealed the sanction. Case registered in the 29th Civil Court in Santiago, Tax Registration Number 4.134.97. This case is in process of issuing a final decision.
4. The subsidiary Edegel S.A. has suits and claims pending for an approximate amount of ThCh\$ 3,085,130. These suits and claims are pending resolution, and Edegel S.A. has filed the corresponding appeals.
5. The subsidiary Hidroeléctrica El Chocón S.A. has received notices from the Provincial Department of Revenue for the Province of Neuquén for income from the stamp tax on certain of the Company's sales offers, for approximately ThCh\$ 2,968,000.

d) Restrictions to management

The Santander Investment Bank Ltd., and The Chase Manhattan Bank N.A. have imposed certain obligations and restrictions on Pehuenche S.A. relating to loans granted to the Company. Among those we highlight the following:

- Long-term liabilities may not exceed 1.5 times shareholders' equity.
- Minimum shareholders' equity of US\$220 million.

As of December 31, 1998 and 1999, the Company is in compliance with such obligations and restrictions

The subsidiary Central Termoeléctrica Buenos Aires A.S. requested from Supervielle Société Générale S.A. Bank a compliance waiver for one of the financial ratios established in the loan with that entity. The Company believes that compliance with these ratios will be achieved toward the middle of next year.

Supervielle Société Générale S.A. Bank, in its character of agent bank, has decided to waive the obligation of compliance with the covenant mentioned above.

e) Guarantees

The Company and its subsidiaries have given guarantees for their long-term commitments. Also, the Company has received and given guarantees and is responsible for the administration of assets financed with the Housing Tax.

| | 1998 | 1999 |
|---|-------------|---------------|
| | ThCh\$ | ThCh\$ |
| Notes received in guarantee | 71,071,914 | 23,894,269 |
| Notes receivable given in guarantee | 85,614,061 | 79,022,748 |
| Economic housing financed with Housing Tax | 1,320,338 | 1,320,338 |
| Cosigners for credits and / or commitments obtained by subsidiaries | 983,846,097 | 1,253,326,693 |
| Responsibility for fixed assets / revenues in concession (Ministry of Public Works) | 102,099,902 | 106,335,696 |

f) Forward Contracts

As of December 31, 1999, the Company and its subsidiaries Pehuenche S.A., Pangué S.A., Transelec S.A. and Cía. Eléctrica Tarapacá S.A. maintain forward contracts with financing institutions totaling ThUS\$ 1,151,520 in order to hedge the exchange position of long-term liabilities denominated in foreign currency (US dollars), as follows:

| Institution | Dollars to be received | UF to be paid |
|-----------------------------|------------------------|-------------------|
| Santander Inv. Chile Ltda. | 321,000,000 | 11,472,232 |
| American Express Bank Ltda. | 295,000,000 | 10,510,200 |
| BBV Banco BHIF | 165,520,000 | 5,908,221 |
| Bank of America | 128,000,000 | 4,654,423 |
| Banco de A. Edwards | 17,000,000 | 596,985 |
| Chase Manhattan Bank | 50,000,000 | 1,825,556 |
| Investamérica | 30,000,000 | 1,082,893 |
| Banco de Santiago | 120,000,000 | 4,283,936 |
| Banco Boston | 5,000,000 | 180,984 |
| Citibank N. A. | 20,000,000 | 724,418 |
| Total | 1,151,520,000 | 41,239,848 |

AGUAS CORDILLERA S.A.

a) Parent Company

Guarantees granted by Aguas Cordillera S.A. in favor of the Municipalities of Las Condes, Vitacura and Lo Barnechea in order to guarantee the public roads works executed in the amount of UF 3,402.24 and ThCh\$ 2,000 granted by Banco Santiago.

Additionally, there are other performance bonds with Banco Santiago and Banco SudAmericano in the amount of UF 5,250.00 granted in favor of The Superintendency of Sanitation Services and Enersis S.A.

b) Lawsuits and complaints against Aguas Cordilleras S.A.

- There is a civil complaint for loss compensation against the Company in the amount of ThCh\$ 50,000, presented before the 4th Civil Court in Santiago. According to the legal counsel of the Company, there is a high probability of obtaining a favorable judgement.
- There is a complaint against the Company, for non-fulfillment of contractual obligations regarding an aqueduct easement, in which compensation is also requested for damages related to the rupture of a water main. To date, the discovery period has expired and the evidentiary proceedings requested by the plaintiff are pending. There is also a pending appeal.

- A demand for loss compensation against the Company filed by Constructora Samuel Levy B. in the amount of ThCh\$ 70,000. In the legal counsel's opinion there are high probabilities of obtaining a favorable judgement.
- There is a complaint for the collection of services due, non-compliance with contract with loss compensation filed by Sical S.A., against the company in the amount of UF 60,000 in the discovery stage. According to the Company's Legal advisor, there are high probabilities of obtaining a favorable judgement.
- There is a Civil complaint for non-compliance of contract including loss compensation. Contract # 1949, regarding water supply, against the Company in the amount of ThCh\$ 490,000. According to the opinion of the Company's Legal advisor, there are high probabilities of obtaining a favorable judgement.
- On September 16, 1999, Aguas Cordillera S.A. was notified of a lawsuit filed by 78 residents from Lo Barnechea suburb because of supply problems that occurred in October and November 1996. ThCh\$ 125,000 are being asked for physical damages and ThCh\$ 1,170,000 as punitive damages. In the Legal advisor's opinion, the Company has high possibilities of winning the lawsuit and if the company is held accountable, no punitive damages should be assessed.

c) **Subsidiary Companies**

As of December 31, 1999 and 1998, the subsidiary companies do not have significant contingencies and commitments that may have material effects on these financial statements.

The Company has set up provisions for those lawsuits that in the legal advisor's opinion have low possibilities of obtaining a favorable final decision.

AGUAS PUERTO S.A.

The detail of contingencies and commitments is as follows:

a) **Direct commitments**

By contract dated April 15, 1999, and with the purpose of guaranteeing compliance of its commitments derived from the purchase of a strategic participation in the capital and administration of Esval S.A., stipulated in documents signed to that effect, the Company constituted in benefit of CORFO, a perfect commercial first preference collateral up to the equivalent of UF 4,483,999.56 on the total shares owned, that is 1,126,532,289 shares, whose accounting value as of December 31, 1999, is ThCh\$ 62,242,711. In the same manner, Aguas Puerto S.A. may not to mortgage, sell, transfer or cede the shares constituted as a guarantee and may not to sign any agreement or contract, except as allowed by the Shareholder Agreement or with the written consent of CORFO.

On the same date, in order to guarantee compliance by CORFO of its obligation to vote its Shares in accordance with the Shareholder's Agreement and of complying with its obligations according to the Guarantee Administration Contract, CORFO constitutes in the benefit of Aguas Puerto S.A.: a perfect commercial first preference collateral up to the equivalent of UF 1,068,938.67 on the 268,553,535 shares it owns.

b) **Shareholder's Agreement**

On April 15, 1999, the company signed a shareholder's agreement with CORFO, which gives it control of the administration of Esval S.A. and imposes a series of obligations and restrictions on the parties. Among the latter is emphasized CORFO's right to veto certain actions carried out by Aguas Puerto S.A. in relation to the investment in Esval S.A., as well as limitation on the purchase of shares of Esval S.A. by Aguas Puerto S.A. and CORFO.

ESVAL S.A.

The detail of the contingencies and commitments is as follows:

a) **Direct commitments**

As of December 31, 1999, the Company has issued performance bonds to cover possible damages caused to third parties in the amount of ThCh\$ 845,212 and has also set up a guarantee policy in favor of the Superintendency of Sanitation Services in the amount of ThCh\$ 3,785,016, to guarantee programs of development and rendering of services related to drinking water production and the production, distribution, collection and disposal of sewage water, as well as to guarantee the seriousness of the request regarding the extension of the business line concessions for specific projects. The detail is as follows:

| Beneficiary | As of December 31, |
|--------------------------------------|--------------------|
| | 1999 ThCh\$ |
| V Region Serviu | 817,835 |
| Chilquinta Energía S.A. | 377 |
| Superintendency of Sanitary Services | 3,785,016 |
| Fourth Civil Court in Santiago | 27,000 |
| Total | 4,630,228 |

b) Contingencies generated by lawsuits subject to arbitration

As a result of the lawsuits filed due to the cessation of the works carried out by Collector Viña del Mar-Valparaíso in 1995 with Empresa Constructora Consorcio Oceánico Ltda., dated July 7, 1998, the Arbitrator issued a ruling, in which the complaint filed by Constructora Consorcio Oceánico Limitada was rejected and it was instructed to repay all advances, including any necessary restatements for inflation and interest since the payment date. On July 23, 1998, the corresponding payment was received in the amount of ThCh\$ 890,237 (historical).

Subsequently, the works were continued by Iseki Inc., which on September 28, 1995 notified Esval S.A. of the contract termination, requested the establishment of an arbitration and presented a claim for compensation in the approximate amount of ThUS\$ 14,000. Esval S.A. made a new agreement in the amount of ThUS\$ 140,000 approximately. In the same process, Iseki obtained insurance policies subscribed abroad and in the amount of US\$ 1,490,000, in order to prevent Esval S.A. from collecting them in advance. On the other hand, Esval S.A. requested and was granted a preventive measure for the seizure of assets and for the prohibition to carry out acts or entering into agreements related to the two units commonly called "Topos" appraised in the amount of US\$ 3,000,000 owned by Iseki Inc., which are currently in Chile. In addition, ThCh\$ 297,117 are included under the caption "Other fixed assets", which correspond to reimbursable advances granted to this contractor, backed by performance bonds which Esval S.A. is trying to recover through the arbitration court.

Below are the most important aspects of the judgement issued on October 6, 1998:

1. With respect to Iseki Inc., only the claim for the collection of US\$270,750 and ThCh\$127,114 from Esval S.A. corresponding to a portion of the amounts due is accepted.
2. Concerning the Esval S.A.'s complaint, the main complaint is denied, but the secondary complaint against Iseki Inc. is accepted and Iseki is required to return US\$ 677,861 related to advances and ThCh\$ 430,226 corresponding to VAT paid by Esval S.A. on the advances and payments to third parties arising from the repair of damages caused by the public and private property contractor.
3. This arbitration is in its final stages, and by virtue of the agreement entered into by Corfo and Esval S.A., the effects of the process will impact the equity of the former, which is currently pursuing legal actions against its insurance company to recover any uncompensated amounts.

On the other hand, in the lawsuit of Esval S.A. vs. Victor Bogado Ingenieros Consultores Ltda., a decision was reached on March 2, 1999. The most relevant aspects of this decision are the following:

- a) The request of Esval S.A. for punitive damages related to the contract termination was denied.
- b) The claims of Victor Bogado Ingenieros Consultores Ltda. was accepted, without including additional costs.

The amounts ordered to be paid according to the sentence were finalized by Esval S.A. on January 3, 2000, in the amount of ThCh\$ 113,386, correspond to payment of amounts due, interest on letters of guarantee and personal costs. Previously, Esval S.A. had paid costs of ThCh\$ 26,400.

The above amounts should be reimbursed by Corfo in accordance with the agreement between Corfo and Esval S.A.

c) Reimbursable financial contributions

According to the provisions governing the Company, there are certain infrastructure works executed and financed by third parties, which are owned or in possession of the company for future operation and maintenance. This transfer is carried out as Reimbursable Financial Contributions.

With respect to the above, on February 1, 1996, the Company was sued by the Regional Government-V Region, in declaratory judgement recognizing the existence of liabilities. Accordingly, Esva S.A. should reimburse the cost of certain works to the Regional Government which would qualify under the system of reimbursable financial contribution. According to the Management and legal counsel, due to the nature of the works and the existing legal framework, they do not qualify under reimbursable financial contributions. As a result, these financial statements do not include the assets nor the possible liabilities and effects on income that would arise from the above.

d) Pending lawsuits

The Company is involved in lawsuits, which together may generate an estimated loss of ThCh\$71,826 and ThCh\$136,489 as of December 31, 1998 and 1999, respectively; such amounts have been reserved for. These lawsuits correspond to compensations for labor conflicts, and compensation for damage or loss caused by the construction of the Viña del Mar- Valparaíso Collector and other less significant lawsuits.

The Company also faces various lawsuits related to compensations for expropriated lands, construction of installations on third parties' properties and collection rates for sewerage service from users that built their own networks. Concerning the lawsuit claiming the highest amount, ThCh\$1,400,000, the court of appeals has issued a sentence favorable to Esva S.A., against which the plaintiff filed an appeal for reversal. If the outcome of the other lawsuits is unfavorable to the Company, Esva S.A. must pay a total amount of ThCh\$ 1,040,830 approximately, which, in any event, would increase the cost of fixed assets under litigation that will be owned by the Company.

The Company also faces various ordinary civil trials mainly corresponding to a compensation for loss, which being conducted by a lower court and are in the discussion stage. Together, the lawsuits amount to approximately ThCh\$3,090,343 and there are two civil trials of an undetermined amount. The latter relate to a motion to vacate an administrative expropriation of a land not used by the Company and an accusation of a new work regarding a pool built by Esva S.A. in El Salto, Viña del Mar.

At this early stage of these lawsuits, it is not possible to determine possible liabilities for the Company as of this date.

e) Encumbrances

As of December 31, 1999, the Company is affected by seizure of real estate located at Chacabuco No. 452, Quillota and 10 of its vehicles. Similarly, concerning the lawsuit with the Regional Government -V Region previously mentioned in letter c), it maintains preventive measures on 37 real estate properties whose net book value as of December 31, 1999 totals ThCh\$ 1,472,776.

f) Restrictions to management

The Shareholders' Agreement Fisco-Corfo in relation to the loan 3331-CH from BIRF, establishes that the Company must not approve any dividend payment or share capital distribution, unless after such payments, it remains in a position to comply with the provisions and financial requirements set up in the Loan Agreement.

g) Guarantees

With respect to current loans maintained with private banks both in foreign and local currency, the Company is subject to normal restrictions (covenants) for this type of transactions. As of December 31, 1999, the Company has complied with these covenants. As to the non-compliance with the interest coverage clause required by the loan agreement in the amount of US\$ 75,000,000 and the non-compliance with certain compliance clauses related to such contract that were affected by the Company's division and by the private sector's interest in the Company, to date the Company obtained an amendment of the respective loan agreement which exempts it from these restrictions. As a result of the amendment, the Company had to pay a management fee plus the corresponding tax totaling ThCh\$ 849,061 (historical), which was charged to income under the Other non-operating expenses account.

h) Agreement with CORFO regarding legal proceedings in process

At the Extraordinary Shareholders' Meeting held on December 31, 1998, certain agreements between the Company and its principal shareholder CORFO were established regarding the outcomes of the following legal proceedings:

- V Region Regional Government with Esva S.A.

- Iseki Inc. with Esvál S.A.
- Víctor Bogado Ing Consultores Ltda. with Esvál S.A., arbitration proceedings before the arbitrator Pedro Pierry Arrau.

According to a CORFO's Resolution No.26, 02/08/99, where the Aguas Puerto's offer is approved in the bid of Esvál S.A.'s shares, it has been resolved in point 6, as follows:

"For the purpose of facilitating the sale of the shares referred to in this Resolution and in conformity with provisions in the temporary Article 2 L.D. No. 1,056 dated 1975 and its amendments, it must be assumed the amount up to Ch\$7,000,000,000, corresponding to possible payments that may be incurred by Esvál S.A. on the grounds of the specified lawsuits and under the conditions established in Agreement No.1, 976, which was amended by the Agreement No. 1, 995, both dated 1998, from the CORFO's Counsel and after having signed the agreement referred to in No. 8, letter f) in the "Recitals of the Resolution".

On April 15, 1999 a "Contract for assumption of lawsuits" was subscribed between Esvál S.A. and Corfo in order to comply with the provisions set forth in the resolution mentioned above.

DISTRILIMA S.A.

As of December 31, 1999, the Company and its subsidiary have various legal actions pending that may affect its operations. The main legal actions against the Company and its subsidiary are:

a) Protection action against CEPREL

The Workers' Union of Electrolima and Empresas Concesionarias Eléctricas, has filed a protective action against the Special Privatization of Electrolima-CEPREL Committee, in order to annul Inversiones Distrilima S.A.'s purchase of Edelnor shares. In the opinion of the Company's Management and legal counsel, the suit filed has no legal or constitutional merit, therefore the Court must reject this suit.

b) Reimbursable Financial Contributions

The construction of new supplies and / or expansion of the contracted power, carried out by the users, were considered non-reimbursable contributions until 1992. From that year, through a legal norm, it was established that these contributions had reimbursable characteristics.

An important part of Edelnor's customers turned to the Unidad Técnica Especializada del Fondo Nacional de Vivienda – UTE FONAVI (Technical Specialized Unit of the National Housing Fund), a State entity, to obtain financing for the new facilities and other customers financed it directly with their own resources.

Edelnor's Management opted to not receive this type of financing since 1996. As of December 31, 1998 and 1999, Edelnor had a liability payable to individuals that built an electric infrastructure using direct financing, and through UTE-FONAVI.

Edelnor's Management has validated the criteria used in the determination of these liabilities with its legal advisors. Therefore, in their opinion and in that of their legal advisors, the liabilities determined and registered for Reimbursable Financial Contributions, as of December 31, 1998 and 1999, are in accordance with the current legal norms in Peru, therefore it is not necessary to register additional liabilities for this concept.

CERJ

The Company has provided for contingencies related to employees and third parties that in the opinion of management and its legal council amounts to ThCh\$ 46,804,443.

EDESUR S.A.

a) Normalization of electric supply in settlements and underprivileged communities

In 1994, the Company signed an agreement with the national and provincial governments. On June 30, 1998 the parties agreed to delay the agreement until August 31, 2002, to accomplish all the proposed objectives. The main objective assumed by the Company in this agreement consists in the normalization of the electric supply and installation of individual meters in those settlements and communities that possess the urban conditions to carry out the works.

b) Contract for the purchase of electric energy

The Company has energy purchase contracts with Central Puerto S.A. and Central Costanera S.A. until May of 2000.

Of the supply contracts mentioned, the main obligations of the parties are the following:

For the generating companies: supply the specified hourly median power and sell the resulting electric energy.

For the Company: pay a price of US\$ 40 per megawatt/hour, adjustable according to the procedure established in those contracts.

Reciprocal guarantees have been constituted for the compliance of the commitments between Edesur S.A. and the generating companies in the amount of US\$ 10,000,000 each.

c) E.N.R.E. No. 195/95 and 245/98 Resolutions

The E.N.R.E. No. 195/95 and 245/98 resolutions limit the unrestricted access to third parties (a generator or another distributor) to the transport facilities of a distributor.

The possible consequences of the application of the above mentioned resolutions, will be resolved in the expansion plan for the transmission system that the Company has begun in order to supply the growing demand and the agreements for operating and development of networks to be established with the rest of the wholesale electric market's agents that operate in the Greater Buenos Aires.

d) Restriction for the distribution of retained earnings

In accordance with the dispositions of Law No. 19,550 and its amendments, and according to General Resolution No. 290 of the National Securities Commission, 5% of the net profit must be destined to the legal reserve, until 20% of the share capital is reached. This is to be determined according to generally accepted accounting principles in Argentina.

In the same manner, according to the dispositions of Law No. 25,063/98 of the Argentine Republic, those dividends in cash or values distributed in excess of the taxable profits accumulated at closing date of the period immediately prior to the date of payment or distribution, shall be subject to a withholding of 35% with the character of sole and definite payment for profit tax (equivalent to income tax). For the purposes of this tax, accumulated taxable profits are considered to be the balance of accounting profits accumulated as of December 31, 1997, less the dividends paid and plus the taxable profits determined from January 1, 1998.

e) Azopardo Substation Claim

During February of 1999, there was a failure in the high-tension junction connecting the Azopardo substation with the Pozos, Once and Independencia substations.

This incident provoked the interruption of the flow of electricity to approximately 156,000 customers. Therefore, the Company immediately mobilized all its resources in order to reestablish the service as soon as possible.

These actions permitted a drastic reduction of the customers that were without power during the first day of blackout, from approximately 156,000 customers to 60,000 customers, continuing with successive reductions. For this reason, the average service interruption time per customer was approximately 72 hours.

As a consequence of this event, the E. N. R. E. (Electricity Regulating National Entity) applied penalties to Edesur S.A. according to the norms in the concession contract, which have been made effective.

Additionally, E. N. R. E. applied reparation not foreseen in the concession contract, which the Company resolved to pay the customers as additional reparation.

In the same manner, the Company shall continue to apply a Voluntary Reparation Plan designed by it for non-residential customers. It has also credited, by means of invoicing, the penalties stipulated in the contract for the concept of quality of technical service.

In accordance with the above, the Company has accounted for charges to revenues for a total of approximately 42,500,000 Argentine pesos.

f) Litigation with Transportes Metropolitanos General Roca

Transportes Metropolitanos General Roca (T.M.G.R.) seeks to charge an annual rental rate for each existing or future crossing of the Company's electrical lines over the zones destined to the rendering of railroad services. In the same manner, it seeks the payment of expenses for tasks and inspection of the crossings made in the future.

In virtue of the above mentioned intention, on February 28, 1997, the Company initiated a judicial process (declarative action) before the La Plata Courts, questioning the payment of the annual rental rate. This process was based on Article No. 17 of Edesur S.A.'s concession contract that establishes the gratuitousness of the settlements in public domain zones.

Contrary to the concession regime of Edesur S. A., the railroad concession contract establishes a tariff charge for the crossings corresponding to public services. In the same manner, T.M.G.R. questions the judicial nature of the land occupied by the railroad (Private Public Domain – Art. 2,340 par. 7 – vs. Art. 2,342 par. 4 of the Argentine Civil Code).

On March 21, 1997, a no-innovation precautionary measure was handed down, by means of which the Company is not obliged to pay the rental rate as long as the trial is pending resolution.

As of the date of issuance of these financial statements, the matter is pending judgement.

Finally, even though there is uncertainty regarding the resolution of the merits, in the opinion of the Company's management and legal advisors, a favorable outcome is expected. These are based on a reasonable interpretation of the applicable norms to support its position, and the resolution of the stated matter would have no significant impact on the financial statements taken as a whole.

g) Lawsuit process filed against Alstom Argentina S.A., its parent company Alstom Energietechnik GmbH and Pirelly Cables S.A.I.C.

On December 14, 1999, Edesur S.A. commenced legal proceedings for approximately US\$ 70 million against the above-mentioned companies in relation to their liability in the incident that occurred on February 15, 1999 at the Azopardo substation.

As of the date of issuance of these financial statements, the process is in the preliminary stage, having set the next hearing for February 7, 2000, which the respective insurance companies for the mentioned firms must also attend.

INVESTLUZ

Coelce is involved in labor lawsuits that question, among others, the concept of payment for extra hours, additional pay for dangerous activities, firing without cause, etc. The amounts accrued in the opinion of management and the Company's lawyers amount to ThCh\$ 6,755,940. In the same manner, a portion of these lawsuits, in the amount of ThCh\$ 445,214 are not accrued as legal counsel believe they are uncertain regarding their possible results.

There are civil lawsuits filed against Coelce mainly for objections made by previous customers on the application of interests and penalties to overdue accounts payable for energy. In the opinion of management and legal counsel, the Company has accrued ThCh\$ 974,360, and has not accrued ThCh\$ 1,144,088. Both sums are classified according to the opinion of the Company's lawyers.

Coelce is questioning the legality of certain of the tax and penalty collections applied by the federal, state and municipal supervisory organisms, such as the basis for the COFINS calculation, collection of ISS nullity of COFINS and PASEP penalties, etc. Notwithstanding the Company has accrued ThCh\$ 2,120,250. The Company has not accrued ThCh\$ 2,403,382 for which management believes the outcome is impossible to determine.

LIBRA – Ligas do Brasil commenced legal action against Coelce in which it is requested that two clauses be annulled related to two debt agreements which are related with tariff agreements that LIBRA claims have not been complied with. In the opinion of the Company's lawyers, it is believed the outcome will not be favorable, therefore, the Company has accrued ThCh\$ 3,336,787.

26. DIRECTORS' FEES:

Directors fees for the year ended December 31, 1998 and 1999 are the following:

| | 1998 | | | 1999 | | |
|----------------------------------|--------------|--------------------|---------|--------------|--------------------|--------|
| | Enersis S.A. | Other subsidiaries | Total | Enersis S.A. | Other subsidiaries | Total |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Luis Fernando Mackenna Echaurren | 56,934 | - | 56,934 | - | - | - |
| Rodrigo Errázuriz Ruiz Tagle | 32,526 | 58,031 | 90,557 | - | - | - |
| Sergio Gutiérrez Irrarrázaval | 32,653 | 8,201 | 40,854 | - | - | - |
| Pedro Smith Harrison | 32,526 | - | 32,526 | - | - | - |
| Leonidas Vial Echeverría | 32,526 | 44,587 | 77,113 | - | 33,075 | 33,075 |
| Carlos Cáceres Contreras | 39,044 | 14,462 | 53,507 | - | - | - |
| José Antonio Guzmán Matta | 63,491 | 39,759 | 103,249 | 29,328 | - | 29,328 |
| Rodolfo Martín Villa | 45,259 | - | 45,259 | 33,217 | - | 33,217 |
| Juan Eduardo Errázuriz Ossa | 31,746 | 60,958 | 92,704 | 14,664 | 11,687 | 26,351 |
| Héctor López Vilaseco | 31,746 | 38,439 | 70,186 | 20,283 | 15,426 | 35,709 |
| Alfredo Llorente Legaz | 31,746 | 71,322 | 103,069 | 54,097 | 3,585 | 57,682 |
| Miguel Angel Poduje Sapiain | 31,746 | 18,074 | 49,820 | 14,664 | - | 14,664 |
| Ernesto Silva Ballafuy | 31,746 | 100,056 | 131,802 | 34,942 | 23,581 | 58,523 |
| Felipe Montt Fuenzalida | 32,526 | 17,395 | 49,921 | - | 7,250 | 7,250 |
| Rafael Miranda Robredo | - | - | - | 18,034 | - | 18,034 |
| Luis Rivera Novo | - | - | - | 13,527 | - | 13,527 |
| Carlos Vicuña Fuentes | - | - | - | 18,031 | - | 18,031 |
| José Fesser Anton | - | - | - | 13,527 | 223 | 13,750 |
| Hernán Somerville Senn | - | - | - | 11,271 | - | 11,271 |

27. SUBSIDIARIES IN DEVELOPMENT STAGE

As required by the SVS, the consolidated financial statements do not include the financial statements of subsidiaries that were in development stage as of each year end.

The following are summarized balance sheets of the principal non-consolidated subsidiaries:

| | Compañía eléctrica de Tarapacá S.A. | | Autopista Los Libertadores S.A. | |
|--|-------------------------------------|--------|---------------------------------|------------|
| | As of December 31, | | As of December 31, | |
| | 1998 | 1999 | 1998 | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Assets | | | | |
| Current assets: | | | | |
| Cash and Banks | 21,768 | - | 1,406 | 683 |
| Accounts receivable from related companies | 2,929,065 | - | 1,679,436 | 127,640 |
| Other current assets | 7,708,504 | - | 272,371 | 1,589,108 |
| Total current assets | 10,659,337 | - | 1,953,213 | 1,717,431 |
| Property, plant and equipment, net | 109,718,617 | - | 47,665 | 49,406 |
| Other assets | 176,118 | - | 25,705,809 | 52,238,293 |
| Total assets | 120,554,072 | - | 27,706,687 | 54,005,130 |
| Liabilities and shareholder's equity | | | | |
| Current liabilities | 45,879,140 | - | 5,202,370 | 31,419,385 |
| Long-term liabilities | 48,903,463 | - | - | - |
| Capital and share premium | 28,962,065 | - | 21,686,752 | 21,686,752 |
| Accumulated surplus (deficit) during the development stage | (3,190,598) | - | 817,565 | 898,993 |
| Total liabilities and shareholder's equity | 120,554,071 | - | 27,706,687 | 54,005,130 |

28. SHAREHOLDER TRANSACTIONS:

During 1998 and 1999 the principal shareholders, members of the Board of Directors, general managers and other individuals or related parties carried out the followings share transactions:

| Shareholder | Relationship | Number of shares | | | |
|---------------------------------------|---|-------------------------|-------------|-------------------------|-----------|
| | | As of December 31, 1998 | | As of December 31, 1999 | |
| | | Purchase | Sale | Purchase | Sale |
| Elesur S.A. | Major shareholder | 388,619,768 | - | 1,841,808,811 | - |
| Endesa Internacional S.A. | Major shareholder | - | - | 694,591,189 | - |
| Jorge Hormazábal Rodríguez | Ex-Management of a Subsidiary | 1,000,000 | - | 1,399,499 | 2,837,770 |
| Guillermo Gacitúa Sepúlveda | Ex-Management of a Subsidiary | - | - | 1,194,580 | 2,302,453 |
| Inversiones y Turismo el Velloco S.A. | Company related to Enersis manager | - | - | 493,168 | 1,000,000 |
| Rolando Hecherdertner K. | Management of a Subsidiary | - | - | 231,863 | 597,833 |
| Inmob. Inv. Y Ass. Quantum Ltda. | Company related Subsidiary to manager | - | - | 210,800 | 482,800 |
| Raúl Hernán Moya Reveco | Management of a Subsidiary | - | - | 175,917 | 532,624 |
| Guillermo Pérez del Río | Management of a Subsidiary | - | - | 117,998 | 357,264 |
| Andrés Vial Infante | Ex-Management of a Subsidiary | 1,220 | - | 99,235 | 201,220 |
| José Luis Peña Forbes. | Management of a Subsidiary | - | - | 80,291 | 51,805 |
| Asesoría e Inv. El Alarife Ltda. | Company related to Enersis manager | 120,000 | - | 59,180 | 120,000 |
| Aglae Ossandon Alvarez | Spouse of management of a Subsidiary | - | - | 54,681 | 100,869 |
| Inv. Y Rentas Vallor Ltda. | Company related Subsidiary to manager | - | - | 54,523 | 698,956 |
| Inmob. E Inv. Centinela Ltda. | Company related Subsidiary to manager | - | - | 42,888 | 86,957 |
| Jaime Lerner Plischuk | Ex-Enersis assistant | - | 20,000 | 18,659 | 57,098 |
| Invers. Asesoría Consolidada Ltda. | Company related to Ex-Enersis manager | - | - | 13,988 | 42,351 |
| María Letelier Reyes | Management of a Subsidiary | - | - | 12,077 | 24,488 |
| Manuel González Durán | Management of a Subsidiary | - | - | 10,971 | 22,245 |
| Luis Mauricio Avedaño Guerra | Management of a Subsidiary | - | - | 10,135 | 20,550 |
| Francisco Valdebenito Vallejos | Management of a Subsidiary | - | - | 9,405 | 19,070 |
| Fernando Gastón Urbina Soto | Management of a Subsidiary | - | - | 3,028 | 6,140 |
| Bernardita Zuñiga Oliva | Spouse of management of a Subsidiary | - | - | 2,666 | 5,406 |
| Inversiones Harabuquén | Company related to Subsidiary manager | - | 20,733,012 | - | - |
| Juan Pablo Spoerer Hurtado | Management | - | - | - | 8,621 |
| Rogelio Toro Avila | Management of a Subsidiary | 24,000 | - | - | 24,000 |
| Inv. Inmob. Y Asesorías Marrol Ltda. | Company related to Subsidiary Director | - | 730,000 | - | - |
| Endesa Desarrollo S.A. | Major shareholder | - | 201,341,500 | - | - |
| Carmen Paz Urbina Sateler | Management of a Subsidiary | 13,000 | - | - | 13,000 |
| Ernesto Silva Bafalluy | Parent company Director | 200,000 | - | - | 200,000 |
| Cía. Invers. Luz S.A. (In sale) | Major shareholder | - | 131,721,164 | - | - |
| Empresa de Serv. Empresarial Ltda. | Company related to Subsidiary Director | - | - | - | 213,870 |
| María L. Fourcade Magofke | Spouse of management of a Subsidiary | - | - | - | 17,430 |
| Gloria Errázuriz Abad | Spouse of management of a Subsidiary | - | - | - | 3,440 |
| Juan Carlos Mudaca Alvarez | Management of a Subsidiary | - | - | - | 1,740 |
| Pedro Miguel Durán | Management of a Subsidiary | - | - | - | 75,050 |
| Patricia Otarola Monardes | Spouse of management of a Subsidiary | - | - | - | 6,000 |
| Pamela de Vos Calderón | Spouse of management of a Subsidiary | - | - | - | 700 |
| Ana María Figueroa Guzmán | Spouse of management of a Subsidiary | - | - | - | 7,690 |
| Elvira Cardenasso Sanchez | Ex-Management of a Subsidiary | - | - | - | 91,838 |
| Enrique Fernández Pérez | Management of a Subsidiary | - | - | - | 3,240 |
| Eugenia Cruzat Amunategui | Spouse of management of a Subsidiary | - | - | - | 693,275 |
| Jorge Omar Alé Yavard | Management | - | - | - | 43,000 |
| Juan Eduardo Errázuriz Ossa | Ex-Director of Enersis | - | - | - | 11,700 |
| Luis Gonzalo Martínez Albazabal | Management of a Subsidiary | - | - | - | 34,471 |
| María Luisa Lorca | Spouse of management of a Subsidiary | - | - | 43,879 | 88,973 |
| Netty Yasmín Hernández Zinn | Spouse of management of a Subsidiary | - | - | - | 4,331 |
| Pablo Fernando Escribano Esteban | Management of a Subsidiary | - | - | - | 21,700 |
| Patricia j. León Morales | Spouse of management of a Subsidiary | - | - | - | 30,000 |
| Patricio Camilo Coll Mori | Management of a Subsidiary | - | - | - | 2,000 |
| Pedro Sotomayor Carvallo | Spouse of ex-management of a Subsidiary | - | - | - | 176,200 |
| Rolf Heller Inhle | Management of a Subsidiary | - | - | - | 219,347 |
| Soc. Invers. Huallico Ltda. | Company related to Ex-Enersis manager | - | - | - | 97,716 |
| Fernando Rossi Biancardi | Management | - | 281,400 | - | - |

29. SHAREHOLDER PARTICIPATION:

The shareholders of the Company as of each year-end are as follows:

| Type of Shareholder | As of December 31, 1998 | | As of December 31, 1999 | |
|--|----------------------------|------------------------|----------------------------|------------------------|
| | Percentage Participation % | Number of Shareholders | Percentage Participation % | Number of shareholders |
| 10% or greater participation | 19.60 | 1 | 50.27 | 3 |
| Less than 10% participation | | | | |
| with investment equal or greater than 200 U.F. | 79.49 | 3,019 | 48.91 | 1,743 |
| Less than 10% participation, | | | | |
| with investment less than 200 UF | 0.91 | 9,659 | 0.82 | 8,832 |
| Total | 100.00 | 12,679 | 100.00 | 10,578 |
| Controlling shareholders | 31.0% | 5 | 63.9% | 6 |

At December 31, 1999 the following companies are considered controlling shareholders as defined in the Securities Law 18,045 - articles 96 to 99 and Circular No. 1,162 of June 27, 1994 issued by the S.V.S.:

- Compañía de Inversiones Luz y Fuerza S.A.
- Compañía de Inversiones Los Almendros S.A.
- Compañía de Inversiones Chispa Uno S.A.
- Compañía de Inversiones Chispa Dos S.A.
- Elesur S.A
- Endesa Internacional S.A.

30. RESEARCH AND DEVELOPMENT EXPENDITURES:

In accordance with Circular No. 981 dated December 28, 1990 of the SVS, research and development expenditures as of each year-end are as follows:

| Item | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|------------------|------------------|------------------|----------------|-------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Included in Property, plant and Equipment | 1,415,627 | 2,538,491 | 1,718,797 | 886,281 | 3,310,554 |
| Charged to income for the year | 146,906 | 70,692 | 88,367 | - | 10,293,036 |
| Total | 1,562,533 | 2,609,183 | 1,807,164 | 886,281 | 13,603,590 |

31. YEAR 2000:

In accordance with Circular No. 00065 dated January 7, 1999 of the SVS related to the Year 2000 Issue, the Company has incurred the following expenses.

| | As of December 31, | |
|----------------------|--------------------|------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Hardware | 457,566 | 2,116,479 |
| Software | 137,112 | 543,061 |
| Consulting and other | 285,303 | 476,145 |
| Total | 879,981 | 3,135,685 |

During 1998 and 1999, the Company did not accrue for contingencies nor write-off any amounts in relation to the Year 2000.

32. SANCTIONS

Resolution No. 179 dated June 4, 1999 of the SVS resulted in a fine of UF 80 payable by Chilectra S.A.

33. SUBSEQUENT EVENTS

- a) At an Extraordinary Session of the Board of Directors, held on January 17, 2000, the present members of the Board of Enersis S.A. unanimously agreed that certain accounting adjustments and extra charges to income of the Financial Statements of Enersis S.A. as of December 31, 1999, stemming from the investments or operations of its subsidiaries in Chile and abroad be recognized, amounting to approximately US\$ 85 and US\$ 90 million, in its equivalent in Chilean pesos.

The accounting adjustments and the extra charges mentioned above, will have no significant impact on the Company's cash flow, and will be reflected in the financial statements of Enersis for the fourth quarter of 1999. The accounting adjustments and extra charges referred to are broken down into approximately –in their equivalent in Chilean pesos- the sum of US\$ 63 million stemming from the impact of generating subsidiaries and approximately US\$25 million US stemming from distribution subsidiaries.

These amounts mainly relate to situations recently made known, as well as to the new business environment of the group and are broken down in the following manner:

- Accounting adjustments stemming from an extraordinary audit carried out by Enersis S.A. of its subsidiary (regarding bad debts, obsolete assets and projects for the normalization of networks), which resulted in a figure close to US\$ 26 million.
- Accounting charges related to low feasibility of development projects for a total of US\$ 27 million, given the current tariff environment.
- Requirement for the application of new accounting criteria to the industry, regarding provisions for retirement plans and complementary pension, for an approximate amount of US\$ 21 million.
- Compensation agreements and eventual agreements made between Chilean generators, because of drought, for an approximate amount of US\$ 14 million.

These adjustments and extra charges in the financial statements of Enersis S.A. would decrease the Company's income corresponding to the fourth quarter of 1999. On the other hand, the hydrologic normalization produced during the second half of 1999, the improved evolution of energy sales and the first positive signs due to the measures defined by the Géneris Plan, would lead us to expect an important recovery in the operating results during the last quarter of 1999.

- b) On January 27, 2000, by means of an extraordinary shareholders' meeting of the Company, the dissolution and immediate liquidation was approved of Electric Corporation Inc..
- c) On January 27, 2000, by means of an extraordinary shareholders' meeting of the Panaguide Corporation Inc. its dissolution and immediate liquidation was approved.
- d) On January 28, at Chilectra S.A.'s Board of Director's meeting, the dissolution of Compañía Peruana de Electricidad S.A. and Bertran Investments Ltd. Inc. was agreed.
- e) There is no knowledge of any other important events that occurred subsequent to the closing date of these financial statements, which could significantly affect their presentation.

34. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

Chilean GAAP vary in certain important respects from the accounting principles generally accepted in the United States (“U.S. GAAP”). Such differences involve certain methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP.

I. DIFFERENCES IN MEASUREMENT METHODS

The principal differences between Chilean GAAP and U.S. GAAP are described below together with explanation, where appropriate, of the method used in the determination of the adjustments that affect net income and total shareholders’ equity. References below to “SFAS” are to United States Statements of Financial Accounting Standards.

A) INFLATION ACCOUNTING

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three-year period ended December 31, 1999 was approximately 13.8%. Pursuant to Chilean GAAP, the Company’s financial statements recognize certain effects of inflation. The inclusion of price-level adjustments in the accompanying consolidated financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. As allowed pursuant to Form 20-F the reconciliation included herein of consolidated net income, comprehensive income and shareholders’ equity, as determined in accordance with U.S. GAAP, excludes adjustments attributable to the effect of differences between the accounting for inflation under Chilean GAAP versus U.S. GAAP.

B) REVERSAL OF REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

In accordance with standards issued by the SVS, certain property, plant and equipment are recorded in the financial statements at amounts determined in accordance with a technical appraisal. The difference between the carrying value and the revalued amount is included in shareholders’ equity, beginning in 1989, in “Other reserves”, and is subject to adjustments for price-level restatement and depreciation. Revaluation of property, plant and equipment is an accounting principle not generally accepted under U.S. GAAP, therefore, the effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation expense are included in paragraph (aa) below.

C) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Under Chilean GAAP, the excess of the purchase price over the existing book values in Edesur S.A. at the time of the acquisitions in 1992 and 1994 by Distrilec Inversora S.A. was recorded as goodwill subject to amortization. Under U.S. GAAP the purchase price would have been allocated to the net assets acquired based upon relative fair values. For purposes of the reconciliation to U.S. GAAP, these costs were considered to be a part of property, plant, and equipment, the primary assets of Edesur S.A.

As discussed in paragraph (j), under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchase price over the carrying value are recorded as goodwill. Under U.S. GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchased price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. As part of the purchase of the majority ownership interest in Endesa-Chile, under U.S. GAAP, the cost of the purchase price would have been allocated to the fair value of property, plant and equipment.

The effect on shareholders’ equity and net income for the years presented is included in paragraph (aa) below.

D) INTANGIBLES

Under Chilean GAAP, the Company has recorded intangible assets relating to the transfer of revalued assets which originated in the predecessor company, “Compañía Chilena de Distribución Eléctrica S.A.” at the time of the Company’s formation. Under U.S. GAAP, such intangible assets would not have been recorded as the assets would have been recorded at the Predecessor Company’s carrying values. The effects of adjusting shareholders’ equity for the intangible asset net of accumulated amortization, inclusive of accumulated price-level restatement, and net income statement for the annual amortization expense are included in paragraph (aa) below.

E) DEFERRED INCOME TAXES

Under Chilean GAAP, deferred income taxes are recorded based on non-recurring timing differences between the recognition of income and expense items for financial statement and tax purposes. Accordingly, there is an orientation toward the income statement focusing on differences in the timing of recognition of revenues and expenses in pre-tax accounting income and taxable income. Chilean GAAP also permits not providing for deferred income taxes where a deferred tax asset or liability is not expected to be realized.

Under U.S. GAAP, companies must account for deferred taxes in accordance with SFAS No. 109, which requires an asset and liability approach for financial accounting and reporting of income taxes, under the following basic principles:

- (i) A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carryforwards.
- (ii) The measurement of deferred tax liabilities and assets is based on the provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated.
- (iii) The measurement of deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

Temporary differences are defined as any difference between the financial reporting basis and the tax basis of an asset and liability that at some future date will reverse, thereby resulting in taxable income or expense. Temporary differences ordinarily become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of taxes payable or refundable in future years as a result of temporary differences at the end of the current year.

The principal effect on the Company due to the difference in the accounting for deferred income taxes between Chilean and U.S. GAAP relates to the treatment of temporary differences arising from provisions, net operating loss-carryforwards and accelerated depreciation methods. The effect of these differences on the net income and shareholders' equity of the Company is included in paragraph (aa) below.

F) STAFF SEVERANCE INDEMNITIES

As described in Note 2 m), under the Company's employment contracts, it has committed to provide a lump sum payment to each employee at the end of their employment, whether due to death, termination, resignation or retirement. Those obligations are calculated based on the present value of the liability determined at each year-end based on the current salary and average service life of each employee. The Company and certain of its subsidiaries use a real discount rate of 6% and 9.5% for the years ended December 31, 1998 and 1999, respectively, and assumes an average service life which varies based upon years of service with the Company. The real annual discount rate does not include a projection of inflation and, accordingly, future salary increases are also excluded from the calculation of the obligation, because all such future increases are expected to approximate the increase in inflation over a long-term period. For the year ended December 31, 1998, the severance indemnity described above was determined based on the benefits to which the employees are entitled if their employment were terminated immediately and recorded at the undiscounted amount of the obligation for U.S. GAAP purposes.

For the year ended December 31, 1999, this arrangement is considered to be a termination indemnity plan, under U.S. GAAP, and should therefore be accounted for in accordance with SFAS N° 87 "Employers' Accounting for Pensions". The liability would be measured by projecting future expected severance payments using an assumed salary progression rate and discounting the resulting amounts to their present value. In practice, the Company believes that the salary progression rate will not differ significantly from the general inflation rate. The application of U.S. GAAP would not have produced results materially different from the acceptable method under Chilean GAAP.

Accordingly, the effects of the above are included in paragraph (aa) below.

G) PREMIUM OBTAINED ON THE PLACEMENT OF SHARES BY SUBSIDIARIES

Under Chilean GAAP, the Company has recorded a gain attributable to the premium obtained on the sale of shares by its subsidiaries Chilectra S.A. and Rio Maipo S.A. For the year ended December 31, 1998, this premium was recorded as an increase in additional paid-in capital for U.S. GAAP purposes.

H) INVESTMENTS IN RELATED COMPANIES

The Company's equity share of the effect of the adjustments from Chilean GAAP to U.S. GAAP of equity accounted investees is included in paragraph (aa) below. The principal U.S. GAAP adjustments affecting the Company's equity investees are as follows:

- (a) The recording of pension benefits in accordance with SFAS No. 87.
- (b) The recording of deferred taxes in accordance with SFAS No. 109.
- (c) Organizational costs deferred under Chilean GAAP that under U.S. GAAP should have been included in income.
- (d) The deferred tax effects of adjustment (a) and (c).

I) GOODWILL

- (i) Under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchased price over the carrying value are recorded as goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of goodwill to 20 years from the previous 10 years.

Under US GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchased price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. The Company amortizes goodwill on straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years. The effects of recording the different amortization periods are included in paragraph (aa) below

- (ii) In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the Company evaluates the carrying amount of property, plant and equipment and certain intangibles, including goodwill, in relation to the operating performance and future undiscounted cash flows of the underlying business. This standard requires that an impairment loss be recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable, when compared to the estimated future undiscounted cash flows. Impairment is recorded based on an estimate of future discounted cash flows, as compared to current carrying amounts.

J) NEGATIVE GOODWILL

Under Chilean GAAP, the excess of the carrying value of the assets assumed in a business combination over the purchase price is recorded as negative goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of negative goodwill to 20 years from the previous 5 years. Under U.S. GAAP the excess of the fair value of the assets and liabilities assumed over the purchase price is allocated proportionately to reduce the values assigned to non-current assets. If the allocation reduces the non-current monetary assets to zero, the remainder of the excess is recorded as a contra-asset account called negative goodwill. The effect of reducing in depreciation expense, due to the proportionate allocation of the excess purchase price to property, plant and equipment, as compared to the amortization of negative goodwill under Chilean GAAP is included in paragraph (aa) below.

K) CAPITALIZED INTEREST

Under Chilean GAAP, all interest on debt directly associated with a construction project is capitalized. The capitalization of interest costs associated with projects under construction is optional when incurred on debt that is not directly related to such projects.

Under U.S. GAAP, the capitalization of interest on qualifying assets under construction is required, regardless of whether interest is associated with debt directly related to a project. The effect of the capitalization and the related depreciation expense of this difference are included in paragraph (aa) below.

L) ACCUMULATED DEFICIT DURING THE DEVELOPMENT STAGE

Under Chilean GAAP, the accumulated deficit during the development stage of subsidiary companies is presented in the parent company's equity. Under US GAAP, such costs must be charged to income as incurred. The effects are included in paragraph (aa) below.

M) MINIMUM DIVIDEND

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of the holders of issued and subscribed shares, the Company must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Company has unabsorbed prior year losses. Since the payment of the 30% dividend out of each year's income is required by Chilean law, an accrual has been made in the US GAAP reconciliation related to the unrecorded dividend liability in paragraph (aa) below, whenever and to the extent the interim dividends do not reach the 30% minimum dividend.

N) CAPITALIZED GENERAL AND ADMINISTRATIVE EXPENSES

Until 1993, Endesa-Chile capitalized a portion of its administrative and selling expenses as part of the cost of construction in progress because a substantial portion of the efforts of management were involved in the administration of major projects. Under US GAAP, general and administrative expenses are charged to expense unless they can be directly identified with the supervision of the constructions of specific projects. The effects of eliminating capitalized general and administrative expenses and the related depreciation for US GAAP purposes are shown below under paragraph (aa).

O) FOREIGN EXCHANGE CAPITALIZED TO PROPERTY, PLANT AND EQUIPMENT

In accordance with Chilean GAAP, the Company has capitalized the financing costs for property, plant and equipment under construction, corresponding to both interest and exchange differences generated by the loans associated with such assets. For purposes of US GAAP, foreign translation exchange differences may not be capitalized. The accounting differences between Chilean and U.S. GAAP for financing costs are included in the reconciliation to US GAAP under paragraph (aa) below.

P) WORKERS' PROFIT SHARING IN PERU

Statutory worker's profit sharing in Peru is computed at 5% of the Peruvian subsidiary's taxable income before workers' profit sharing. Because workers' profit sharing is calculated on taxable income, under U.S. GAAP, differences between financial reporting and taxable income should be considered in the calculation of workers' profit sharing for each period on a basis consistent with that used for income taxes. The difference in accounting for Peruvian profit sharing between Chilean and U.S. GAAP is included in the reconciliation to U.S. GAAP under paragraph (aa) below.

Q) INVOLUNTARY EMPLOYEE TERMINATION BENEFITS

Under Chilean GAAP, the Argentinean subsidiary Central Costanera and Hidroelectricidad recorded on accrual of certain involuntary employees termination benefits related to the restructuring plan. In accordance with U.S. GAAP, in order to recognize a liability at the balance sheet for the cost to terminate employees involuntary, there must be a plan that specifically includes notification of such employees prior to the balance sheet date. As of December 31, 1999, this requirement had not been met. The effect of eliminating the accrued liability recognized is presented in paragraph (aa) below.

R) ADJUSTMENT IN SELLING PRICE OF INVESTMENT

Under Chilean GAAP, pursuant to the share transaction contract entered into in 1995 between Endesa Chile and Endesa Overseas Co. with Enersis International Limited, Chilectra S.A. and Chilectra International Limited, Endesa Argentina recognized, income related to an adjustment of the share purchase price. Under U.S. GAAP, the contingent price adjustment would be considered a part of the purchase price and would therefore be offset against the amount of goodwill that was originally determined. The effects of the adjustments to conform to U.S. GAAP are included under paragraph (aa) below.

S) ELIMINATION OF CAPITALIZED LEGAL RESERVE

Under Chilean GAAP, the Company capitalized interest to property, plant and equipment as a result of the creation of a legal reserve specifically permitted in Brazil for the electricity industry. Under U.S. GAAP, interest capitalized must be based on actual interest incurred, and as such the effects of the elimination of the interest capitalized to property, plant and equipment and the effects on depreciation expense are included in paragraph (aa) below.

T) ORGANIZATIONAL AND START-UP COSTS

Certain costs related to the organization and creation of certain subsidiaries of the Company were deferred and capitalized under Chilean GAAP. Under U.S. GAAP, such organizational and start-up costs may not be deferred and must be included in income as incurred. The effects of this difference are included in paragraph (aa) below.

U) TRANSLATION OF FINANCIAL STATEMENTS OF INVESTMENTS OUTSIDE OF CHILE

For periods prior to January 1, 1998, in accordance with Technical Bulletin 51 ("BT 51") the financial statements of foreign subsidiaries whose activities constitute an extension of the Chilean parent company's operations, or which operate in countries that are exposed to significant risks, restrictions or inflation/exchange fluctuations, were required to be remeasured into constant Chilean pesos. During 1998, the Chilean Association of Accountants issued Technical Bulletin 64 ("BT 64"), which is applicable for all periods beginning after December 31, 1997. BT 64 states that the financial statements of foreign subsidiaries that operate in countries exposed to significant risks, and are not considered to be an extension of the parent company's operations, must now be remeasured into US dollars. The Company has remeasured its foreign subsidiaries into US dollars under this requirement as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the US dollar and the local currency.
- All non-monetary assets and liabilities and shareholder's equity are translated at historical rates of exchange between the US dollar and the local currency.
- Income and expense accounts are translated at average rates of exchange between the US dollar and local currency.
- The effects of any exchange rate fluctuations between the local currency and the US dollar are included in the results of operations for the period.

Under BT 51, price-level restatements based on Chilean inflation were applied to all non-monetary asset and liability accounts, shareholders' equity, and income and expense accounts after translation into Chilean pesos. Under BT 64, the investment in the foreign subsidiary is price-level restated, the effects of which are reflected in income, while the effects of the foreign exchange gain or loss between the Chilean Peso and the US Dollar are reflected in equity in the account "Cumulative Translation Adjustment"; as the foreign investment itself is measured in US dollars.

In the opinion of the Company, the foreign currency translation procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and translation effects in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy and, accordingly are not eliminated in the reconciliation to U.S. GAAP.

V) FORWARD FOREIGN EXCHANGE CONTRACTS

Under Chilean GAAP, forward foreign exchange contracts gains and losses are recorded at the closing spot exchange rate and included in earnings as Other non-operating income and expense. The initial discount or premium is amortized over the life of the contract as Interest expense.

Under U.S. GAAP, contracts that are designated and effective as hedges of existing assets and liabilities are recorded in the same manner as described under Chilean GAAP above. However, contracts which are not designated or are not effective as hedges must be recorded at fair value with the unrealized gains and losses being recognized in current period income. The fair value of the contracts may differ from the value of the contract at the closing spot exchange rate resulting in a difference between U.S. and Chilean GAAP.

As of December 31, 1998 and 1999, the Company had forward foreign exchange contracts which did not qualify for hedge accounting treatment under U.S. GAAP amounting to US\$10.8 million and US\$291 million, respectively. The effects of not marking-to-market these contracts to fair value are not considered material to the consolidated financial statements and accordingly the effects are not included in paragraph (aa) below.

W) ACCOUNTING FOR RATE-REGULATED ENTERPRISES

The electricity sector in Chile is regulated pursuant to the Chilean Electricity Law. Certain of the Company's sales are subject to node price regulation, which is designed to ensure an adequate supply of energy at reasonable determined prices, which consider a variety of factors. The marginal cost pricing model is not solely based upon costs incurred by the Company and, as a result, the requirements of U.S. GAAP under SFAS No. 71 related to a business whose rates are regulated are not applicable to the Company's financial statements.

X) PENSION AND POST-RETIREMENT BENEFITS

As discussed in Note 3, the Company has accounted for the total liabilities related to complementary pension plan benefits and other post-retirement benefits as stipulated in collective bargaining agreements beginning January 1, 1999 under Chilean GAAP. Prior to 1999, amounts paid to retired employees related to such benefits were expensed as cash disbursements were made. Under U.S. GAAP, post-retirement employee benefits have been accounted for in accordance with SFAS No. 87 and SFAS No. 106, with inclusion of prior-period amounts in current years income as the amounts are not considered significant to the overall financial statement presentation. The effects of accounting for post-retirement benefits under U.S. GAAP have been presented in paragraph (aa)

Y) FAIR VALUE OF LONG-TERM DEBT ASSUMED

As discussed in paragraph (j), under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchased price over the carrying value are recorded as goodwill. Under US GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchased price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. As part of the purchase of the majority ownership interest in Endesa-Chile, under U.S. GAAP, the cost of the purchase price would have been allocated to the fair value of long-term debt.

The effect on shareholders' equity and net income for the years presented is included in paragraph (aa) below.

Z) EFFECTS OF CONFORMING TO U.S. GAAP:

The adjustments to reported net income required to conform with U.S. GAAP are as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Net income (loss) in accordance with Chilean GAAP | 92,435,598 | (78,158,729) |
| Description of items having the effect of increasing (decreasing) reported income: | | |
| Reversal of amortization of revaluation of property, plant and equipment (paragraph b) | (30,953) | 1,561,422 |
| Depreciation of property, plant and equipment (paragraph c) | (2,234,950) | (3,257,099) |
| Amortization of intangibles (paragraph d) | 109,584 | (267,026) |
| Deferred income taxes (paragraph e) | 2,634,584 | 236,667 |
| Severance indemnity (paragraph f) | 160,149 | 1,470,304 |
| Premium obtained on the placement of shares by the subsidiaries (paragraph g) | (3,093,891) | - |
| Investments in related companies (paragraph h) | 4,913,389 | (6,414,781) |
| Amortization of goodwill (paragraph i) | 4,794,573 | 22,004,314 |
| Amortization of negative goodwill (paragraph j) | 254,506 | (34,611,818) |
| Capitalized interest (paragraph k) | (140,288) | 13,700,613 |
| Accumulated deficit during the development stage (paragraph l) | (96,681) | (2,693,257) |
| Capitalized general and administrative expenses (paragraph n) | - | 1,138,973 |
| Foreign exchange capitalized to property, plant & equipment (paragraph o) | - | (9,321,126) |
| Workers' profit sharing in Peru (paragraph p) | - | (498,213) |
| Involuntary employee termination benefits (paragraph q) | - | 2,597,343 |
| Adjustment in selling price of investment (paragraph r) | - | (165,467) |
| Elimination of amortization of capitalized legal reserve (paragraph s) | 151,600 | - |
| Organizational and start-up costs (paragraph t) | - | 10,474,350 |
| Pension and post-retirement benefits (paragraph x) | - | (17,342,009) |
| Fair value of long-term debt assumed (paragraph y) | - | (35,271) |
| Elimination of reserve for cumulative translation adjustment | 734,629 | - |
| Effects of minority interest on the U.S. GAAP adjustments | 63,897 | 3,374,982 |
| Deferred tax effects on the U.S. GAAP adjustments | 568,973 | 10,701,290 |
| Net income (loss) in accordance with U.S. GAAP | 101,073,119 | (85,352,938) |
| Other comprehensive income | | |
| Cumulative translation adjustment determined under Chilean GAAP | - | 6,869,636 |
| Cumulative translation adjustment related to U.S. GAAP adjustments | - | 4,454,265 |
| Comprehensive income (loss) in accordance with U.S. GAAP | 101,073,119 | (74,029,037) |

The adjustments required to conform shareholders' equity amounts to U.S. GAAP are as follows:

| | As of December 31, | |
|--|--------------------|--------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Shareholders' equity in accordance with Chilean GAAP | 804,346,081 | 698,662,408 |
| Reversal of revaluation of property, plant and equipment (paragraph b) | (18,754,018) | (83,465,259) |
| Reversal of accumulated amortization of revaluation of property, plant and equipment (paragraph b) | 8,432,132 | 45,538,316 |
| Depreciation of property, plant and equipment (paragraph c) | 34,379,793 | 17,794,034 |
| Intangibles (paragraph d) | (1,424,591) | (2,473,741) |
| Deferred income taxes (paragraph e) | (31,309,629) | (122,358,293) |
| Severance indemnity (paragraph f) | (1,470,306) | - |
| Investments in related companies (paragraph h) | (34,519,308) | - |
| Goodwill (paragraph i) | 56,812,097 | 218,797,319 |
| Negative goodwill (paragraph j) | (42,278,829) | (124,554,371) |
| Capitalized interest (paragraph k) | 1,115,811 | 15,051,525 |
| Minimum dividend (paragraph m) | (15,395,678) | - |
| Capitalized general and administrative expenses (paragraph n) | - | (22,007,231) |
| Foreign exchange translation capitalized to property, plant & equipment (paragraph o) | - | (14,947,686) |
| Workers' profit sharing in Peru (paragraph p) | - | (2,879,762) |
| Reversal of accrual of certain involuntary employee termination benefits (paragraph q) | - | 2,597,343 |
| Adjustment in selling price of investment (paragraph r) | - | (3,894,954) |
| Elimination of capitalized legal reserve (paragraph s) | - | (4,533,423) |
| Organizational and start-up costs (paragraph t) | - | (34,654,220) |
| Pension and post-retirement benefits (paragraph x) | - | (31,040,334) |
| Fair value of long-term debt assumed (paragraph y) | - | 1,446,121 |
| Effects of minority interest on the U.S. GAAP adjustments | (3,464,552) | 101,108,400 |
| Deferred tax effect of U.S. GAAP adjustments | 4,360,775 | 20,347,827 |
| Shareholders' equity in accordance with U.S. GAAP | 760,829,778 | 674,534,019 |

The changes in shareholders' equity in U.S. GAAP as of each year-end are as follows:

| | As of December 31, | |
|--|--------------------|--------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Shareholders' equity in accordance with U.S. GAAP –beginning of year | 716,311,259 | 760,829,778 |
| Dividends paid during the year | (44,252,812) | (27,662,400) |
| Reversal of dividends payable as of previous balance sheet date | - | 15,395,678 |
| Minimum dividend (paragraph p) | (15,395,678) | - |
| Cumulative translation adjustment | - | 11,323,901 |
| Net income (loss) in accordance with U.S. GAAP for the year | 101,073,119 | (85,352,938) |
| Shareholders' equity in accordance with U.S. GAAP – end of year | 760,829,778 | 674,534,019 |

II. Additional Disclosure Requirements:

A) GOODWILL AND NEGATIVE GOODWILL:

The following is an analysis of goodwill and negative goodwill, determined on a Chilean GAAP basis, as of December 31:

| | As of December 31, | |
|--------------------------------|--------------------|---------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Goodwill | 494,787,356 | 1,347,829,692 |
| Less: accumulated amortization | (110,558,221) | (162,995,782) |
| Goodwill, net | 384,229,135 | 1,184,833,910 |
| Negative goodwill | 301,102,361 | 348,280,389 |
| Less: accumulated amortization | (136,735,263) | (171,213,515) |
| Negative goodwill, net | 164,367,098 | 177,066,874 |

B) BASIC AND DILUTED EARNINGS PER SHARE:

| | Year ended December 31, | |
|--|-------------------------|-----------|
| | 1998 | 1999 |
| | Ch\$ | Ch\$ |
| Chilean GAAP earnings (loss) per share (Ch\$) (1) | 13.59 | (11.49) |
| U.S. GAAP earnings (loss) per share (Ch\$) (1) | 14.86 | (12.55) |
| Weighted average number of common shares outstanding (000's) | 6,800,000 | 6,800,000 |

(1) The earnings per share figures for both U.S. GAAP and Chilean GAAP purposes have been calculated by dividing net income in accordance with U.S. GAAP and Chilean GAAP, respectively, by the weighted average number of common shares outstanding during the year. The Company has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings per share of the Company.

C) INCOME TAXES:

The provision for income taxes charged to the results of operations determined in accordance with U.S. GAAP is as follows:

| | As of December 31, | |
|---|--------------------|-------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Current provision under Chilean GAAP: | | |
| Domestic | 20,344,734 | 44,308,879 |
| Foreign | 52,115,923 | 39,787,376 |
| Total current | 72,460,657 | 84,096,255 |
| Deferred provision under Chilean GAAP: | | |
| Domestic | 1,923,000 | 1,149,620 |
| Foreign | - | - |
| Total deferred | 1,923,000 | 1,149,620 |
| Reclassification of income tax recovery from other non-operating income | - | (19,828,490) |
| Total income taxes under Chilean GAAP | 74,383,657 | 65,417,385 |
| Less: Income tax of Endesa-Chile affiliate not consolidated under U.S. GAAP | (26,880,776) | - |
| U.S. GAAP adjustments: | | |
| Deferred tax effect of applying SFAS No. 109 adjustments | (2,634,584) | (236,667) |
| Deferred tax effect of adjustments to U.S. GAAP | (568,973) | (10,701,290) |
| Total U.S. GAAP adjustments | (3,203,557) | (10,937,957) |
| Total income taxes under U.S. GAAP | 44,299,324 | 54,479,428 |

Deferred tax assets (liabilities) as of balance sheet dates are summarized as follows:

| | As of December 31, 1998 | | | As of December 31, 1999 | | |
|--|-------------------------|------------------|---------------------|-------------------------|--------------------|----------------------|
| | SFAS No. 109 | | | SFAS No. 109 | | |
| | Applied to | SFAS No. | Total | Applied to | SFAS No. | Total |
| | Chilean | 109 applied | Deferred | Chilean | 109 applied | Deferred |
| GAAP | to US GAAP | Taxes under | GAAP | to US GAAP | Taxes under | |
| Balances | Adjustments | SFAS No. 109 | Balances | Adjustments | SFAS No. 109 | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Deferred income tax assets | | | | | | |
| Allowance for doubtful accounts | 2,409,460 | - | 2,409,460 | 681,137 | - | 681,137 |
| Deferred revenue | 676,473 | - | 676,473 | 1,423,391 | - | 1,423,391 |
| Obsolescence of raw materials | 960,969 | - | 960,969 | 413,601 | - | 413,601 |
| Severance indemnities | 420,652 | 109,634 | 530,286 | 558,485 | 58,419 | 616,904 |
| Vacation accrual | 1,272,417 | - | 1,272,417 | 1,294,614 | - | 1,294,614 |
| Post retirement benefits | - | - | - | 1,321,997 | 10,243,073 | 11,565,070 |
| Tax loss carry forwards (1) | - | - | - | 110,933,499 | - | 110,933,499 |
| Other provisions | 4,465,515 | - | 4,465,515 | 792,048 | - | 792,048 |
| Amortizations of Intangibles | - | - | - | 99,272 | 283,588 | 382,860 |
| Investments in related companies | 23,808,604 | 4,653,142 | 28,461,746 | - | - | - |
| Others | 170,034 | - | 170,034 | 3085,387 | - | 3,085,387 |
| Total deferred income tax assets | 34,184,124 | 4,762,776 | 38,946,900 | 120,603,431 | 10,585,080 | 131,188,511 |
| Deferred income tax liabilities | | | | | | |
| Property, plant and equipment | 38,866,834 | (6,406,739) | 32,460,095 | 275,452,010 | (11,619,663) | 263,832,347 |
| Severance indemnity | 968,481 | (10,468) | 958,013 | 554,557 | - | 554,557 |
| Deferred charges | 31,380 | - | 31,380 | - | - | - |
| Capitalized interest | - | 675,718 | 675,718 | 195,394 | 1,856,916 | 2,052,310 |
| Bond discount | 669,103 | - | 669,103 | 582,870 | - | 582,870 |
| Leases payable | - | - | - | - | - | - |
| Costs related to deferred revenues | 337,801 | - | 337,801 | 695,270 | - | 695,270 |
| Syndicated Loan | - | - | - | 1,766,486 | - | 1,766,486 |
| Others | 4,729,514 | - | 4,729,514 | (21,236,022) | - | (21,236,022) |
| Post retirement benefits | - | - | - | 429,753 | - | 429,753 |
| Investments in related companies | 7,185,167 | (1,672,483) | 5,512,684 | - | - | - |
| Goodwill | 20,417,343 | 7,815,973 | 28,233,316 | - | - | - |
| Total deferred income tax liabilities | 73,205,623 | 402,001 | 73,607,624 | 258,440,318 | (9,762,747) | 248,677,571 |
| Net deferred tax assets (liabilities) | | | | | | |
| resulting from application of | | | | | | |
| SFAS No. 109 | (39,021,499) | 4,360,775 | (34,660,724) | (137,836,887) | 20,347,827 | (117,489,060) |

(1) Tax loss carryforwards all relate to Chilean entities. In accordance with the current enacted tax law in Chile, such tax losses may be carried-forward indefinitely.

A reconciliation of the Chilean Statutory income tax rate to the Company's effective tax rate on net income is as follows:

| | Year ended December 31, | |
|---|-------------------------|-------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Statutory Chilean tax (15%) | 46,648,514 | 5,962,777 |
| Effect of higher foreign tax rates | 10,796,740 | 14,935,077 |
| Increase (decrease) in rates resulting from: | | |
| Price-level restatement not accepted for tax purposes | 2,987,737 | 5,582,837 |
| Non-deductible items | (34,663,150) | (2,998,496) |
| Income taxes from prior years | - | 9,695,866 |
| Non-taxable items | 16,505,868 | 21,612,041 |
| Other | 2,023,615 | (310,674) |
| At effective tax rate | 44,299,324 | 54,479,428 |

D) CONSOLIDATION:

The Company consolidated 100% of the assets and liabilities of Endesa as of December 31, 1998 in accordance with Chilean GAAP, whereas, under U.S. GAAP, the Company is required to account for its investment in Endesa under the equity method. This difference has no impact on net equity or net income of the Company. A summary of the impact of this difference on the Chilean GAAP consolidated financial statements of the Company as of and for the year ended December 31, 1998 is as follows:

| Balance Sheet | December 31, 1998 | |
|---|----------------------|----------------------|
| | Consolidated | Equity |
| | ThCh\$ | ThCh\$ |
| Total current assets | 641,368,317 | 256,463,755 |
| Property, plant and equipment, net | 5,777,183,356 | 1,209,581,365 |
| Investment in related companies | 629,958,197 | 498,674,799 |
| Other assets | 587,016,933 | 657,523,353 |
| Total assets | 7,635,526,803 | 2,622,243,272 |
| Total current liabilities | 681,089,193 | 321,438,774 |
| Total long-term liabilities | 3,440,625,448 | 1,049,566,788 |
| Minority interest | 2,709,466,080 | 446,891,629 |
| Shareholder's equity | 804,346,082 | 804,346,081 |
| Total liabilities and shareholder's equity | 7,635,526,803 | 2,622,243,272 |

| Statement of Income | December 31, 1998 | |
|-----------------------------------|-------------------|---------------|
| | Consolidated | Equity |
| | ThCh\$ | ThCh\$ |
| Revenue from operations | 1,588,758,332 | 914,646,067 |
| Cost of operations | (966,787,668) | (630,914,439) |
| Gross profit | 621,970,664 | 283,731,628 |
| Operating income | 488,737,646 | 189,375,819 |
| Non operating income (loss) | (189,619,839) | (34,873) |
| Income tax | (74,383,657) | (47,502,880) |
| Minority interest | (164,811,078) | (52,974,654) |
| Amortization of negative goodwill | 32,512,526 | 3,572,186 |
| Net income | 92,435,598 | 92,435,598 |

| Statement of Cash Flows | December 31, 1998 | |
|--|-------------------|---------------|
| | Consolidated | Equity |
| | ThCh\$ | ThCh\$ |
| Net cash provided by operating activities | 646,631,017 | 186,333,645 |
| Net cash provided by financing activities | (1,150,740) | 82,468,850 |
| Net cash used in investing activities | (565,175,668) | (270,361,454) |
| Positive (negative) net cash flow for the year | 80,304,609 | (1,558,959) |
| Effect of inflation on cash and cash equivalents | 4,925,035 | 312,098 |
| Net increase (decrease) in cash and cash equivalents | 85,229,644 | (1,246,861) |
| Cash and cash equivalents - beginning of year | 93,617,398 | 22,496,423 |
| Cash and cash equivalent - end of year | 178,847,042 | 21,249,562 |

E) ACQUISITIONS:

In May 1999, the Company entered into a series of transactions to acquire an additional ownership interest of 34.7% in Endesa from Elesur S.A., a controlling shareholder of the Company, for ThCh\$1,030,014,725 (historic pesos). The purchase price was paid with the assumption of debt from Elesur S.A. This increased the Company's ownership from approximately 25.3% to approximately 60.0%.

Under Chile GAAP, goodwill of ThCh\$595,017,748 has been recorded and is being amortized on a straight-line basis over 20 years. Under U.S. GAAP, goodwill of ThCh\$694,850,028 has been recorded and is being amortized on a straight-line basis over 20 years.

In April 1999, through its subsidiary Aguas Puerto S.A., the Company purchased a 40.4% interest in Esval S.A. for approximately ThCh\$67,091,490 in cash. Goodwill of ThCh\$18,559,965 has been recorded and is being amortized on a straight-line basis over 20 years.

For acquisitions accounted for using the purchase method, assets and liabilities have been consolidated as of the purchase date and earnings from the acquisitions have been included in consolidated earnings of the Company subsequent to the purchase date.

F) SEGMENT DISCLOSURES:

The Company is primarily engaged in the distribution, generation and transmission of electricity in Chile, Argentina, Brazil, Colombia and Peru. Enersis provides these and other services through four business segments:

- Generation
- Distribution
- Engineering
- Real Estate and Corporate

Generation involves the generation of electricity primarily through its subsidiary Endesa-Chile, Distribution involves the supply of electricity to regulated and unregulated customers, Engineering is the provision of engineering services and Real Estate and Corporate includes real estate development, computer-related data processing services, private water utilities and the sale of electric-related supplies and equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company's reportable segments are strategic business units that offer different products and services and are managed separately.

The following segment information has been disclosed in accordance with U.S. reporting requirements; however, the information presented has been determined in accordance with Chilean GAAP:

| | Generation ThCh\$ | Distribution ThCh\$ | Engineering services and real estate ThCh\$ | Corporate and other ThCh\$ | Eliminations ThCh\$ | Consolidated ThCh\$ |
|--|----------------------|------------------------|--|----------------------------------|------------------------|------------------------|
| 1998 | | | | | | |
| Sales to unaffiliated customers | 674,112,265 | 867,740,104 | 15,973,860 | 30,932,103 | - | 1,588,758,332 |
| Intersegment sales | 158,601,354 | 20,531,349 | 16,938,758 | 11,247,220 | (207,318,681) | - |
| Total revenues | 832,713,619 | 888,271,453 | 32,912,618 | 42,179,323 | (207,318,681) | 1,588,758,332 |
| Operating income | 298,727,568 | 169,089,263 | 9,100,069 | 181,268 | 11,639,479 | 488,737,647 |
| Participation in net income of affiliate companies | - | 18,586,450 | 98,911 | 5,731,321 | - | 24,416,682 |
| Depreciation and amortization | 159,824,272 | 65,235,832 | 962,643 | 2,383,014 | - | 228,405,761 |
| Identifiable assets including investment in related companies | 5,386,352,348 | 2,021,276,319 | 193,644,260 | 2,463,251,603 | (2,428,997,728) | 7,635,526,802 |
| Capital expenditures | 75,758,482 | 122,689,545 | 530,495 | 391,034 | - | 199,369,556 |
| 1999 | | | | | | |
| Sales to unaffiliated customers | 615,112,308 | 1,610,470,072 | 14,308,444 | 31,006,159 | - | 2,270,896,983 |
| Intersegment sales | 245,909,558 | 19,283,457 | 13,154,420 | 10,974,200 | (289,321,635) | - |
| Total revenues | 861,021,866 | 1,629,753,529 | 27,462,864 | 41,980,359 | (289,321,635) | 2,270,896,983 |
| Operating income | 167,235,532 | 248,626,194 | 5,666,291 | (4,490,021) | 12,201,686 | 429,239,682 |
| Participation in net income of affiliate companies | - | - | 31,606 | 1,516,307 | - | 1,547,913 |
| Depreciation and amortization | 193,527,948 | 167,016,291 | 1,018,184 | 1,084,514 | - | 362,646,937 |
| Identifiable assets including investment in related companies | 5,742,048,475 | 5,189,381,876 | 142,687,251 | 4,562,703,831 | (4,512,987,532) | 11,123,833,901 |
| Capital expenditures | 133,658,544 | 225,319,254 | 650,598 | 291,302 | - | 359,919,698 |

A summary of activities by geographic area is as follows:

| | Chile ThCh\$ | Argentina ThCh\$ | Perú ThCh\$ | Brasil ThCh\$ | Colombia ThCh\$ | Total ThCh\$ |
|-----------------------------|------------------------|----------------------------|-----------------------|-------------------------|---------------------------|------------------------|
| 1998: | | | | | | |
| Total revenues | 478,312,151 | 649,134,223 | 193,090,188 | 62,097,471 | 206,124,299 | 1,588,758,332 |
| Long-lived assets (net) (1) | 2,089,089,437 | 1,269,130,988 | 782,893,762 | 430,041,182 | 1,206,027,987 | 5,777,183,356 |
| 1999: | | | | | | |
| Total revenues | 411,213,921 | 746,373,976 | 197,382,738 | 458,849,411 | 457,076,937 | 2,270,896,983 |
| Long-lived assets (net) (1) | 2,568,909,174 | 1,266,290,061 | 901,496,778 | 1,507,635,017 | 2,116,476,844 | 8,360,807,874 |

(1) Long-lived assets include property, plant and equipment.

G) SCHEDULE OF DEBT MATURITY:

Following is a schedule of long-term debt maturity in each of the next five years, excluding current portions:

| | ThCh\$ |
|--------------|----------------------|
| 2001 | 1,880,429,241 |
| 2002 | 358,222,899 |
| 2003 | 188,201,768 |
| 2004 | 111,181,297 |
| 2005 | 351,031,816 |
| Thereafter | 1,316,210,847 |
| Total | 4,205,277,868 |

H) DISCLOSURE REGARDING INTEREST CAPITALIZATION:

| | Year ended December 31, | |
|---|--------------------------------|-----------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Interest cost incurred | 234,166,673 | 408,050,835 |
| Interest capitalized under Chilean GAAP | 11,360,353 | 20,038,537 |
| Interest capitalized under U.S. GAAP | 11,999,284 | 33,891,775 |

I) CASH FLOW INFORMATION:

- (i) The statement of cash flows under Chile GAAP differs in certain respects from the presentation of a statement of cash flow under U.S. GAAP as follows:

| | Year ended December 31, | |
|--|-------------------------|-----------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Cash provided by operating activities under Chilean GAAP | 646,631,017 | 556,416,987 |
| Development stage subsidiaries | (137,882) | 23,631 |
| Effect of Endesa-Chile | (460,297,372) | - |
| Cash provided by operating activities under U.S. GAAP | 186,195,763 | 556,440,618 |
| Cash provided by financing activities under Chilean GAAP | (1,150,740) | 728,958,587 |
| Development stage companies | 128,229 | 27,354,078 |
| Effect of Endesa-Chile | 83,619,589 | - |
| Cash provided by financing activities under U.S. GAAP | 82,597,078 | 756,312,665 |
| Cash provided by investing activities under Chilean GAAP | (565,175,668) | (1,600,445,663) |
| Development stage companies | 9,685 | (27,378,054) |
| Effect of Endesa-Chile | 294,814,214 | - |
| Cash provided by investing activities under U.S. GAAP | (270,351,769) | (1,627,823,717) |

See paragraph (d) for the material effects of U.S. GAAP differences on cash and cash equivalents for the year ended December 31, 1998. For the year ended December 31, 1999, cash and cash equivalents under U.S. GAAP were not significantly different from Chilean GAAP.

- (ii) Cash and cash equivalents includes all highly liquid debt instruments purchased with a maturity of three months or less:

| | Year ended December 31, | |
|--|-------------------------|--------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Cash | 7,703,941 | 28,226,861 |
| Time deposits | 165,254,200 | 154,485,445 |
| Other accounts receivable | 366,292 | 7,781,990 |
| Other current assets | 5,522,609 | 3,435,281 |
| Total cash and cash equivalents (*) | 178,847,042 | 193,929,577 |

(*)As of January 1, 1999, cash and cash equivalents include the consolidated cash of Luz de Bogotá S.A., Cerj S.A., Investluz S.A. and Aguas Puerto S.A. in the amount of ThCh\$377,160,194. See Note 2 (a).

- (iii) Additional disclosures required under U.S. GAAP are as follows:

| | Year ended December 31, | |
|-----------------------------------|-------------------------|-------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Interest paid during the year | 263,288,348 | 372,692,070 |
| Income taxes paid during the year | 86,618,576 | 75,629,423 |

J) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 1998 and 1999 for which it is practicable to estimate that value:

- **Cash**
The fair value of the Company's cash is equal to its carrying value.
- **Time deposits and Marketable securities**
The fair value of time deposits approximates carrying value due to the relatively short-term nature.
- **Marketable securities**
The fair value of marketable securities is based on quoted market prices of the common stock held and approximates carrying value.
- **Long-term accounts receivable**
The fair value of long-term accounts receivable was estimated using the interest rates that are currently offered for loans with similar terms and remaining maturities.
- **Long-term debt**
The fair value of long-term debt was based on rates currently available to the Company for debt with similar terms and remaining maturities.
- **Forward foreign exchange contracts**
The fair value of forward foreign exchange contracts represents the estimated amount the Company would receive or pay to terminate the contracts, taking into account current interest rates.

The estimated fair value of the Company's financial instrument is as follows:

| | As of December 31, | | | |
|------------------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
| | 1998 | | 1999 | |
| | Carrying amount ThCh\$ | Fair Value ThCh\$ | Carrying amount ThCh\$ | Fair Value ThCh\$ |
| Cash | 7,703,941 | 7,703,941 | 28,226,861 | 28,226,861 |
| Time deposits | 165,254,200 | 165,254,200 | 158,912,844 | 158,912,844 |
| Marketable securities | 9,459,427 | 9,459,427 | 7,518,598 | 7,518,598 |
| Long-term accounts receivable | 61,919,417 | 61,919,417 | 78,712,982 | 78,712,982 |
| Long-term debt | 3,347,390,200 | 3,271,818,583 | 4,362,199,011 | 4,271,406,235 |
| Long-term intercompany payable | - | - | 1,113,614,028 | 1,113,614,028 |
| Foreign currency forward contracts | - | - | (1,724,077) | (21,232,879) |

K) FORWARD FOREIGN EXCHANGE CONTRACTS

The Company enters into foreign currency forward contracts to purchase and sell U.S., European and Japanese currencies to reduce exposures to foreign currency risk of foreign currency denominated debt. Gains and losses are recognized in income when the offsetting gains and losses are recognized on the related hedged item.

As of December 31, 1999, the Company had approximately US\$1,442.5 million of forward exchange contracts outstanding to reduce exposures to foreign currency risk. The forward contracts generally have maturities that do not exceed 12 months and require the Company to exchange the UF index linked Chilean currency for U.S. dollars agreed to at the inception of the contracts.

As of December 31, 1998, the Company had approximately US\$10.8 million of forward exchange contracts outstanding to reduce exposures to foreign currency risk on foreign currency denominated debt other than in U.S. dollars. Under these contracts, the Company sells dollars to buy European and Japanese currencies at a future date and therefore accepts the risk of exchange losses against the U.S. dollar. These contracts had maturities that did not exceed 12 months.

The Company is exposed to market risk related to fluctuations in market value of the above forward contracts, which is largely based on fluctuations in the exchange rate between the Chilean peso and U.S. dollar.

As of December 31, 1999, under Chilean GAAP, the amounts receivable and payable related to these forward exchange contracts has been recorded in the balance sheet at their gross amounts, whereas, these amounts would have been recorded at their net amounts under U.S. GAAP. The line items "Other current assets" and "Other current liabilities" would have decreased by ThCh\$154,166,850 if U.S. GAAP would have been applied.

L) PRO FORMA INFORMATION (UNAUDITED)

The following unaudited pro forma financial information for the Company gives effect to the acquisition of Endesa as if it occurred on January 1 of each year. These pro forma results from operations have been prepared for informational purposes only and do not purport to be indicative of the results of operations that may result in the future. The pro forma results, under Chilean GAAP, are as follows:

| | Note | Year ended December 31, | |
|----------------------------------|------|-------------------------|---------------|
| | | 1998 | 1999 |
| | | ThCh\$ | ThCh\$ |
| Sales | | 1,588,758,332 | 2,270,896,983 |
| Net income (loss) | | 101,937,365 | (102,939,193) |
| Earnings (loss) per share (Ch\$) | (1) | 14.99 | (15.14) |

(1) Earnings per share is based upon pro forma shares outstanding of 6,800,000,000.

M) CLASSIFICATION OF REAL ESTATE PROPERTIES AND CONSTRUCTION IN PROGRESS

Under Chilean GAAP, real estate properties under development and construction in progress are included in current assets as inventory. Under U.S. GAAP, such assets amounting to ThCh\$45,202,303 and ThCh\$48,348,314 as of December 31, 1998 and 1999, respectively, would have been included as property, plant and equipment.

N) EMPLOYEE BENEFIT PLANS

Enersis S.A. and its subsidiaries sponsor various benefit plans for its current and retired employees. A description of such benefits follows:

Severance indemnities

The provision for severance indemnities, included in the account "Accrued expenses" short and long-term is calculated in accordance with the policy set forth in Note 2 (m), using the current salary levels of all employees covered under the severance indemnities agreement, an assumed discount rate of 6.0% and 9.5% for the years ended December 31, 1998 and 1999, respectively and an estimated average service period based on the years of services for the Company.

The present value of the liability for severance indemnities as of December 31, 1998 and 1999 was ThCh\$ 22,052,750 and ThCh\$ 63,276,141, respectively. Amounts charged to income related to staff severance indemnities were ThCh\$3,471,222 and ThCh\$27,569,305 for the year ended December 31, 1998 and 1999, respectively. Payments for the years ended December 31, 1998 and 1999 were ThCh\$1,186,712 and ThCh\$ 11,162,415, respectively.

Benefits for Retired Personnel

Other benefits provided to certain retired personnel of Enersis include electrical service rate subsidies, additional medical insurance and additional post-retirement benefits. For the years ended December 31, 1998 and 1999, the Company paid, ThCh\$2,033,362 and ThCh\$2,091,511, respectively, for electrical rate service, medical expenses, pension expenses and work accidents benefits of such retired personnel.

i) Electrical rate service

This benefit is extended only to certain retired personnel of Enersis. These electric rate subsidies result in the eligible retired employees paying a percentage of their total monthly electricity costs, with Enersis paying the difference.

ii) Medical benefits

This benefit provides supplementary health insurance, which covers a portion of health benefits not covered under the institutional health benefits maintained by employees of Enersis. This benefit expires at the time of death of the pensioner.

iii) Supplementary pension benefits

Eligible employees are able to receive a monthly amount designed to cover a portion of the difference between their salary at the point of retirement and the theoretical pension that would have been received had the employee reached the legal retirement age of the *Institución de Previsión Social* (Institute of Social Welfare). This benefit expires upon the death of the pensioner for the Enersis employee, however, continues to cover the surviving-spouse in the case of employees of the subsidiary Endesa-Chile.

iv) Worker's Compensation Benefits

Employees that were entitled to Worker's compensation insurance in prior years for work related accidents receive benefits from the Company as such insurance has expired. This benefit continues at the time of death of the pensioner, to cover the surviving-spouse.

As discussed in Note 3, the Company has accounted for the total liabilities related to complementary pension plan benefits and other post-retirement benefits as stipulated in collective bargaining agreements beginning January 1, 1999 under Chilean GAAP. Prior to 1999, amounts paid to retired employees related to such benefits were expensed as cash disbursements were made. Under U.S. GAAP, post-retirement employee benefits have been accounted for in accordance with SFAS No. 87 and SFAS No. 106, with inclusion of prior-period amounts in current years income as the amounts are not considered significant to the overall financial statement presentation. The effects of accounting for post-retirement benefits under U.S. GAAP have been presented in paragraph (aa), above. The following data are presented under U.S. GAAP for Company's post-retirement benefit plans.

| | Pension Benefits | | Other Benefits | |
|--|--------------------|----------------------|--------------------|--------------------|
| | 1998 | 1999 | 1998 | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Changes in Benefit (obligations) | | | | |
| Benefit (obligations) at January 1 | (2,717,380) | (3,483,562) | (687,998) | (1,604,995) |
| Recently consolidated subsidiaries (See Note 3a) | - | (84,325,384) | - | - |
| Net periodic expense | (2,221,343) | (9,604,669) | (1,495,198) | (861,109) |
| Effect of curtailment | - | (6,660,379) | - | - |
| Effect of settlement | - | (4,178,419) | - | - |
| Benefits paid | 1,455,161 | 1,554,356 | 578,201 | 537,155 |
| Benefit (obligations) at December 31 | (3,483,562) | (106,698,057) | (1,604,995) | (1,928,949) |
| Funded Status of the Plans | | | | |
| Vested Benefit Obligation | (9,031,732) | (110,741,633) | (4,190,668) | (4,325,017) |
| Non-vested benefits | (639,888) | (2,830,664) | (481,874) | (466,975) |
| Accumulated Benefit Obligation | (9,671,620) | (113,572,297) | (4,672,542) | (4,791,992) |
| Effect of future salary increases | - | (7,027,405) | - | - |
| Projected Benefit Obligation | (9,671,620) | (120,599,702) | (4,672,542) | (4,791,992) |
| Fair value of plan assets | - | 14,949,661 | - | - |
| Funded status | (9,671,620) | (105,650,041) | (4,672,542) | (4,791,992) |
| Unrecognized loss | - | (7,553,240) | - | - |
| Unrecognized net transition obligation | 6,188,058 | 6,505,224 | 3,067,547 | 2,863,043 |
| Net liability recorded under US GAAP | (3,483,562) | (106,698,057) | (1,604,995) | (1,928,949) |
| Assumptions as of December 31 | | | | |
| Discount rate | 6.0% | 9.5% | 6.0% | 9.5% |
| Components of net periodic benefit expenses | | | | |
| Service cost | (196,322) | (1,238,991) | (942,251) | (237,539) |
| Interest cost | (993,678) | (7,168,059) | (348,444) | (419,067) |
| Expected return on assets | - | 977,004 | - | - |
| Amortization loss | - | (806,153) | - | - |
| Amortization of transition asset | (1,031,343) | (1,368,470) | (204,503) | (204,503) |
| Net periodic expenses | (2,221,343) | (9,604,669) | (1,495,198) | (861,109) |

0) COMPREHENSIVE INCOME

During 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The objective of the statement is to report a measure of all changes in shareholder's equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity. The impact of adopting the reporting changes required by SFAS No. 130 did not have a material impact on the Company's financial statements.

The following represents accumulated other comprehensive income balances as of December 31, 1998 and 1999 (in thousands of constant Chilean pesos as of December 31, 1999).

| | 1998 | | |
|--------------------------------|--------------|-------------------|---------------------|
| | Chilean GAAP | Effect of US GAAP | Accumulated |
| | cumulative | adjustments on | Other Comprehensive |
| | translation | cumulative | Income |
| | adjustment | translation | |
| | | adjustment | |
| Beginning balance | - | - | - |
| Credit (charge) for the period | 734,629 | (734,629) | - |
| Ending balance | 734,629 | (734,629) | - |

| | 1999 | | |
|--------------------------------|--------------|-------------------|---------------------|
| | Chilean GAAP | Effect of US GAAP | Accumulated |
| | cumulative | adjustments on | Other Comprehensive |
| | translation | cumulative | Income |
| | adjustment | translation | |
| | | adjustment | |
| Beginning balance | 734,629 | (734,629) | - |
| Credit (charge) for the period | 6,869,636 | 4,454,265 | 11,323,901 |
| Ending balance | 7,604,265 | 4,454,265 | 11,323,901 |

P) RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", which requires that companies recognize all derivatives as either assets or liabilities in the balance sheet at fair value. Under SFAS No. 133, accounting for changes in fair value of a derivative depends on its intended use and designation. SFAS No. 133, as modified by SFAS No. 138, is effective for fiscal years beginning after June 15, 2000. The Company is currently assessing the effect of this new standard.

In December 1999, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Views on Selected Revenue Recognition Issues" ("SAB 101"), which provides the staff's views in applying generally accepted accounting principles to selected revenue recognition issues. SAB 101 is effective for fiscal quarters ending June 30, 2000 and thereafter. The Company is currently assessing the effect of this new standard.

CONSOLIDATED MANAGEMENT'S ANALYSIS

At December 31, 1999

(expressed in thousands of Ch\$)

RELEVANT EVENTS

The year 1999 was oriented, primarily, to restructure the organization internally, by developing practices and strategic decisions that will underlie the guidelines for growth so as to meet the new challenges posed by a new business setting, with the ultimate aim of maximizing the economic value for shareholders.

In line with Enersis' expansion and diversification, which started in the year 1992, during the months of April and May of 1999, new investments were made in sanitary companies to an amount of US\$ 98.4 million to purchase 29.07% of Empresa Sanitaria de Valparaíso (ESVAL), the country's second most important sanitary company. On the other hand, on the side of electricity generation, and through a Public Offer for Shares in place during the month of April, Enersis increased its share in the ownership of Endesa Chile by 34.7%, representing an investment of US\$ 2,146 million, thereby attaining a participation of 59.98% in the ownership of the above mentioned generation company.

Some considerations regarding the state of the business activities during 1999 follow:

Physical sales of distribution companies reached 47,128 GWh, representing a 4.6% increase with respect to sales recorded in 1998 (tolls excluded).

With respect to the electric energy distribution business during 1999, it has continued to increase its levels of efficiency in the commercial, technical and financial areas, through investment made in new projects related to technical measures and the control and maintenance of existing programs. On account of this, the indices for energy losses have continued to go down in all distribution companies connected with the Company, as shown in the graph on the next page.

In the case of electricity generation, as it is well-known, 1999 was marked by the greatest drought ever recorded in Chile and which has affected the country since 1998. The severe and prolonged absence of rainfalls is the worst on record — measured both in terms of level of rainfalls, as well as the level of runoff from melting snow — and had a strong impact on hydroelectric generation, significantly reducing the production at many plants, increasing the cost for fuels and the cost for energy purchases. It is also necessary to mention the 6.2 % decrease in the average sales price of energy and capacity experienced by Endesa and its national subsidiaries.

However, and precisely as a result of the measures adopted by the management in order to overcome energy deficits, net production of energy by the generation companies totaled 38,517 GWh, up by 7.6% with respect to the previous year. By the end of the year, however, as the rainfall system once again reached its normal levels, though belated, made it possible to have greater water reserves that was reflected in a higher availability of the hydroelectric units and, consequently, lower purchases of fuels, positively affecting operating margin.

On the financial side, it is worth mentioning two important facts. The first is related to the rescheduling of the financial debt made by Enersis during the month of July. Actually, during that month, the company and a panel made up by eight international banks, restructured financial liabilities to an amount of US\$ 3.5 billion, which has involved a yearly savings for Enersis, due to lower financial expenses, equivalent to US\$ 75 million.

Additionally, towards the end of the period, the company reported that it had made extraordinary accounting adjustments and only for that one time, with a view to adequately reflect its economic and financial situation, on the basis of recommendations set forth by the External Auditors, originating from an exhaustive due diligence process. The adjustments were duly reported as an essential event to the Superintendency of Securities and Insurance, equivalent to US\$ 76 million.

MARKET IN WHICH THE COMPANY PARTICIPATES

Energis' activities are conducted through subsidiary companies operating the different businesses in the countries in which the company is active. Energis' core business activity is electricity distribution and the table that follows shows the evolution of the key

| Company | Concession Area (km ²) | Energy sales (GWh) | | Energy losses (%) | | Customers (thousands) | | Customers per employee (thousands) | |
|--------------|---------------------------------------|-----------------------|---------------|----------------------|--------------|--------------------------|--------------|---------------------------------------|--------------|
| | | Dec-98 | Dec -99 | Dec -98 | Dec -99 | Dec -98 | Dec -99 | Dec 98 | Dec -99 |
| Chilectra | 2,118 | 8,175 | 8,425 | 6.0% | 5.4% | 1,212 | 1,239 | 724 | 896 |
| Río Maipo | 1,500 | 1,016 | 1,050 | 6.0% | 5.6% | 267 | 274 | 1,242 | 1,514 |
| Edesur | 3,309 | 11,680 | 12,325 | 8.1% | 7.8% | 2,094 | 2,105 | 698 | 800 |
| Edelnor | 2,440 | 3,389 | 3,423 | 9.7% | 8.8% | 816 | 843 | 1,067 | 1,164 |
| Cerj | 31,741 | 7,208 | 7,694 | 19.1% | 15.3% | 1,452 | 1,559 | 765 | 875 |
| Codensa | 14,000 | 8,217 | 8,502 | 19.5% | 14.4% | 1,628 | 1,746 | 855 | 1,439 |
| Coelce | 147,000 | 5,377 | 5,709 | 13.3% | 11.2% | 1,508 | 1,652 | 822 | 844 |
| Total | 202,108 | 45,062 | 47,128 | 12.3% | 10.2% | 8,977 | 9,418 | 811 | 1,005 |

I. ANALYSIS OF FINANCIAL STATEMENTS

1. - STATEMENT OF INCOME

The results for the periods ended at December 31 of 1999 and 1998, show the following indicators:

| Statement of Income (million of Ch\$) | Dec. 98 | Sept. 99 | Dec-99 | Dec. 99-98 | Var 99/98 |
|--|-----------|-------------|-------------|------------|------------|
| Operating revenues | 1,588,758 | 1,666,757 | 2,270,897 | 682,139 | 42.9% |
| Operating costs | (966,787) | (1,192,777) | (1,596,916) | (630,129) | 65.2% |
| Gross profit | 621,970 | 473,980 | 673,981 | 52,011 | 8.4% |
| Adm. and selling expenses | (133,233) | (160,926) | (244,742) | (111,509) | 83.7% |
| Variable costs (*) | 65.3% | 0.0% | 63.5% | - | - |
| Fixed costs (*) | 34.7% | 0.0% | 36.5% | - | - |
| Operating income | 488,737 | 313,054 | 429,239 | (59,498) | (12.2%) |
| Profit (loss) investment in related Cos. | 24,417 | 664 | 1,548 | (22,869) | (93.7%) |
| Other net non-operating revenues | (6,838) | 196,855 | 77,918 | 84,756 | (1,239.4%) |
| Net financial expenses | (188,475) | (257,437) | (340,835) | (152,360) | 80.8% |
| Price-level restatement | (18,723) | (142,112) | (138,876) | (120,153) | 641.7% |
| Non-operating income | (189,620) | (202,029) | (400,245) | (210,625) | 111.11% |
| Income tax | (74,384) | (84,018) | (85,246) | (10,862) | 14.6% |
| Minority interest | (164,810) | (84,577) | (56,385) | 108,425 | (65.8%) |
| Amortization goodwill in investments | 32,513 | 25,724 | 34,478 | 1,965 | 6% |
| Net income for period | 92,435 | (31,845) | (78,159) | (170,594) | (184.6%) |

(*) % in relation to total operating expenses

The negative result of Ch\$ 78,159 million recorded by the company is attributable mainly to the following reasons:

- Negative effects of drought on electricity generation and distribution (higher costs and lower revenues due to rationing)
- Higher financial expenses related to new debt acquired for purchase of an additional stake in the ownership of Endesa Chile.
- Greater impact of price-level restatement related to the devaluation of the Chilean peso to the US dollar.
- Impact of fines imposed on the subsidiary Edesur as a consequence of the failure at Azopardo Substation, in Buenos Aires.
- Accounting adjustments made only for that one time, aimed at adequately reflecting the economic and financial situation of the Company, as recommended by External Auditors, originating from a due diligence process.

ANALYSIS OF VARIATIONS IN RESULTS :

a.- Operating income

Operating revenues increased by 42.9% or Ch\$ 682,139 million, due fundamentally to the consolidation in the year 1999 of the subsidiaries Cerj, Coelce and Codensa S.A. In this connection, it is important to bear in mind that this consolidation took place thanks to the assignment, absolutely free of charge, made by Endesa-Spain in favor of Enersis S.A. of its political rights in the above mentioned electricity distribution companies. To this, is to be added the consolidation of Esval S.A.

The above effect was offset by increases in operating costs to an amount of Ch\$ 630,129 million, that originate, chiefly, from Endesa Chile to an amount of Ch\$ 166,648 million related to the increase in fuel costs and higher costs for energy purchases with respect to the previous year, due, above all, to the lower availability of water resources and electricity rationing decreed by the authority, which resulted in lower physical sales and the subsequent drop in gross profit.

Another reason for poor operating results is the devaluation in Brazil, which is not reflected immediately on sales prices — a situation which to date has been corrected — affecting gross profit by approximately Ch\$ 52,011 million.

As in the case of operating revenues, the consolidation of Cerj, Coelce, Codensa S.A. and Esval S.A., also involved an important increase in operating costs.

The above was partially offset by the constant and increasing efficiency in the operations of the cross-border electricity distribution subsidiaries, that considerably cut down their energy losses, an attainment associated with the optimization of operating costs as well as the implementation of a demanding program aimed at controlling and reducing technical and commercial losses.

Additionally, administrative and selling expenses increased by Ch\$ 111,509 million, explained, in turn, by the consolidation of Cerj, Coelce, Codensa S.A. and Esval S.A.

b.- Non-operating income

It shows a higher loss of Ch\$ 59,498 million, explained mainly by the effect of the devaluation of the Chilean peso to the US dollar and reflected in the negative impact of price-level restatement with a higher loss of Ch\$ 120,153 million.

Another reason is the increase in net financial expenses by Ch\$ 152,360 million, basically explained by the greater debt acquired to finance the acquisition of an additional 34.7% in the ownership of Endesa Chile and the negative impact of the fine to an amount of Ch\$ 50,547 million imposed by the Argentinean regulatory authority on Edesur in connection with the interruption in the provision of electricity associated to the failure at the Azopardo substation, at the beginning of 1999.

The above, however, was partially offset by the positive effect of other non-operating revenues generated at Cerj to an amount of Ch\$ 151,556 million, deriving from the devaluation in Brazil, which positively affects the results, owing to the application of the Chilean accounting rules that govern cross-border investments, as well as the effect of the evolution of Forward contracts that generated net earnings of Ch\$ 62,845 million.

The above mentioned Forward contracts were entered into during the months of May, September and October, for a total amount of US\$ 1,266 million so as to have an adequate coverage when liabilities in foreign currency are not hedged.

b.1) Net Financial Margin: It records a negative variation of Ch\$ 152,360 million, as a consequence of increases in financial expenses to an amount of Ch\$ 206,829 million associated to the increase of liabilities used to finance new investments as well as the increase in debts with related companies, which are higher than the increase of Ch\$ 54,468 million experienced by financial revenues.

b.2) Price-level Restatement: It shows a higher loss of Ch\$ 120,153 million, up from a loss of Ch\$ 18,723 million in 1998 to a loss of Ch\$ 138,876 million in 1999, which originated basically due to the variation in the real exchange rate for each period, which was of 12.2% in 1999, as against 7.5% in 1998.

b.3) Amortization of Negative Goodwill in Investments: This account increased by Ch\$ 31,045 million, up to an amount of Ch\$ 52,438 million in the period, owing to the lower values generated by the new investments, mainly that in Endesa Chile, as well as the effect of the consolidation of the Brazilian company Coelce.

b.4) Amortization of Goodwill in Investments: The increase of Ch\$ 2,066 million is explained by the amortization in the subsidiary Endesa Chile for its investment in the Peruvian generation company Edegel S.A., as a consequence of the consolidation of its financial statements as from December 1998 and to higher amortization resulting from additional investments in the Brazilian generation company Cachoeira Dourada.

2. ANALYSIS OF BALANCE SHEET

The evolution of the key financial indicators has been as follows :

| Assets (million Ch\$) | Dec-99 | Sep-99 | Dec-98 | Dec 99-98 | % Var 99/98 |
|-----------------------|------------------|-------------------|-------------------|------------------|--------------|
| Current Assets | 641,368 | 1,150,816 | 1,058,760 | 417,392 | 65.1% |
| Fixed Assets | 5,777,183 | 8,413,992 | 8,360,808 | 2,583,625 | 44.7% |
| Other Assets | 1,216,976 | 1,711,464 | 1,704,266 | 487,290 | 40.0% |
| Total Assets | 7,635,527 | 11,276,272 | 11,123,834 | 3,488,307 | 45.7% |

Total assets of the Company show an increase of Ch\$ 3,488,307 million, which is equivalent to an increase of 45.7%. This variation is due to the increase in the investments in related companies owing to a higher stake in the ownership of Endesa Chile, the investment in Aguas Puerto S.A. (Esval S.A.), the consolidation mentioned earlier of the Brazilian companies Cerj and Coelce and the Colombian company Codensa, as well as increases in accounts receivable from related companies.

| Liabilities (million Ch\$) | Dec.98 | Sept. 99 | Dec. 98 | Dec. 99-98 | % Var 99/98 |
|----------------------------|------------------|-------------------|-------------------|------------------|--------------|
| Current liabilities | 681,090 | 1,360,861 | 1,302,318 | 621,228 | 91.2% |
| Long-term liabilities | 3,440,625 | 5,433,657 | 5,520,384 | 2,079,759 | 60.4% |
| Minority interest | 2,709,466 | 3,731,351 | 3,602,470 | 893,004 | 33.0% |
| Equity | 804,346 | 750,402 | 698,662 | (105,684) | (13.1%) |
| Total Liabilities | 7,635,527 | 11,276,272 | 11,123,834 | 3,488,307 | 45.7% |

Short-term and long-term liabilities increased by Ch\$ 621,228 and Ch\$ 2,079,759 million, respectively, which represents an increase of 65.5%. This is explained, chiefly, by borrowings to finance the investments made in Esval S.A. and Endesa Chile, a transaction that involved an amount of US\$ 2,244 million. Additionally, the higher liabilities are due to the consolidation mentioned earlier of the Brazilian companies Cerj and Coelce and the Colombian company Codensa as well as loans obtained to restructure the obligations of Enersis S.A.

As regards equity, it is worth stating that it went down by Ch\$ 105,684 million with respect to December 1998. This decrease is attributable mainly to the loss in the period of Ch\$170,594 million.

| Indicator | Unit | Dec. 98 | Sept. 99 | Dec. 99 | Dec-99-98 | % Var 99/98 |
|----------------------|--------------|----------|-----------|-----------|-----------|-------------|
| Liquidity | Times | 0.94 | 0.85 | 0.81 | (0.13) | (13.7%) |
| Acid ratio test (*) | Times | 0.80 | 0.77 | 0.73 | (0.07) | (9.0%) |
| Borrowing | Times | 1.17 | 1.52 | 1.59 | 0.41 | 35.2% |
| Short-term borrowing | % | 16.52 | 20.03 | 19.09 | - | - |
| Long-term borrowing | % | 83.48 | 79.97 | 80.91 | - | - |
| Working capital | Ch\$ million | (39,722) | (210,045) | (243,558) | (203,836) | 513.16% |

(*) Current assets net of inventories and pre-paid expenses

The current ratio of 0.81 shows the regularity observed in the period, reflecting an adequate composition of current assets and liabilities in terms of their due dates and Enersis' ability to pay. The variation in the indices for the composition of the debt are related to variations in the balances of the accounts receivable from, and payable to national subsidiaries, related to the flows of inter-company loans generated for the normal operation of their business activities.

In turn, the effect generated by the increase of the exchange rate generates an increase in the debt denominated in dollars of the United States of North America and which corresponds basically to Yankee bonds as well as debts with international banks.

3. - PRINCIPAL SOURCES AND APPLICATION OF FUNDS.

The cash flow for the period 1999 shows a net positive variation of Ch\$ 341 million in cash and cash equivalent.

| Effective cash flow (million Ch\$) | Dec. 98 | Sept. 99 | Dec. 98 | Dec. 99-98 | % Var 99/98 |
|---------------------------------------|-----------|-------------|-------------|-------------|-------------|
| Operating | 646,631 | 395,155 | 556,416 | (90,215) | (14.0%) |
| Financing | (1,151) | 809,136 | 728,959 | 730,110 | (63,432.7%) |
| Investment | (565,175) | (1,447,668) | (1,600,445) | (1,035,270) | 183.2% |
| Net cash flow of the period | 80,305 | (243,377) | (315,070) | (395,375) | (492.3%) |

The variation breaks down as follows:

- a) Operating activities generated a net negative flow of Ch\$ 90,215 million.
- b) Loans obtained from related companies to an amount of Ch\$1,039,498 million, due to the increase in the share in the ownership of Endesa Chile, loans obtained from financial institutions to an amount of Ch\$ 1,619,388 million, and a negative flow due to the payment of obligations with the public to an amount of Ch\$ 57,274 million and the payment of loans to an amount of Ch\$ 1,754,071 million, which involved a net positive flow of Ch\$ 730,110 million for financing activities.
- c) Investment activities generated a net negative flow of Ch\$ 1,035,270 million, made up primarily by Ch\$ 858,825 million to increase the company's share in the ownership of Endesa Chile and the incorporation of fixed assets to an amount of Ch\$ 160,150 million.

II. BOOK VALUE AND ECONOMIC VALUE OF ASSETS:

As regards the most important assets it is worth mentioning the following:

- The values for fixed assets are adjusted pursuant to the accounting criteria established by the Superintendency of Securities and Insurance in Circulars Nos. 550 and 566 of 1985. In the case of the Foreign Company Inversiones Distrilima S.A. the values of the fixed assets were adjusted according to the exceptional criteria set forth in the Technical Bulletin No. 45 of the Chilean Professional Association of Accountants, A.G-, which was the standing rule at the time the investment was made and was not modified by Technical Bulletin No. 51 which replaced the former one.

- Depreciation is calculated on the updated value of the assets in accordance to the remaining years of useful life of each asset.
- Investments in related companies are appraised at their proportional equity value. In the case of foreign companies, the application of this methodology has been made, as from the second quarter of 1998, on the basis of financial statements prepared pursuant to the guidelines set forth in Technical Bulletin No. 64 of the Chilean Professional Association of Accountants, A.G. For the first semester of 1998, the methodology stipulated in Technical Bulletin No. 51 of the said professional association was applied.
- Intangible values are price-level restated and are amortized according to the guidelines set forth in Technical Bulletin No. 55 of the Chilean Professional Association of Accountants, A.G.
- Assets expressed in foreign currency are presented at the exchange rate effective at year-end.
- Investments in financial instruments with agreements are presented according to their purchase value plus the proportion of the corresponding interests in terms of the rate implicit for each transaction.
- Accounts and notes receivable from related companies are classified according to their short and long-term due dates. The transactions are adjusted to conditions of equity similar those which usually prevail in the market.

Summing up, the value of Assets is presented in pursuance of generally accepted accounting criteria and principles as well as the instructions issued in that connection by the Superintendency of Securities and Insurance, as set forth in Note 2 to these Financial Statements.

CONSOLIDATED RELEVANT EVENTS

For the period 1999

ENERSIS S.A.

I. EMPRESA NACIONAL DE ELECTRICIDAD

SALE OF PARTICIPATION IN THE OWNERSHIP

On January 27, 1999, the Superintendency of Securities and Insurance was informed that the Board of Directors had adopted the following agreement on the same date:

Pursuant to the provisions in Article 58 No. 3 of Law No. 18,406 the Board of Directors had resolved to vest Mr. José Antonio Guzmán M., with the power, acting individually in the name and on behalf of Enersis S.A., to request Empresa Nacional de Electricidad S.A. "Endesa" to convene, during the month of March of 1999, a Shareholder's Extraordinary General Meeting in order that the Assembly should decide on the following matters:

1. Modify the maximum concentration in the ownership of the capital stock established by article five bis of the by-laws from the current level of 26% to a level of 65%, substituting, to the said effect, the numeral 26 in the current text of article five bis of the by-laws of Endesa by the numeral 65.
2. Substitution of the concentration factor 1 contained in the said article five bis by 0.6 in pursuance of the provisions in Decree Law 3,500.
3. Incorporate any other modifications to the by-laws such as are needed for purposes of consistency with the reforms indicated in the above numerals and that also with the purpose that the said Assembly should adopt all agreements needed and leading to fulfill the above stated reforms to the by-laws.

At the Shareholders' Extraordinary Meeting held on February 4, 1999, the following was resolved:

1. The disposal of all Enersis S.A.'s participation in the ownership of Empresa Nacional de Electricidad S.A. "Endesa" for a majority vote of 54.86% of the shares present or represented at the Assembly; and
2. Vest the Board of Directors with powers in order that it should delegate to a committee of the Board of Directors or to one or more members of the Upper Management of the Company who, either acting separately and indistinctly, may execute and enter into all acts and contracts as are needed to fully accomplish the disposal of all or part of the shares of Empresa Nacional de Electricidad S.A. "Endesa" that are owned by Enersis S.A. These faculties are understood to be granted though they do not necessarily entail any obligation as to the disposal of the above mentioned participation in the ownership, for which the said disposal shall be effected only if the conditions to materialize it were, in the judgment of the Board of Directors, favorable to the interests of the Company.

At the meeting of the Board of Directors held on February 11, 1999, the procedure was approved for the sale of the stake in the ownership that the company holds in Empresa Nacional de Electricidad S.A., for which it will rely on the advisory services of the investment bank Dresdner Kleinwort Benson.

The process starting as from this same date will be open to all those investors who should request to be considered to be potential buyers and it is expected that it will reach its completion during the coming month of April.

SUSPENSION OF THE PROCESS FOR THE DISPOSAL OF ENERSIS' PARTICIPATION IN THE OWNERSHIP OF EMPRESA NACIONAL DE ELECTRICIDAD S.A.

The Board of Directors of the Company at its Extraordinary Meeting held on March 11, 1999, resolved by the unanimous vote of all members present, to suspend the process for the disposal of Enersis' share in the ownership of Empresa Nacional de Electricidad S.A., until the domestic and international offer promoted by Endesa Spain does not reach its completion. Once the said public offer reaches its completion, Enersis S.A. will be able to continue with the said process of disposal, to the extent that the circumstance prevailing at that opportunity allow to reasonably maximize the sales price of its participation in the ownership of Empresa Nacional de Electricidad S.A.

LOSS OF CONTROL IN EMPRESA NACIONAL DE ELECTRICIDAD S.A.

As a consequence of the resignations tendered as from March 30, 1999, by the directors of Enersis S.A. Mr. José Antonio Guzmán Matta and Mr. Juan Eduardo Errázuriz Ossa, Enersis S.A. has lost the condition of parent company of Empresa Nacional de Electricidad S.A. ("ENDESA"), based on the circumstance that it is no longer a majority on the Board of Directors of the said Company. Therefore, Enersis S.A. will no longer consolidated its financial statements in what respects Endesa, as from the financial statements at the month of March 1999.

OFFER FOR THE ACQUISITION THROUGH AN AUCTION OF SHARES OF EMPRESA NACIONAL DE ELECTRICIDAD S.A. (MODIFICATION OF OFFER AT CH\$ 360 PER SHARE)

At the Meeting of the Board of Directors of Enersis S.A. held on April 20, 1999, the Board of Directors of the Company resolved to modify the offer for the purchase through an auction of the shares of Empresa Nacional de Electricidad S.A., that was informed to the Superintendency of Securities and Insurance on April 13, 1999, and published in "El Mercurio" newspaper on April 14, 1999.

The modification of the above mentioned offer consists in offering Ch\$ 360 for each share of Empresa Nacional de Electricidad S.A. in Chile and the amount of Ch\$ 10,800 for each ADS in the United States of North America. Furthermore, the offer in Chile will be made for a percentage equivalent to 30% of the capital stock of Empresa Nacional de Electricidad S.A. and the Tender Offer in the United States of North America will be made for a percentage equivalent to 4.7% of the capital stock of Empresa Nacional de Electricidad S.A, that is to say, until completing an additional percentage of 34.7% of the capital stock of Empresa Nacional de Electricidad S.A. With such additional percentage, Enersis S.A. will attain, either directly or indirectly, a total percentage of 59.98% of the capital stock of Empresa Nacional de Electricidad S.A.

FILING OF THE NATIONAL ECONOMIC ATTORNEY

By ruling of April 28, 1999, the Honorable Resolutive Committee has taken action on a filing submitted by the National Economic Attorney against Enersis S.A. The said filing has deemed the take over of Empresa Nacional de Electricidad S.A. (Endesa) by the defendant, either directly or through intermediary natural or juridical persons, through the purchase in an auction or any other mechanism, of 34.7% of the shares of Endesa, added to the current holding of 24.28% of the shares of the said company, as a conduct that would be contrary to free competition within the electricity market.

Furthermore, as at the same date the Honorable Resolutive Committee has accepted to pass a ruling with the character of a restraining order for the temporary suspension of the offer to acquire the participation in the capital stock of Endesa mentioned above, and the corresponding auction of the said shares which, as provided by the Superintendency of Securities and Insurance in its Circular 2327 of April 16, 1999, would take place on the Santiago Stock Exchange on April 29 of the same year.

Finally, the Superintendency of Securities and Insurance was informed that the Board of Directors of the said company at the meeting held on April 29, 1999, had resolved to declare that the offer, which was a matter of the suspension mentioned above, still is effective, notwithstanding the measure mentioned.

RESTRAINING ORDER LIFTED

On May 10, 1999, the Honorable Resolutive Committee has discharged the restraining order for the temporary suspension of the Offer for the Acquisition of Shares of Empresa Nacional de Electricidad S.A. (Endesa) and the corresponding auction of the said shares which, as provided by the Superintendency of Securities and Insurance, should have taken place on the Santiago Stock Exchange on April 29, 1999.

As a consequence of the above, at this date Bankers Trust Corredores de Bolsa Limitada has filed a registration with the Santiago Stock Exchange for the auction of the shares of Endesa, to be held on May 11, 1999 at 11:20 P.M., upon considering that Bankers Trust Corredores de Bolsa Limitada has duly certified that at this same date no shareholder has withdrawn Endesa shares submitted at the said Broker with an express reserve of his right to sell them at the Offer for the Acquisition of Shares of Empresa Nacional de Electricidad S.A. (Endesa).

TAKE OVER OF ENDESA CHILE

On May 13, 1999, a number of shares of Empresa Nacional de Electricidad S.A. (Endesa) equivalent to 30% of the company's capital stock were duly registered on the Shareholders' Register of the said Company, and which were

acquired by Enersis S.A. at the auction held on May 11 this year at the Santiago Stock Exchange. As a consequence of the above, Empresa Nacional de Electricidad S.A. has acquired the status of a subsidiary of Enersis S.A., given that the latter has come to control, either directly or indirectly, more than 50% of the capital with a voting right of the said Company, in pursuance to the provisions in article 86 of the Chilean Company Law. Likewise, and given what has been stated above, Enersis S.A. now consolidates Empresa Nacional de Electricidad S.A. (Endesa) as from this date, which will be reflected in the Financial Statements as from June 1999.

II. TECHNICAL FAILURE AT EDESUR S.A.

FAILURE AZOPARDO SUBSTATION

On February 15, 1999, the Argentinean company Edesur S.A., a subsidiary of Enersis S.A., experienced a failure at the Azopardo substation that interrupted the flow of electric energy to a significant number of its customers. Despite the measures adopted by the company, making it possible to normalize the service only a few hours after to most of the 160,000 customers affected, as from that moment and until February 22, the number of customers without electricity has gone down from 60,000 to 10,000.

Fully aware of the discomfort and trouble originated by the prolonged outage that has attained an extent that was not foreseen, Edesur is adopting all measures possible and entering into all contracts as are needed and prudent aimed at fully reestablishing the service at the earliest, and has also complied with all requests made by the National Electricity Regulatory Agency, the regulatory instance in Argentina.

Though it is true that the contract for the concession signed by Edesur S.A. with the Government of the Republic of Argentina establishes the application of different penalties among which are those related to deficiencies in the quality of the service provided, the final amount of the same and the company's final accountability in what respects them, as well as the amounts of the probable compensations deriving from legal actions brought against the company by private individuals can not be established on an a priori basis, considering also that there are insurance involved and liabilities of third parties that are to be ascertained.

The National Electricity Regulatory Agency of Argentina through a resolution issued on February 23, 1999, notified Edesur that it has informed the National Executive Power that in its opinion the situation provided for in Article 37 section b) of the Contract for the Concession clearly exists, that is the execution of the guarantee on the class A shares of Edesur.

The Company, considering that this notification is one of the factors that the National Executive Power will take into consideration, can not at this stage issue a final opinion as to the future outcome of this situation.

PAYMENT OF FINES

In relation to the failure which occurred last February 15 at the facilities of the Azopardo substation, Edesur S.A. has made a proposal to the users that were affected by it in terms of paying a voluntary compensation.

Given that the acceptance of the proposal is voluntary, it is not feasible at this moment to establish the amounts involved in such an offer which anticipates that payments would be made as of March 15.

It is to be considered that the voluntary compensations will be added to the payment of fines for quality of service as provided in the Contract for the Concession that amount to about 10,800,000 Argentinean pesos and that will be included in the next invoice. Likewise, the company has filed an appeal for review with the National Electricity Regulatory Agency of Argentina against Resolution 292/99 because, among other reasons, the Argentinean law and the Contract for the Concession do not stipulate any faculty or power to National Electricity Regulatory Agency of Argentina to establish any type of indemnification, fine or bonus that is not provided for in standing law.

NATIONAL ELECTRICITY REGULATORY AGENCY E.N.R.E. (ARGENTINA)

- a) On April 7, 1999, the National Electricity Regulatory Agency (E.N.R.E.) through its Resolution 471/99 dismissed the appeal for review filed by Edesur S.A. against Resolution 292/99 that established penalties in favor of T1R users (minor lawsuits brought about by residential customers).

The Board of Directors of Edesur S.A. has resolved not to further pursue the matter regarding the applicability of Resolution 292/99 of the E.N.R.E with a court of competent jurisdiction and, therefore, has decided to charge the invoices of the users by the amount that the said Resolution provides for by way of an extraordinary fine. Likewise, in the case of the T1G, T2, T3 tariffs and tolls, Edesur S.A. is implementing the Voluntary Reparation

Plan designed by the Company and will also credit through the corresponding invoices what is provided for in Resolution 292/99 by way of a fine for quality of technical service pursuant to the provisions in Sub-annex 4 of the Contract for the Concession.

Likewise, in what respects the legal action to be taken which Resolution 294/99 refers to, the National Electricity Regulatory Agency of Argentina, has ruled in a final manner, through Resolution 539/99, of April 20, 1999, to penalize Edesur S.A. with a fine equivalent to 1,500,000 KWh, which represents a payment in the order of 136,500 Argentinean pesos.

In line with the above, Edesur S.A. has charged a total amount of 75 million Argentinean pesos against income in its accounting, which amount includes all fines and payments described in the foregoing paragraphs. The impact of those fines and payments on the results of Enersis S.A. amounts approximately to US\$ 25 million, a figure that will affect the results of the Company during the first quarter of 1999.

Finally, we inform that National Electricity Regulatory Agency of Argentina, by Resolution 540/99 of April 20, 1999, has left Resolution 293/99 (Execution of Guarantees) without effect, with which the risk of the execution of the guarantee posted by Distrilec Inversora S.A. on class A shares of Edesur S.A. ceases to exist.

- b) The National Electricity Regulatory Agency (E.N.R.E.) of the Republic of Argentina has notified this Company on September 9, 1999, in relation to its investment in Edesur S.A., that it will conduct a summary inquest in order to determine the eventual enforcement of Article 32 of Law No. 24,065 of the Republic of Argentina or any other statutory provision of the said law with respect to the holders of shares in distribution companies.

III. ENDESA SPAIN

MODIFICATION OF THE PERCENTAGE OF MAXIMUM CONCENTRATION IN THE OWNERSHIP OF CAPITAL STOCK

The Shareholders' Extraordinary General Meeting held on February 24, 1999, convened in order to resolve with respect to the reform of the by-laws of the Company, did not approve the modification of the percentage of maximum concentration of ownership of the capital stock of the company from a 32% to a 65% pursuant to what is stipulated in article five bis of the by-laws of the Company, nor the modification of the concentration factor from 1.0 to 0.6.

TAKE OVER OF ENERSIS S.A. BY ENDESA S.A (ENDESA SPAIN)

With occasion of the transfer of shares submitted at the Register of Shares of Enersis S.A., this company has become controlled by Endesa S.A. (Endesa Spain) through the following companies: Endesa Internacional S.A., Elesur S.A., Compañía de Inversiones Chispa Uno S.A., Compañía de Inversiones Chispa Dos S.A., Compañía de Inversiones Los Almendros S.A., and Compañía de Inversiones Luz y Fuerza S.A.

IV. DIVIDENDS POLICY

At the Meeting of the Board of Directors of Enersis S.A. held on May 11 of this year, the following Dividends Policy for 1999 has been agreed on:

The Chief Executive Officer stated that the Board of Directors should approve the Dividends Policy which, in accordance to standing law, is to be informed at the Shareholders' Ordinary Meeting.

DIVIDENDS POLICY FOR 1999

Distribute in the months of May, August and November of the year 1999 and in the month of February of the year 2000, an interim dividend to be charged against the net income of the year 1999, amounting to 85% of the net income from normal operations in the quarters ending in the months of March, June, September and December of such fiscal year. For purposes of the above calculation, the provisional dividends for the year 1999 already distributed on such distribution date will be deducted from 85% of the cumulative net income for such quarter.

Dividends established in pursuance of this policy will be applied to the income originating from normal company operations, understanding as such the net income obtained by the Company in fiscal year 2000, without considering those originating from the following events:

- 1.- Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
- 2.- Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.

- 3.- Profits arising directly or indirectly from participation in related companies organized in Chile or abroad.
- 4.- Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 50 % of the capital stock of those companies.
- 5.- Accounting recognition of positive and negative goodwill associated with the investments.

The Board of Directors shall not distribute dividends chargeable against profits that arise from the above events and the Ordinary Shareholders' Meeting will state their view thereon when approving the final dividend.

The foregoing is the intention of the Board of Directors of the Company and, consequently, its compliance will be subject to actual profits as well as to the results reflected in the projections that the Company makes from time to time, or to the existence of given conditions.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends will be as a minimum the provisional dividends already distributed or the minimum provided under the operation of the Chilean Company Law, whichever of the two is higher.

V. INVESTMENT AND FINANCING POLICY FOR YEAR 1999

The Board of Directors of Enersis at the Meeting held on March 19 of this year, agreed to propose to the next Shareholders' Ordinary Meeting, to be held on April 29 of this year, the following Investment and Financing Policy for year 1999.

INVESTMENTS

a) Investment Areas

Enersis S.A., will make investments, pursuant to the provisions in its by-laws, in the following areas:

- Equity contributions to its public utility subsidiaries.
- Equity contributions for investment or to form subsidiary or related companies, the scope of business of which is similar, related or connected to energy in any of its forms or nature or to the provision of public utility services or that have energy as their main input.
- Other investments in real property and in any other kind of financial assets, negotiable commercial instruments, securities and equity contributions to companies.

b) Maximum investment limits

The maximum investment limits for each investment area will be as follows:

- Investments in public utility subsidiaries, as needed to enable such subsidiaries to attain their scope of business and perform their function as concessionaires.
- Investments in other subsidiary companies, such that:
 - a) The ratio of total debt to equity plus minority interest of the consolidated balance sheet is kept at a level lower than or equal to 1.35. Notwithstanding the latter, such ratio may increase up to 1.45 on a temporary basis and until the total placement, within the period in which this Investment and Financing Policy is effective, of the capital increase approved at the Extraordinary Shareholders' Meeting held on March 26, 1998 is made.
 - b) The sum total of the proportions of fixed assets that correspond to the participation in each one of these other subsidiary companies should not exceed the proportion of the fixed asset that corresponds to the participation in the public utility subsidiaries and in the parent company.
- Other investments, such that the clean assets factor for accounting purposes of Enersis, calculated on the basis of the individual balance sheet, should represent, as a proportion of the assets of Enersis, a percentage not below that stipulated in the first section of Article 45 bis of Decree Law No. 3,500.

c) Controlling participation in areas of investment.

In order to control the areas of investment and pursuant to what is stipulated in the general scope of business of the company, actions will be taken as follows:

- Propose to the Shareholders' Meetings of the subsidiary and related companies for the appointment of directors to act on behalf of the Company, with appointees originating on a majority basis from the Board of Directors or the senior management of either the Company or other subsidiary companies.
- Propose to the subsidiary companies the investment, financing and commercial policies as well as the accounting systems and criteria which they are to abide by.
- Supervise and coordinate the management and operation of the subsidiary and related companies.
- Maintain a permanent control on the borrowing limits and the clean assets factor for accounting purposes, in a manner such that the investments or equity contributions made or to be made do not involve a variation that departs from the parameters defining the maximum investment limits.

FINANCING

a) Maximum debt level:

The maximum debt level for Enersis will be based on a ratio of total debt to equity plus minority interest equal to 1.35 of the consolidated balance sheet. Notwithstanding the latter, such ratio may increase up to 1.45 on a temporary basis and until the total placement, within the period in which this Investment and Financing Policy is effective, of the capital increase approved at the Extraordinary Shareholders' Meeting held on March 26, 1998 is made.

b) Authority of management to agree with creditors on restrictions to dividend distributions:

Restrictions to dividend distributions may be agreed solely provided that they are previously approved at a General Shareholders' Meeting (either Ordinary or Extraordinary).

c) Authority of management to agree with creditors on granting collateral:

Notwithstanding the restrictions provided by law or the by-laws as regards granting real or personal guarantees to secure third party obligations, management has the authority to agree with creditors on granting collateral that commit up to 50 % of the consolidated net worth of the company. For amounts higher, the approval of an Extraordinary Shareholders' Meeting shall be required.

d) Essential assets for the operation of the Company:

The shares of common stock that represent equity contributions made by the Company to its subsidiaries Chiletra and Río Maipo are essential assets for the operation of the Company.

VI. INVESTMENTS IN BRAZIL

CERJ AND COELCE

As a consequence of the recent devaluation in place in Brazil and the application of Chilean accounting principles and criteria with respect to cross-border investments, at January 31, 1999, a positive effect is generated on the results of Enersis S.A. due to the accounting effects that this devaluation originates on the accounting of the investments which the Company has in Cerj and Coelce and the final impact of which will be known only when the closing exchange rate for the quarterly period ending on March 31, 1999 is known.

It is stated that the impact of the above mentioned devaluation only is an accounting effect and does not represent an effective generation of cash flow in those companies.

VII. CIRCULAR NO. 01764 FROM SUPERINTENDENCY OF SECURITIES AND INSURANCE

According to the request made by the Superintendency of Securities and Insurance through its Circular No. 01764 of March 18, 1999, please be advised of the following:

EDESUR

1. The National Electricity Regulatory Agency of Argentina which regulates the electricity sector applied a fine for quality of technical service equivalent to 10,800,000 Argentinean pesos.

2. On Monday March 15 this year, Edesur began a process to reach a voluntary understanding with its customers that had been affected by the interruption of the electricity service due to the fire which had broken out at the new Azopardo 2 substation.

The voluntary compensation or reparation established by Edesur S.A. in general terms will be made on the basis of the hours which the provision of electricity was actually suspended for the corresponding customer affected. From this standpoint, Edesur S.A. is going through a process of orderly responding to its customers demands, and has, until the previous day, Thursday, reached agreements with a percentage close to 70% of the customers on the basis of a previously established schedule to examine each case.

In fact, the above mentioned schedule has set appointments for approximately 27,829 customers during these first four days of operation of the project and 19,227 have been reviewed and solved, which represents a high degree of user acceptance. In any event, it is to be borne in mind that the universe of users originally affected is 160,000.

At the end of the process described above, scheduled to end the second fortnight of April, Edesur has to make a material assessment of the process, so as to determine the cases that have been actually solved, those that are still pending or whether there exist additional complaints, and make the projections and provisions needed on the basis of such information.

On the other hand, it is to be borne in mind that the fine stipulated in Resolution 292/99 of the National Electricity Regulatory Agency of Argentina is not within the scope of the Contract for the Concession, a reason which has prompted Edesur to file an appeal for review and with respect to it or the process of voluntary reparation it is not pertinent to make any evaluations or estimations as yet.

CERJ - COELCE

3. As stated in the Essential Event reported on March 15, the accounting net income indicated does not represent an affective generation of cash flow in those companies. The exchange rate in Brazil during the past days has been essentially variable, and therefore to make any projections in that respect, prior to the end of the quarterly period, may lead to erroneous conclusions.

Notwithstanding the above, and with respect to the positive effect generated in the results of Enersis owing to the above mentioned devaluation, which according to the accounting principles and criteria that are accepted in Chile for the Company's participation in the ownership in the companies Cerj and Coelce, the Superintendency of securities and Insurance was informed that, considering the last financial statements known at December 31, 1998 of those companies, and considering their net positions in assets and liabilities denominated in US dollars and in Brazilian reales, the effect in Enersis would be eventually at March 31 of this year, in terms of the equivalent in national currency, of US\$ 1,217,000 approximately of net income for each cent of a real at which such currency is depreciated with respect to the dollar of the United States of North America.

The exchange rate at December 31, 1998 was 1.2087 reales per dollar of the United States of America and on the previous day, March 18, 1999, it was 1.875 reales.

VIII. CHANGES IN THE BOARD OF DIRECTORS AND OTHER AGREEMENTS

MARCH 30, 1999

At the Meeting held on March 30, 1999, the Board of Directors of Enersis S.A. adopted the following agreements:

1. Accept the resignation tendered by the Directors Mr. José Antonio Guzmán Matta (Chairman), Mr. Juan Eduardo Errázuriz Ossa and Mr. Miguel Angel Poduje Sapiain, by the General Manager Mr. Pablo Ihnen de la Fuente, by the Vice-Chairman of Planning and Development Mr. Ramón Yávar Bascuñán and by the Chief Legal Counsel and Secretary to the Board Mr. Fernando Frías Larraín.
2. Appoint Mr. Rodolfo Martín Villa as Chairman of the Board of Directors and Mr. Alfredo Llorente Legaz as Vice-Chairman of the same Board and nominate Mr. Emilio Garcia Díez to serve the position of Director in the position that was held by Mr. Juan Eduardo Errázuriz Ossa, postponing the appointments to replace the other Directors who tendered their resignations until the next Shareholders' General Ordinary Meeting that is to be held on next

April 30. The Board of Directors appointed the current Vice-Chairman of Administration and Finance of Enersis S.A. Mr. Juan Ignacio Domínguez Arteaga as Acting General Manager and Mr. Domingo Valdés Prieto, the current Chief Legal Counsel of the Company, as "Ad Hoc" Secretary to the Board.

3. Decide that Enersis S.A. should favorably vote the extension of the maximum concentration in the ownership of the capital stock at the Shareholders' Extraordinary General Meeting of Endesa convened for next April 8, 1999.
4. Submit to the approval of the next Shareholders' Ordinary General Meeting a final dividend against the net income of 1998, equivalent to Ch\$ 4 (four Chilean pesos) per share.
5. Resolve, in accordance to the reports submitted by the Legal Counsel of the Company on March 11, 1999 and by the Assistant Internal Comptroller on March 18, 1999, and with due consideration to the information available, that there have not been any infringements by either the members of the Board of Directors or the executives of the Company in the voting process in connection with the ADRs at the last Shareholders' Extraordinary General Meeting held on last February 24, as well as in relation to information contained in the document 14 D submitted by Duke International to the Security Exchange Committee (SEC) of the United States.
6. Inform that the Shareholders' Extraordinary Meeting of Enersis held on March 30, 1999, gave its approval to the proposal to increase the degree of maximum concentration in the ownership of the capital stock of the Company from a 30% to a 65% as well as the modification of the by-laws such as are needed for its implementation.

APRIL 12, 1999

At the Extraordinary Meeting held on April 12, 1999, the Board of Directors of Enersis designated Mr. José María Fesser Antón to serve as Director of the Company in replacement of Mr. Miguel Angel Poduje Sapiain who tendered his resignation on March 30, 1999.

APRIL 13, 1999

At the Extraordinary Meeting of the Board of Directors of Enersis S.A., held on April 13, 1999, the Board of Directors adopted, among others, the following agreements:

- A.** Convene a Shareholders' Extraordinary Meeting of Enersis S.A. for next April 30, 1999, to be held immediately after the Shareholders' Ordinary Meeting of Enersis S.A. to be held on that same date at 5:00 P.M. at the Teatro Teletón at No. 1531 on Rozas Street, in the municipal district and city of Santiago, in order to review and decide on the following matters that are relevant to the Assembly:
 1. Leave fully without effect the capital increase approved by the Shareholders' Extraordinary Meeting held on March 26, 1998, acknowledged by public deed of April 14, 1998, executed before Mr. Patricio Zaldívar M., Notary Public in and for the city of Santiago.
 2. Approve a capital increase by issuing paid shares to be offered both in the domestic and international markets, up to an equivalent of US\$ 1 billion (one billion dollars of the United States of North America), to be subscribed and paid-in within a term of up to three years as from the date of the Meeting. The shares may be paid in cash or with securities to be determined by the Shareholders' Meeting.

The intention of the Board of Directors of Enersis is that part of the capital increase be placed in foreign security markets to be traded through the mechanism of the ADRs or other such mechanisms.

3. Approval of the equity contributions other than money mentioned in the numeral 2 above, as well as their corresponding expert appraisals.
4. Revoke the power of attorney granted by the Shareholders' Extraordinary Meeting of Enersis S.A. of February 4, 1999, for the sale of the participation in the capital stock of Empresa Nacional de Electricidad S.A., Endesa, held by Enersis S.A.
5. Introduce such reforms to the by-laws as are pertinent to fully implement the agreements that are adopted with respect to the matters referred to in numerals 1 and 2 above.

- B. Resolved to make an Offer for the Acquisition of Shares in Chile for a 25% and a Tender Offer in the United States of America for a 4.7% in order to take effective control of Empresa Nacional de Electricidad S.A., Endesa, in pursuance of the provisions in Article 97 literal a) of the Chilean Securities Market Law. The Offer for the Acquisition of Shares shall be made in Chile by Enersis S.A., whereas the Tender Offer shall be made in the United States of America by Agua de los Andes S.A. a subsidiary owned 100% by Enersis S.A. Such offer shall be made at a price of Ch\$ 305 per share of Empresa Nacional de Electricidad S.A., Endesa, in the case of both markets.

The Board of Directors has also approved to accept a financing offer from the Endesa Spain Group involving an amount similar to that of the offer, in Euros at an interest rate of 3% and for a term of two years.

JULY 29, 1999

At the meeting held on July 29, 1999, Mr. Rodolfo Martín Villa submitted his resignation as Director of Enersis S.A. He also reported that the Board of Directors of Enersis S.A. had nominated Mr. Hernán Somerville Senn as Director of the Company to replace Mr. Rodolfo Martín Villa. Finally, the Company also informed the Superintendency of Securities and Insurance that the Board of Directors of Enersis S.A. has nominated Mr. Rafael Miranda Robredo as Vice-Chairman of the Board of Directors of Enersis S.A.

IX. OTHERS

In compliance of Circular No. 03737 of last June 28, and by virtue of which the Company was asked to inform the Superintendency of Securities and Insurance with respect to the information published by the newspaper "Estrategia", in its issue of last June 24, regarding the sale of assets by the Company, the information reported was as follows:

The Executive of the Spanish company Endesa S.A. Mr. Rafael Miranda informed that as Delegate Councilor of the said Company, he gave an interview to Reuters on the progress of the business activities of Endesa Spain. At that interview, Mr. Miranda pointed out that Endesa S.A. (Endesa Spain) considered that there existed a potential for optimizing Enersis S.A. and its subsidiaries which could include, among others, the possibility of some investments that Mr. Miranda estimated at approximately one billion dollars.

Enersis S.A. is currently studying, on a preliminary basis, different alternatives for the disposal of assets and considering that such studies have not been completed, it has not adopted any decision as to which assets should be sold.

Enersis S.A. has been informed by the International Risk Rating Company Standard & Poor's that the such rating company has confirmed the international risk rating assigned to Enersis S.A. at A-, in line with the sovereign risk assigned to Chile.

Furthermore, the same risk rating company lowered the domestic rating assigned to Enersis S.A. from A+ to A, which is still higher than the sovereign risk assigned to Chile.

As a relevant event, Enersis S.A. has been informed by the International Risk Rating Company Moody that such rating company has confirmed the international risk rating assigned to Enersis S.A. at Baa 1, in line with Chile's sovereign risk rating. Also, the same company considers that the company's risk prospects are "stable".

Enersis S.A. has taken action to denominate its outstanding debt with Elesur S.A. in Unidades de Fomento, which debt is currently denominated in Euros. Such course of action was agreed on considering Ch\$ 542 per Euro, plus a yearly interest of 5.8% on Unidades de Fomento.

The transaction described above eliminates the risk of an appreciation of the Euro with respect to the Chilean peso and consequently does not expose the results of the Company to the effects which this implies.

With respect to Circular No.05393 of September 24, 1999, from the Superintendency of Securities and Insurance, the Company informed the following:

1. The newspapers "El Mercurio", "La Estrategia" and "El Diario" have informed of a restructuring process within Chilectra S.A. Ingeniería e Inmobiliaria Manso de Velasco S.A. and Diprel S.A. that consists in implementing a retirement plan with benefits for their respective employees, As stated in those newspapers, such processes have been carried out by the subsidiaries of Enersis S.A. mentioned and not by the Company itself.

2. In consideration of the above, Enersis S.A. has no additional informational to that which has already been made public with respect to the plans implemented, notwithstanding which it is deemed that such plans will have no material effect on the results of the Company, considering the cost associated with the above mentioned plans.

The Board of Directors of Enersis S.A. at its Ordinary Meeting held on May 26, 1999, resolved, in order to settle and consolidate for purposes of accounting the investments which Enersis S.A. currently holds in Codensa S.A. E.S.P, Compahnia de Electricidade de Rio Janeiro-Cerj and in Compahnia Energética do Ceará, to authorize the negotiation and signature of agreements at the corresponding corporate levels to ensure the control by Enersis S.A. of the Boards of Directors of those companies and of the Boards of Directors of Distriluz Energía Eléctrica S.A., Investluz S.A. and Luz de Bogotá S.A.

The Board of Directors also vested the Chief Executive Officer, Mr. Enrique García Alvarez, and Deputy General Manager, Mr. Juan Ignacio Domínguez Arteaga, with powers so that indistinctly any of them, acting in the name of and on behalf of Enersis S.A., inform in the character of an essential event to the Superintendency of Securities and Insurance the signature of the contracts and all other pertinent agreements by virtue of which the settlement and consolidation for accounting purposes will be attained of the companies mentioned in the foregoing paragraph in favor of Enersis S.A., as soon as it is place. The signature of such agreements has been effected on this date June 25 of 1999, Consequently, as from the financial statements at June 30, 1999, the above mentioned companies will consolidate with Enersis S.A.

X. DISPOSAL OF ASSETS

The Board of Directors of Enersis S.A., at the meeting held on August 31, 1999, agreed by the unanimity of all members present:

1. Ask the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, to adopt the measures needed or relevant so that the corresponding corporate instances should convene a Shareholder's Extraordinary Meeting of Ingeniería e Inmobiliaria Manso de Velasco S.A. in order that such an assembly should decide on, among other things a) the cancellation of the registration of the Company in the Securities Register at the Superintendency of Securities and Insurance, and b) the division of Ingeniería e Inmobiliaria Manso de Velasco S.A. through the creation of two new companies in which it will assign a part of its equity, and the shareholders of the Company so divided, that is, Ingeniería e Inmobiliaria Manso de Velasco S.A., will receive the same proportion of the capital stock of the new companies created as a result of such division as that which they held in the capital stock of Ingeniería e Inmobiliaria Manso de Velasco S.A.
2. Instruct the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, to adopt the measures needed or relevant so that the corresponding corporate instances should convene a Shareholder's Extraordinary Meeting of Aguas Cordillera S.A. in order that such an assembly should decide on, among other things the division of Aguas Cordillera S.A. through the creation of a new company denominated Inmobiliaria Cordillera S.A. in which it will assign a part of its real estate and stock equity, and the shareholders of the Company so divided, that is, Aguas Cordillera S.A., will receive the same proportion of the capital stock of Inmobiliaria Cordillera, created as a result of such division as that which they hold in the capital stock of Aguas Cordillera S.A on the basis of its equity prior to division.
3. Vest the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, with the power to call a private tender for the disposal of the direct or indirect participation which Enersis S.A. holds in Aguas Cordillera S.A., once the decision mentioned in the foregoing numeral is in place. This agreement was approved by the unanimous vote of all Board members present:
 - a) Vest the Chief Executive Officer, Mr. Enrique García Alvarez, the Deputy General Manager, Mr. Juan Ignacio Domínguez Arteaga, the Chief Legal Counsel, Mr. Domingo Valdés Prieto and the Development Manager Mr. Osvaldo Schaerer de la Vega, with the power so that acting either jointly or severally, they should prepare and make known the terms of reference for the respective call for bid, considering within them the award of the participation held by Enersis S.A. in the capital stock of Aguas Cordillera and which amounts to 99.999966% of the capital stock of the latter, to the offer which contains the best price and providing that the said offer should exceed the minimum price which in due time will be set, and so that the said attorneys secure the services of an Investment Bank;

- b) Vest the Chief Executive Officer, Mr. Enrique García Alvarez, or in lieu of him the Deputy General Manager Mr. Juan Ignacio Domínguez Arteaga, with the power so that acting either jointly or severally, they sign and execute the documents and contracts that at law are to be entered to proceed with the disposal of the participation in the ownership of the capital mentioned above.

The Board of Directors of Enersis S.A. at its Extraordinary Meeting held on September 16, 1999, agreed by the unanimity of its members present that, having analyzed the information and with a view to facilitate and materialize the sale of Aguas Cordillera S.A. to leave without effect agreement No. 123/99 of the Board of Directors, adopted at the Ordinary Meeting of the Board of Directors of Enersis S.A. held on August 31, 1999 and informed as an essential event to that Superintendency on September 1, 1999, by virtue of which it was agreed to request, pursuant to the provisions in Article 58 No. 3 of Law 18,046, that a Shareholders' Extraordinary Meeting of Aguas Cordillera S.A. be convened to consider the division of the said Company through the creation of a new Company, in the terms described in the previously mentioned agreement. As a result of this, Aguas Cordillera S.A. will not be divided and its sale will be effected including all its real property assets.

Enersis S.A. has been notified on October 22 of the Resolution No. 553 adopted on October 21 by the Honorable Resolutive Commission, by virtue of which such Commission adopted, among others, the following measures:

- 1) Proceed ad officio to the review and on the information available and according to which there would exist corporate ties between different players that participate in the Bidding Process called by Enersis S.A. for the disposal of all of its participation in the direct or indirect ownership of the capital stock of Aguas Cordillera S.A.
- 2) The Honorable Commission also decreed an injunction whereby it suspended the call for bid called by Enersis S.A. for its indirect or indirect participation in the capital stock of Aguas Cordillera and the prohibition that in lieu of it Enersis S.A. should make a direct sale of such participation in the ownership of the capital stock, until such date that the Honorable Resolutive Commission has not issued a decision on the substance of the matter or adopted any resolution against it.

At its meeting on November 2, the Board of Directors of Enersis S.A. resolved, by the unanimous vote of its members present, to leave without effect the bidding process related to the disposal of its participation in the ownership of the capital stock of Aguas Cordillera, and that was a matter of Agreement No. 124/99 adopted by the Board of Directors of Enersis S.A. at its Ordinary Meeting held on August 31, 1999. Such decision is based on the impossibility stemming from Resolution No. 553 issued by the Honorable Resolutive Commission of including in the results for the period 1999 the effects of the sale that would have been effected, as well as the proximity of the tariff-setting process affecting that company.

The Board of Directors of the Company will study and reassess the possible future sale of the above mentioned asset in the light of the tariff and market conditions that should prevail in the future.

XI. INTERIM AND FINAL DIVIDENDS

On January 28, 1999, the Board of Directors informed the Superintendency of Securities and Insurance that it had resolved not to distribute an interim dividend in the month of February of that year because the conditions previously set forth in the dividends policy did not exist.

The Vice-Chairman of Administration and Finance pointed out the need to postpone the agreement in what respects setting a final dividend against the net income of the period 1998, to be addressed in the Ordinary Meeting scheduled for the end of the month.

- a) At the Shareholders' Ordinary Meeting held on April 30, 1999. It was agreed to distribute a final and eventual dividend of Ch\$ 4.00 per share against the net income of 1998.
- b) The Board of Directors resolved not to distribute in the month of May this year an interim dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

At Meeting No. 23 held on July 29, 1999, the Board of Directors resolved not to distribute in the month of August this year an interim dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

The Board of Directors of Enersis S.A., at the meeting held on November 2, 1999, resolved not to distribute in the month of November this year an interim dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

At the meeting held on December 17, the Board of Directors of Enersis S.A. agreed not to distribute in the month of February of the year 2000 an interim dividend against the net income of the period 1999, because the conditions previously set forth in the dividends policy did not exist.

CHILECTRA S.A.

I. DIVIDENDS AND INVESTMENT AND FINANCING POLICY YEAR 1999

1. DIVIDENDS POLICY YEAR 1999

The Board of Directors at the Meeting held on February 25, 1999 resolved to inform the Shareholders' Ordinary Meeting the following Dividends Policy for the year 1999.

Distribute in the months of May, August and November of the year 1999 and in the month of February of the year 2000, an interim dividend to be charged against the net income of the year 1999. On each of those months, the company will distribute 85% of the net income from normal operations in the quarters ending in the months of March, June, September and December of such fiscal year. For purposes of the above calculation, the provisional dividends for the year 1999 already distributed as up to such distribution date will be deducted from the 85% of the cumulative net income for such quarter.

By income originating from normal operations will be understood the net income obtained by the Company in fiscal year 1999, without considering those originating from the following events:

- 1.- Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
- 2.- Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.
- 3.- Profits arising directly or indirectly from participation in related companies organized in Chile or abroad.
- 4.- Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 50 % of the capital stock of those companies.
- 5.- Accounting recognition of positive and negative goodwill associated with the investments.

Should the total amount of the results of these events be negative, the value shall be taken into account for purposes of calculating the net income to be distributed.

Consequently, The Board of Directors shall not distribute dividends chargeable against profits that arise from the above events and the Ordinary Shareholders' Meeting will state their view thereon when approving the final dividend.

The foregoing is the intention of the Board of Directors of the Company and, consequently, its compliance will be subject to actual profits as well as to the results reflected in the projections that the Company makes from time to time, or to the existence of given conditions.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends will be as a minimum the provisional dividends already distributed or the minimum provided under the operation of the Chilean Company Law, whichever of the two is higher.

2. INVESTMENT AND FINANCING POLICY YEAR 1999

The Board of Directors of Chilectra resolved to establish the following Investment and Financing Policy for the year 1999:

1. Investments

The Company will make investments in accordance to what is stipulated in its by-laws, in areas related to works to expand the capacity for the supply associated with the demand for electric energy, in equity contributions to its subsidiary or related companies and in equity contributions for investment in forming subsidiary or related companies whose scope of business is similar, related or associated to energy in any of its forms, to the provision of public utilities or that energy as their main input.

The investments related to the expansion of the company will be necessary to meet in an optimal manner the demand for electricity originating in its concession area. In what respects the investments in its related public utility companies, they will be those that are necessary so that these subsidiary or related companies may perform their scope of business and carry out their function as concessionaires. In what respects the investments in subsidiary or related companies, investments will be made in projects that maximize the value of the Company, considering the degree of risk associated to such investments and in accordance to the by-laws of the Company.

In order to control the investments and in accordance to what the scope of business of the Company establishes, Chilectra will propose to the Shareholders' Meetings of the subsidiary and related companies the appointment of Directors that represent the Company, and the appointees are to originate on a majority basis from the Board of Directors or the Senior Manager, both from the Company as well as from other related companies. Furthermore, Chilectra will establish the investment, financing and commercial policies, as well as the accounting systems and criteria that the subsidiaries must abide by and supervise and control the management of the subsidiary and related companies.

2. Financing

The resources needed for the process of national and international expansion of the Company, in addition to the resources that the operation of the company generates, are obtained according to special financing plans. Among these, consistent with the needs, the issuance of bonds, credits from suppliers, bank and syndicated loans, multinational credit agencies, bonds and convertible bonds and others are considered as alternatives. Likewise, resources may be obtained from Pension Funds Management Companies, Insurance Companies, national and foreign investors and others.

II. SHAREHOLDERS' MEETINGS

On April 30 1999, the Shareholders' Ordinary and Extraordinary Meetings were held, and at them the following agreements were adopted:

SHAREHOLDERS' ORDINARY MEETING

- a) Approval of Annual Report, Balance Sheet, Statement of Income and report of External Auditors for period ended at December 31, 1998.
- b) Approval and distribution of net income of period 1998 and information on the dividends policy for the period 1999.
- c) Election of the Board of Directors and set the remuneration for the Board members.
- d) Appointment of External Auditors.
- e) Appointment of Risk Rating Companies.
- f) Information on Operations which Article 44 of Law No. 18,046 refers to.
- g) Information on measures adopted to face the Year 200 Problem.
- h) Other matters of interest to the Company.

SHAREHOLDERS' EXTRAORDINARY MEETING

- a) Approval of capital increase through the capitalization of share premium account.
- b) Adopt all resolutions needed to carry out the corresponding amendments to the by-laws.

III. ELECTION OF THE BOARD OF DIRECTORS OF THE COMPANY

- a. The Shareholders' Ordinary Meeting held on April 30, 1999, appointed members of the Board of Directors as follows:
 - Alfredo Llorente
 - Juan Domínguez
 - Hernán Errázuriz
 - José Fernández
 - Enrique García
 - Antonio Pareja
 - Juan Salazar
- b. The Board of Directors of the Company, at Extraordinary Meeting held on April 30, 1999, designated Mr. Alfredo Llorente Legaz as Chairman of the Company and Mr. José Manuel Fernández Normiella as Vice-Chairman.

- c. At Ordinary Meeting No. 4 of the Board of Directors of the Company, held on March 31, 1999, Mr. Pablo Innen de la Fuente and Mr. Ramón Yávar Bascuñán tendered their resignation as Directors.

IV. RESIGNATIONS AND APPOINTMENTS

- a. At the Meeting of the Board of Directors of the Company held on June 30, 1999, the following appointments were made:
- Julio Valenzuela Senn Deputy General Manager
 - Alfonso Prieto Laina Planning and Management Control Manager
 - Ramón Vásquez González Corporate Distribution and Commercial manager
- b. At the Meeting of the Board of Directors of the Company held on June 30, 1999, the resignation of Mr. Paul Fontaine Benavides as Administration and Finance Manager of the Company was accepted.

V. RESTRUCTURING

At the Meeting of the Board of Directors of the Company held on July 30, 1999, the new organizational structure of the Company was approved, as follows:

Reporting directly to the Chief Executive Officer (Mr. Marcelo Silva) the Distribution and Commercial Business Unit Management (Mr. Ramón Vázquez) and the Deputy General Management (Mr. Julio Valenzuela). In addition, reporting to the General Manager, the Legal Counsel (Mr. Gonzalo Vial), Human Resources and Organization Management (Mr. Juan Carlos Mundaca), Planning and Control Management (Mr. Alfonso Prieto), Public Affairs Management (Mr. Guillermo Amunátegui), Sectoral Regulation Management (Mr. Guillermo Pérez del Río), Assistant Finance Management (Mr. Juan Pablo Harrison) and Corporate Business Management (Mr. Edgardo González).

On the other hand, reporting to the Distribution and Commercial Business Unit Management: Technical Systems Management (Mr. Pedro Miquel), Commercial System Management (Mr. Cristián Montero), and Benchmarking Management (Mr. Ricardo Lira). Finally, reporting to the Deputy General Management: Distribution Management (Mr. Rolando Hechenleitner) and Commercial Management (Mr. Fernando Urbina).

VI. DIVIDENDS

- a. The Board of Directors of Chilectra S.A., at the meeting held on January 27, 1999, resolved to distribute as from February 24, 1999, an interim dividend to an amount of Ch\$ 7,214,540,433, against the net income of the year 1998.
- b. The Board of Directors of Chilectra S.A., at the meeting held on March 31, 1999, resolved to propose to the Shareholders' Ordinary Meeting to be held on April 30 of that year the distribution of a total dividend to an amount of Ch\$ 15, 815,622,868, as from May 12, 1999.

The said amount is broken down in an additional dividend of Ch\$ 15, 637,441, 539, and an eventual dividend of Ch\$ 178,181,329.

The amount to be distributed per share will be determined on the fifth working day prior to the date of payment, as there is an issuance of paid shares outstanding.

- c. The Shareholders' Ordinary Meeting held on April 30, 1999, resolved to distribute as from May 12, 1999, a final dividend to an amount of Ch\$ 15, 815,622,868, against the net income of the year 1998.
- d. The Board of Directors of Chilectra S.A., at the meeting held on April 30, 1999, resolved to distribute as from May 26, 1999, an interim dividend of Ch\$ 26.1 per share, against the net income of the year 1999
- e. The Board of Directors of Chilectra S.A., at the meeting held on July 30, 1999, resolved to distribute as from August 25, 1999, an interim dividend of Ch\$ 16.8 per share, against the net income of the year 1999.
- f. The Board of Directors of Chilectra S.A., at the meeting held on October 26, 1999, resolved to distribute as from November 24, 1999, an interim dividend of Ch\$ 25.5 per share, against the net income of the year 1999.

- g. The Board of Director of Chilectra S.A., at the meeting held on January 28, 2000, resolved to distribute as from February 23, 2000 an interim dividend of Ch\$ 5.1 per share, against the net income of the year 1999.

VII. TECHNICAL FAILURE AT EDESUR S.A.

- a. The Board of Directors of Chilectra S.A., at the meeting held on January 25, 1999, agreed by unanimous vote to inform the Superintendency of securities and Insurance, as an essential event, the following:

The interruption in the provision of electricity was due to an electrical accident that occurred on February 15, 1999, in high tension cables of the new Azopardo substation, which in addition to having state of the art technology, was built by contractors that enjoy a world class reputation.

The Contract for the Concession between the National State of Argentina and the Company EDESUR S.A., is the instrument that establishes and governs the application of fines due to quality of service.

The above, notwithstanding the penalties which could be made effective as a result of legal action filed by third parties against Edesur S.A. with Courts of Competent Jurisdiction.

In order to determine those fines it is necessary to collect all information needed, validate it and make the corresponding calculations. Therefore, at present no official amounts are available in connection with the fines, as they are at the stage in which they are being calculated by the National Electricity Regulatory Agency (ENRE) on the basis of the information that Edesur S.A. provides.

According to preliminary calculations based on the Contract for the Concession, the fines should be in the order of US\$ 10 million before taxes, with which the effect on the results of Chilectra S.A. would be of US\$ 2 million.

As regards publications in the mass media that report an alleged fine of US\$ 70 million, the Company must point out that it is not supported by the provisions stipulated in the Contract for the Concession.

In what respects losing the concession, the Company must state that such risk does not exist. However, the Company must state that the Contract for the Concession does consider the execution of the guarantee on the class A shares of Edesur S.A. that are held by Distrilec S.A. In this sense, Chilectra S.A. indirectly holds an 11.9% of Edesur S.A., through Distrilec S.A. This percentage represents 38.8% of total shares that Chilectra S.A. owns in Edesur S.A., either directly or indirectly. This means that 61.2% of the shares of Edesur S.A. held by Chilectra S.A. are not subject to the guarantee mentioned above.

In our opinion, in the case under discussion, the assumptions provided for in the Contract for the Concession do not obtain to execute the above mentioned guarantee.

It is worth stating that Edesur S.A. has availed itself of all means within its reach in order to overcome the emergency. In fact, it is to be pointed out that Edesur S.A. serves more than 2,100,000 customers. Of these, the electricity outage only affected 160,000 customers, and the electricity service was reestablished for 60% of them on the same day of the accident. The rest of the customers gradually recovered their electricity service, with all of them connected on February 25.

- b. The Board of Directors of Chilectra S.A., at the extraordinary meeting held on April 1, 1999, by unanimous vote agreed on the following:

With respect to electrical accident that occurred on February 15, 199, at Edesur S.A., the Company reports that it has been brought to its attention that, in addition to the payment of contractual fines on the grounds that the quality of the technical service was not complied with, Edesur S.A. has taken action to pay an immediate voluntary reparation in cash to each of the customers affected by that accident.

According to the information provided by Edesur S.A., at March 31, 1999, the amount of the indemnities paid to the tariff T1 customers was US\$ 20.4 million, which represents an 83.1% of the total potential amount to be disbursed for compensations in this category. In the case of the T2 customers, in turn, the amount paid was US\$0.8 million, which represents 43.6% of the total potential compensations to be paid in this category. As regards T3 customers, the reparation program has not started as yet.

On the other hand, according to calculation recently made by Edesur S.A., the contractual fine amounts to US\$10.8 million.

The effect on the results of Chilectra of the fines reported is in order of Ch\$3 billion.

The above, notwithstanding the eventual penalties that may be made effective as a result of filings lodged by third parties with Courts of Competent Jurisdiction or the extra-contractual fines that the National Electricity Regulatory Agency is attempting to enforce. With respect to the latter a writ for a review has been filed with the said Regulatory Agency.

- c. On April 7, 1999 the National Electricity Regulatory Agency (E.N.R.E) through its Resolution No. 471/99, rejected the appeal for reconsideration filed by Edesur S.A., against Resolution No. 292/99, that established penalties in favor of T1R users (minor lawsuits brought about by residential customers).

The Board of Directors of Edesur S.A. has decided not to further pursue the issue regarding the applicability of Resolution No. 292/99 at a judicial instance and, therefore, has made the decision to credit the users' accounts with the amount which is specified as a fine by the said Resolution. Likewise, in the case of the T1G, T2 and T3 users and tolls, Edesur S.A. is applying a Voluntary Reparation Plan designed by the company, and will also credit, through invoicing, the amounts specified in Resolution No. 222/99, by way of a fine for quality of technical service provided for in Sub-annex No. 4 to the Contract for the Concession.

Likewise, in what respects the legal actions to be taken which Resolution No. 294/99 refers to, the National Electricity Regulatory Agency, has resolved in a final manner, through Resolution No. 539/99, to apply a fine on Edesur S.A. to an amount equivalent to 1,500,000 KW/h, which represents in the order of 136,500 Argentinean pesos.

According to the above, Edesur S.A. has made charges against results in its accounting to a total amount of 75 million Argentinean pesos, a figure that includes all fines and payments described above. The impact which those fines and payments have on Chilectra's results amount to an equivalent of US\$ 15 million, a figure that will affect the results of the Company during the first quarter of 1999.

Finally, the Company informed the Superintendency of Securities and Insurance that the National Electricity Regulatory Agency, by Resolution No. 540/99 of April 20, 1999, has left Resolution No. 293/99 without effect (Execution of Guarantees), which does away with the risk of executing the guarantees pledged by Distrilec Inversora S.A. on class A shares of Edesur S.A.

VIII. DEVALUATION IN BRAZIL

The recent devaluation in Brazil, in which the rate of exchange varied from 1.21 reales per US\$ 1 at the end of December 1998 to 1.72 reales per US\$ 1 at March 31, 1999, has as an effect a lower net indebtedness, in terms of US dollars of the related company Cerj, down by US\$ 230 million and of Coelce, down by US\$ 8 million.

Due to the above restatement, Chilectra will have a positive effect in its results in the order of Ch\$ 30 billion. This effect has been determined pursuant to the provisions in Bulletin No. 64 of the Chilean Professional Association of Accountants, A.G.

IX. RISK RATING

The Company has been informed by the International Risk Rating Company Standard & Poor's that such risk rating company confirmed the international risk rating assigned to Chilectra S.A. at A-, in line with Chile's sovereign risk rating.

Likewise, the same risk rating company lowered the domestic risk rating assigned to Chilectra S.A from A+ to A, which is still above the rating assigned to the country's sovereign risk.

COMPañIA ELECTRICA DEL RIO MAIPO

I. DIVIDENDS POLICY

The Board of Directors at the Meeting held on February 24, 1999, resolved to inform the Shareholders' Ordinary Meeting the following Dividends Policy for the year 1999.

Distribute in the months of May, August and November of the year 1999 and in the month of February of the year 2000, an interim dividend to be charged against the net income of the year 1999. On each of those months, the company will distribute 85% of the net income from normal operations in the quarters ending in the months of March, June, September and December of such fiscal year. For purposes of the above calculation, the provisional dividends for the year 1999 already distributed as up to such distribution date will be deducted from the 85% of the cumulative net income for such quarter.

By income originating from normal operations will be understood the net income obtained by the Company in fiscal year 1999, without considering those originating from the following events:

- 1.- Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
- 2.- Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.
- 3.- Profits arising directly or indirectly from participation in related companies organized in Chile or abroad.
- 4.- Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 50 % of the capital stock of those companies.
- 5.- Accounting recognition of positive and negative goodwill associated with the investments.

Consequently, The Board of Directors shall not distribute dividends chargeable against profits that arise from the above events and the Ordinary Shareholders' Meeting will state their view thereon when approving the final dividend.

In the year 2000, a proposal will be submitted to the Shareholders' Ordinary Meeting that the final dividend, against the net income of the period 1999 that it should agree on, be paid at the latest by the tenth day after the meeting is held.

It is the intention of the Board of Directors of the Company that a percentage as close as 100% of the net income originating from the normal operation of the period 1999 be distributed.

Full compliance of the intention of the Board of Directors will be subject to the net income actually obtained, as well as to the results shown by the projections that the company makes from time to time.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends will be as a minimum the provisional dividends already distributed or the minimum provided under the operation of the Chilean Company Law, whichever of the two is higher.

II. SHAREHOLDERS' MEETINGS

1. SHAREHOLDERS' ORDINARY MEETING

On April 26 1999, the Shareholders' Ordinary Meeting was held, and at it the following agreements were adopted:

1. Approval of Annual Report, Balance Sheet, Statement of Income and Report of External Auditors for period ended at December 31, 1998.
2. Approval and distribution of net income of period 1998, retained earnings and in special approval of the final dividend proposed by the Board of Directors to the Assembly.
3. Election of the Board of Directors, which was made up as follows:
 - **Chairman** Alberto López
 - **Vice-Chairman** Emilio García
 - **Directors** Ramón Vásquez
Jorge Claro
Ernesto Silva
4. Set the remuneration for the Board of Directors
5. The appointment of the External Auditors was delegated to the Board of Directors, which is to conform to those designated by Enersis S.A.

III. DIVIDENDS

- The Board of Directors of the Company, at the meeting held on January 28, 1999, resolved to distribute as from February 24, 1999, an interim dividend to an amount of Ch\$ 1,795,744,355.

- The Shareholders' Ordinary Meeting held on April 26, 199, resolved to distribute an additional and eventual final dividend No. 49 to an amount of Ch\$ 3.86996 per share against the net income of the year 1998, which was paid as from May 6, 1999.
- The Board of Directors of the Company, at the meeting held on April 26, 1999, resolved to distribute an interim dividend of Ch\$ 1,685, 613,174 against the net income of the year 1999, which was paid as from May 26, 1999.
- The Board of Directors of the Company., at the meeting held on July 26, 1999, resolved to distribute an interim dividend of Ch\$ 1,685, 822,339 against the net income of the year 1999, which was paid as from August 25, 1999.
- The Board of Directors of the Company., at the meeting held on October 25, 1999, resolved to distribute an interim dividend of Ch\$ 1,860, 765,969 against the net income of the year 1999, which was paid as from November 24, 1999.

IV. CHANGES IN THE BOARD OF DIRECTORS

At the meeting of the Board of Directors of the Company held on August 31,1999, Mr. Emilio García Diez tendered his resignation as Director. At the same meeting, the Board of Directors resolved to designate Mr. Julio Valenzuela Senn as Director in the position left by Mr. Emilio García Diez. Mr. Valenzuela will serve as Director until the next Shareholders' Ordinary Meeting,

Accordingly, the Board of Directors was made up as follows:

- **Chairman** Alberto López
- **Vice-Chairman** Ernesto Silva
- **Directors** Ramón Vásquez
Jorge Claro
Julio Valenzuela

V. AGUAS CORDILLERA S.A.

At the closing date of the Financial Statements at December 31, 1999, Aguas Cordillera and its subsidiaries informed the Superintendency of Securities and Insurance with respect to the following essential events:

AGUAS CORDILLERA S.A.

MEETING BOARD OF DIRECTORS HELD ON MARCH 29, 1999

At the Ordinary Meeting held on March 29, the resignation tendered by the Director Mr. Juan Eduardo Errázuriz Ossa was accepted and the Board agreed not to appoint a replacement.

MARCH 29, 1999

On March 29, the resignation tendered by the Director Mr. Pablo Ihnen de la Fuente was accepted.

APRIL 15, 1999:

On April 15, the resignation tendered by the Director Mr. José Antonio Guzmán Matta as Director of Aguas Cordillera S.A. was accepted.

APRIL 27, 1999:

On April 27, 1999, the Shareholders' Ordinary Meeting resolved to renew the Board of Directors, which was made up as follows:

- Enrique Bordiu Cienfuegos-Jovellanos
- Carlos Cabrera Junquera
- Juan Ignacio Domínguez Arteaga
- José María Fesser Antón
- Víctor Manuel Jarpa Riveros
- José Manuel Kindelán Alonso
- Francisco Silva Bafalluy

MAY 25, 1999:

At the Meeting held by the Board of Directors of Aguas Cordillera S.A. on May 29, Mr. Juan Ignacio Domínguez Arteaga was appointed to serve as Chairman of the Board of Directors and Mr. Víctor Manuel Jarpa Riveros was appointed Vice-Chairman.

SEPTEMBER 3, 1999:

At the Meeting held by the Board of Directors of Aguas Cordillera S.A. on September 3, it was resolved to convene an Extraordinary Shareholders' Meeting to approve a capital decrease of the company, its division and the formation of a new Company, as per a request submitted on September 3, 1999, by Enersis S.A. which, in its capacity as holder of 99.99% of the shares issued with a right to vote, has resolved to convene a Shareholders' Extraordinary General Meeting of Aguas Cordillera S.A. to be held on September 20, 1999, at 10:00 P.M. in the offices of the Company located at No. 3912 on Eduardo Marquina Street, Vitacura.

SEPTEMBER 17, 1999:

At the Meeting on September 17, 1999, the Board of Directors of Aguas Cordillera S.A., resolved by the unanimous vote of those present, to leave without effect the Shareholders' Extraordinary General Meeting to be held on September 20 in accordance to a resolution adopted at the ordinary meeting of the Board of Directors held on September 3, 1999, and also revoked the said agreement.

EMPRESA DE AGUA POTABLE VILLA LOS DOMÍNICOS S.A.

APRIL 15, 1999:

On April 15, the resignation tendered by the Director Mr. Pablo Inhnen de la Fuente was accepted.

APRIL 28, 1999:

On April 28, 1999, the Shareholders' Ordinary Meeting resolved to renew the Board of Directors of the Company, which was made up as follows:

- Carlos Cabrera Junquera
- Juan Ignacio Domínguez Arteaga
- José María Fesser Antón
- Víctor Manuel Jarpa Riveros
- José Manuel Kindelán Alonso

EMPRESA SANITARIA DE VALPARAISO S.A.

1) COLLECTOR BEGINS OPERATIONS

On January 14, 1999, the collector built in order to improve sanitary facilities of Greater Valparaíso was commissioned, and includes the different sub-collectors and the flow from Viña del Mar, which has been done on a regulated basis. Informed at Board Meeting No. 264 held on January 22, 1999.

2) PRICE PLACEMENT SHARES

At the Meeting of the Board of Directors No. 265 held on February 3, 1999, the Board of Directors set the price for the placement of the shares corresponding to the 10% capital increase approved at the Shareholders' Extraordinary Meeting held on September 30, 1998, to an amount equivalent to 0.003980356 Unidad de Fomento per share.

3) DIVISION OF CAPITAL STOCK IN TWO SERIES OF SHARES AND RIGHT TO WITHDRAW

On February 3, 1999, the 8th Shareholders' Ordinary Meeting was held, at which it was agreed to divide the capital stock in two series of shares, designated class A and class B shares. This agreement established withdrawal rights for the shareholder's, as communicated to them in writing on February 4, and published through a notice on the same date in the newspaper "La Nación".

4) RESIGNATION CHIEF EXECUTIVE OFFICER

At the Meeting of the Board of Directors No. 268 held on March 30, 1999, the letter of resignation of the Chief Executive Officer Mr. Dante Bacigalupo Marió, due to the completion of the P.S.P. project, is acknowledged. The said resignation will become effective as from next April 15, 1999, the date for the change in the administration of the Company.

5) PLACEMENT OF 99.56% OF CAPITAL INCREASE

At the Meeting of the Board of Directors No. 268 held on March 30, 1999, the Board of Directors resolved to award the consortium Aguas Puerto S.A. 252,546,436 shares, corresponding to 99.56% of the capital increase approved at the Extraordinary Meeting of the Board of Directors held on September 30, 1998, and that were not subscribed by the shareholders at March 30, 1999, exercising the preemptive rights.

6) CHANGE OF CONTROL OF THE COMPANY, APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF THE BOARD OF DIRECTORS, REVOKE POWERS OF ATTORNEY AND GRANT NEW POWERS OF ATTORNEY.

At the Meeting of the Board of Directors No. 269 held on April 15, 1999, the Board of Directors informs on the change of control in the Company, through the entry of Aguas Puerto S.A. as new controlling stockholder. Mr. Juan Villarzú Rhode tendered his resignation as Director and Chairman of the Board, which was accepted and Mr. Dante Bacigalupo Marió was designated Director in his replacement (Agreement No. 914). Mr. H.L. Felipe Sandoval Precht tendered his resignation as Director and Vice- Chairman of the Board, which was accepted and Mr. Jorge Moraga Mancilla was designated Director in his replacement (Agreement No. 913). Mr. Elías Arce Cyr tendered his resignation as Director of the Board, which was accepted and Mr. Juan Ignacio Domínguez Arteaga was designated Director in his replacement (Agreement No. 912). Mr. Daniel Albarrán Ruiz-Clavijo tendered his resignation as Director of the Board, which was accepted and Mr. Edmundo Dupré Echeverría was designated Director in his replacement (Agreement No. 911). Mr. Gonzalo Sánchez García Huidobro tendered his resignation as Director of the Board, which was accepted and Mr. Domingo Valdés Prieto was designated Director in his replacement (Agreement No. 910). Mr. Heinz Rudolph Herrera tendered his resignation as Director and Chairman of the Board, which was accepted and Mr. Eduardo Novoa Castellón was designated Director in his replacement (Agreement No. 909). Next, the new Board of Directors was set up, made up as follows: At the proposal of Aguas Puerto: Mr. Eduardo Novoa Castellón, Mr. Edmundo Dupré Echeverría, Domingo Valdés Prieto and Mr. Juan Ignacio Domínguez Arteaga. At the proposal of the Chilean Development Agency (CORFO): Mr. Gibrán Harcha Sarras, Mr. Dante Bacigalupo Marió and Mr. Jorge Moraga Mancilla.

By Agreement No. 915, the Board of Directors appointed Mr. Juan Ignacio Domínguez Arteaga as Chairman of the Board and Mr. Edmundo Dupré Echeverría as Vice-Chairman. They will hold office until the next Shareholders' Ordinary Meeting.

By Agreement No. 916, the Board of Directors appointed Mr. Gustavo González Doorman as Chief Executive Officer of the Company.

By Agreement No. 917, the Board of Directors approved the Company's new organization chart.

By Agreement No. 918, the Board of Directors appointed the following members of upper management: a) Administration and Finance Manager, Mrs. Patricia Pacheco Gómez, b) Commercial Manager, Mr. Juan Pablo Rodríguez Matta, c) Operations Manager, Mr. George Seal Comte, d) Engineering Manager, Mr. Jorge Witaker, e) Development Manager, Mr. Francisco Ottone Vigorena, f) Human Resources Manager, Mr. Sergio Pinto Fernández, g) Chief Legal Counsel, Mr. Eduardo Evans Espiñeira, h) Auditor, Mr. Roberto Rubiño Escobar.

By Agreement No. 919, the Board of Directors revoked all powers of attorney granted by the Company and approved the new structure of powers of attorney.

7) RESIGNATION OF DIRECTOR AND APPOINTMENT OF REPLACEMENT.

At the Meeting of the Board of Directors No. 270 held on April 28, 1999, Mr. José María Fesser Antón was designated Director in his replacement (Agreement No. 923).

8) PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITORS

At the Meeting of the Board of Directors No. 270 held on April 28, 1999, the Board of Directors resolved to propose to the next Shareholders' Ordinary Meeting the designation of the company Price Waterhouse as External Auditors.

9) DISTRIBUTION OF DIVIDENDS

At the Meeting of the Board of Directors No. 270 held on April 28, 1999, the Board of Directors agreed to propose at the next Shareholders' Ordinary Meeting not to distribute dividends, considering the negative results of the commercial period 1998.

10) PUBLICATION OF NOTICES AND SUMMONSES

At the Meeting of the Board of Directors No. 270 held on April 28, 1999, the Board of Directors agreed to propose at the next Shareholders' Ordinary Meeting that the publication of notices and summonses be made in the newspaper "La Estrella de Valparaíso".

11) TENTH SHAREHOLDERS' ORDINARY MEETING

On April 29, 1999, the Tenth Shareholders' Ordinary Meeting was held, and the agreements approved were the following:

- a) Approval by unanimous vote of Annual Report, Balance Sheet, Statement of Income and Report of External Auditors for the period ended at December 31, 1998.
- b) The Assembly appointed those who obtained the seven highest majority votes as Directors: Mr. Juan Ignacio Domínguez Arteaga, Mr. Edmundo Dupré Echeverría, Mr. José María Fesser Antón, Mr. Carlos Cabrera Junquera, Mr. J Gibrán Harcha Sarras, Mr. Dante Bacigalupo Marió and Mr. Jorge Moraga Mancilla.
- c) By unanimous vote the remuneration for the Board of Directors is approved, equivalent to 30 Unidades de Fomento for each Director, 45 Unidades de Fomento monthly for the Vice-Chairman and 60 Unidades de Fomento monthly for the Chairman.
- d) Appointment by unanimous vote of the company Price Waterhouse as External Auditors
- e) Approval by unanimous vote not to distribute dividends for the period 1998, and the future dividends policy was set in terms of distributing in the months of May, August and November of 1999 and February of the year 2000, interim dividends against the net income of 1999, equivalent to 85% of the net income originating from the normal operations of the quarters that end in the months of March, June, September and December of that period.
- f) Approval that notices and summonses be published in the newspaper "La Estrella de Valparaíso".
- g) With respect to the agreements of the Board of Directors in connection with acts and contracts with related companies, information was given on two contracts with Empresa de Servicios Sanitarios Lago Peñuelas S.A., one for Interconnection and the other for Management with Investment.
- h) With respect to the Year 2000 Problem, the Chairman provided information regarding the measures adopted to avoid harmful risks in the computer-based systems with the arrival of the Year 2000.

12) CONSTITUTION OF BOARD OF DIRECTORS

At the Meeting No. 271 of the Board of Directors, held on May 12, 1999, the Board of Directors elected at the Shareholders' Ordinary Meeting is set up, and Mr. Juan Ignacio Domínguez Arteaga is appointed Chairman and Mr. Edmundo Dupré Echeverría is appointed Vice-Chairman. At the same meeting, the Board resolved to call a public tender to outsource the company's information systems.

13) RESIGNATION OF DIRECTOR AND APPOINTMENT OF REPLACEMENT

At the Meeting of the Board of Directors held on September 9, 1999, Mr. Carlos Vicuña Fuentes was appointed Director of Esva S.A. to replace Mr. María Fesser Antón, who resigned to his position.

14) EXCHANGE STUDIES AS PART OF THE TARIFF-SETTING PROCESS

On September 30, 1999, within the frame of the tariff-setting process between the Superintendency of Sanitary Services and Esva S.A., the overseeing agency and the company, respectively, exchanged the studied developed by each of them, for purposes of setting tariffs. The latter was effected in pursuance of the provisions of Decree Law No. 70/88.

15) DECREASE OF RIGHTFUL CAPITAL

On September 30, 1999, a decrease of rightful capital of Ch\$ 72,758,662, that corresponds to 2,216,352 shares, owing to the fact that they had not been placed on the market for a period of one year after their redemption and which corresponded to shares issued by the company and owned by dissident stockholders.

16) RESIGNATION OF DIRECTOR AND APPOINTMENT OF REPLACEMENT

At the Meeting of the Board of Directors held on October 6, 1999, Mr. Emilio García Díez was appointed Director of Esva S.A. to replace Mr. Carlos Cabrera Junquera, who resigned to his position.

EMPRESA NACIONAL DE ELECTRICIDAD S.A.

During the period January-December 1999, and in pursuance of General Rule No. 30, the company and its subsidiaries informed the Superintendency and Securities of the following essential or relevant events:

ENDESA

1. On January 4, 1999, the Company informed, as an essential event, that at the Meeting of the Board of Directors of the Company held on December 31, 1998, the Board resolved not to distribute the third interim dividend against the net income of the period 1998 as provided in the current Dividends Policy as reported at the last Shareholders' Ordinary Meeting.
2. On February 26, 1999, the Company informed, as an essential event, that the Board of Directors resolved, at the Extraordinary Meeting held on that same date, to convene a Shareholders' Extraordinary Meeting to be held at the Teatro Teletón, at No. 1531, Rozas Street, Santiago, on April 6, 1999, as from 11:00 A.M., in order to decide on the following matters:
 - a) Modify the limit of concentration in the ownership of the capital stock established by article five bis of the by-laws from the current level of 26% to a level of 65%, substituting to the said effect the numeral 26 in the current text of article five bis of the by-laws of the Company by the numeral 65. And also substituting the concentration factor of 1.0 stipulated in such article five bis of the by-laws by the new concentration factor of 0.6 in pursuance to the provisions in Decree Law No. 3,500, and also incorporating all other modifications to the by-laws as are needed for purposes of consistency with the above reform.
 - b) Adopt all agreements as are required to fully implemented the reform of the by-laws mentioned in the above literal.
3. On March 5, 1999, the Company informed, as an essential event, that the Board of Directors resolved, at the ordinary meeting held on that same date, to change the date at which the Shareholders' Extraordinary Meeting was to be held as informed in our essential event of February 26, 1999. The new date to hold such Shareholders' Extraordinary Meeting will be April 8, 1999, at 11:00 A.M. at the same place and with the same order of business informed in the above mentioned essential event.
4. On March 5, 1999, the Company informed, as an essential event, that the Board of Directors at the ordinary meeting held that same date resolved to submit a proposal to the Shareholders' Ordinary Meeting convened for April 27, 1999, to distribute a final dividend for the period 1998 of Ch\$ 2.062 per share.
5. On March 5, 1999, the Company informed, as an essential event, that the Board of Directors at the ordinary meeting held that same date resolved to begin actions leading to the issuance of bonds abroad up to an amount of US\$ 400 million. As soon as the conditions for the issuance are established, that is, the final total amount, interests, underwriting agents, and other characteristics, the Company will be in a position to file the notice which Circular No. 1072 of that Superintendency of Securities and Insurance refers to.
6. On May 13, 1999, the Company informed, as an essential event, that on that date, 2,460,526,374 shares of the Company, representing 30% of the company's outstanding shares, have been registered in the name of Enersis S.A. in the Register of Shareholders' of the Company. By virtue of this situation, Enersis S.A. has come to hold either directly or indirectly, through its subsidiary Ingeniería e Inmobiliaria Manso de Velasco S.A., a 55.28% of the capital stock of Endesa, whereby Enersis S.A. becomes the parent company of Endesa S.A., in accordance to what is stipulated in Article 86 of the Chilean Company Law.
7. On May 14, 1999, the Company informed, as an essential event, that at the extraordinary meeting of the Board of Directors, held on this date, the Board accepted the resignation tendered by the Company's Chief Executive Officer Mr. Jaime Bauzá Bauzá, submitted on May 13, 1999, and Mr. Francisco García Sánchez was appointed as new Chief Executive Officer of Endesa S.A.

At the same meeting of the Board of Directors, the following members of the Board tendered their resignations: Rodrigo Errázuriz Ruiz-Tagle, Sergio Undurraga Saavedra, Ernesto Silva Bafalluy, Alfredo Llorente Legaz, Juan Eduardo Errázuriz Ossa, who also resigned to his position as Vice-Chairman of the Board of Directors, and Mr. José Antonio Guzmán Matta, who also resigned to his position as Chairman of the Board of Directors.

The Board of Directors proceeded, progressively, to appoint Mr. Pablo Irrarrázaval Valdés, Jaime Bauzá Bauzá, Jesús Burillo Andreu, José María Hidalgo, Martín-Mateos, Alberto López García and Andrés Regué Godall as new Directors of the Company.

By virtue of the above, the Board of Directors of Empresa Nacional de Electricidad S.A. is made up, as from this date, by the members and positions that are mentioned below:

| | |
|------------------------------------|---------------|
| • Pablo Irrarrázaval Valdés | Chairman |
| • Héctor López Vilaseco | Vice-Chairman |
| • Jaime Bauzá Bauzá | Director |
| • Jesús Burillo Andreu | Director |
| • José María Hidalgo Martín-Mateos | Director |
| • Alberto López García | Director |
| • Tomás Müller Sproat | Director |
| • Andrés Regué Godall | Director |
| • Leonidas Vidal Echeverría | Director |

Furthermore, the Board of Directors resolved to convene a Shareholders' Extraordinary Meeting to be held on June 24, 1999, at 12:00 A.M. to elect a new Board of Directors for the Company.

8. On May 17, 1999, the Company informed, as an essential event, that on May 14, 1999, Empresa Nacional de Electricidad S.A. had acquired 99.99% of the shares of the Closed Joint Stock Company called "Inversiones Endesa Norte S.A.", whereby this company has become a new subsidiary of Endesa. The new company will in the future hold the interests that Endesa has in the ownership of different companies that are implementing the GasAtacama Project.
9. On June 24, 1999, the Company informed, as an essential event, that at the ordinary meeting of the Board of Directors held on that same date, the Board had resolved to appoint the new officers of the Board, elected at the Shareholders' Extraordinary Meeting.

Consequently, the Board of Directors of Empresa Nacional de Electricidad S.A. is made up as follows:

| | |
|------------------------------------|---------------|
| • Pablo Irrarrázaval Valdés | Chairman |
| • Héctor López Vilaseco | Vice-Chairman |
| • Jaime Bauzá Bauzá | Director |
| • Jesús Burillo Andreu | Director |
| • José María Hidalgo Martín-Mateos | Director |
| • Pablo Larrea Paguaga | Director |
| • Andrés Regué Godall | Director |
| • Antonio Tusset Joratt | Director |
| • Leonidas Vidal Echeverría | Director |

10. On June 25, 1999, the Company informed, as an essential event, that at the ordinary meeting of the Board of Directors held on that same date, the Board had resolved to accept the resignation submitted by Mr. Jorge Lesser García-Huidobro to his position as Deputy General Manager of Endesa.

TRANSELEC

1. On March 10, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on March 9, 1999, resolved to propose to the Shareholders' Ordinary Meeting convened for April 19, 1999, the payment of a final dividend against the net income of period 1998 to an amount of Ch\$ 5.83 per share.
2. On June 9, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on June 8, 1999, had accepted the resignation tendered by Mr. Jaime Bauzá Bauzá to his positions as Director and Vice-Chairman of the Board of Directors of the Company and had appointed Mr. Francisco García Sánchez to replace him as Director and Vice-Chairman.
3. On September 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the Shareholders' Extraordinary Meeting, the Assembly had revoked the designation of the members

of the Board of Directors and to appoint new Directors as follows: Mr. Francisco García Sánchez , Mr. Pedro Lizana Greve, Mr. Héctor López Vilaseco, Mr. Ignacio Swett Lazcano and Mr. Juan Eduardo Vásquez Moya.

EMPRESA ELECTRICA PANGUE

1. On January 13, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Director and Chairman of the Board of Directors Mr. Rodrigo Errázuriz Ruiz-Tagle had tendered his resignation to both positions. The Vice-Chairman Mr. Jaime Bauzá Bauzá took office as acting Chairman.
2. On April 22, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Shareholders' Ordinary Meeting held on the same date, the following was agreed:
 - a) Approval of Balance Sheet and Financial Statements for the period ended at December 31, as well as the Annual Report of the Company and Report of External Auditors.
 - b) Agreement to absorb part of losses of the period 1998 with retained earnings from previous periods to an amount of Ch\$ 1,222,028,569 and charge balance of Ch\$ 4,246,799,879 to the account accumulated losses.
 - c) Vested Board of Directors with power to designate either Deloitte and Touche or Arthur Andersen Langton Clarke as External Auditors for the period 1999.
 - d) Approved the remuneration for the Board of Directors.
 - e) Approved Dividends Policy proposed by Board of Directors for the period 1999.
 - f) Approval that notices and summonses be published in the newspaper "El Diario".
 - g) The Assembly agreed to appoint members of the Board of Directors as follows: Mr. Jaime Bauzá Bauzá, Mr. Carlos Hurtado Ruiz-Tagle, Mr. Nicolás Irrarázaval Valdés, Mr. Jorge Lesser García Huidobro, Mr. Felipe Montt Fuenzalida, Mr. Tomás Müller Sproat, Mr. Ernesto Silva Bafalluy and Mr. Juan Eduardo Vásquez Moya.
3. On May 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that Mr. Julio Andrés Alemany Errázuriz tendered his resignation to the position of Chief Executive Officer of the Company.
4. On June 21, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on that date, accepted the resignations tendered by the Directors Mr. Jaime Bauzá Bauzá, Mr. Carlos Hurtado Ruiz-Tagle, Mr. Felipe Montt Fuenzalida, Mr. Tomás Müller Sproat and Mr. Nicolás Irrarázaval Valdés. Mr. Francisco García Sánchez, Mr. Claudio Iglesias Guillard and Mr. Rafael López Ruedas were appointed to replace them. At that same meeting, Mr. Francisco García Sánchez was appointed Chairman of the Board of Directors and the company Deloitte and Touche as External Auditors for the period 1999.
5. On August 5, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on August 4, 1999, accepted the resignations of the following Directors: Mr. Jorge Lesser García-Huidobro, Mr. Juan Eduardo Vásquez Moya, Mr. Rafael López Ruedas, Mr. Ernesto Silva Bafalluy, Mr. Claudio Iglesias Guillard and Mr. Francisco García Sánchez. They were replaced as Directors by Mr. Pablo Irrarázabal Valdés, Mr. Gastón Aignerén Ríos, Mr. Alejandro Wendling Aliaga, Mr. Ignacio Swett Lazcano, Mr. Sergio Segovia Cornejo, Mr. Enrique Borliu Cienfuegos-Sevillano and Mr. Julio Montero Montegu. The Board of Directors appointed Mr. Pablo Irrarázabal Valdés as Chairman of the Board of Directors and Mr. Gastón Aignerén Ríos as Vice-Chairman.

AUTOPISTA DEL SOL S.A.

1. On June 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on May 31, 1999, accepted the resignation of Mr. Jaime Bauzá Bauzá as Director and Chairman of the Board of Directors and appointed Mr. Francisco García Sánchez to replace him.
2. On June 18, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that Autopista del Sol S.A. had decided to operate under the new Regulation of the Concessions law, in accordance to the provisions in Article 1 Transitory of the Supreme Decree of the Ministry of Public Works No. 956, published in the Diario Oficial on March 20, 1999.
3. On August 6, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that, at the meeting of the Board of Directors held on August 5, 1999, the Directors Mr. Francisco García Sánchez, who also held office as Chairman of the Board of Directors, and Mr. José Luis Domínguez Covarrubias submitted

their resignations. The Board of Directors elected Mr. Mario Valcarce Durán and Mr. Emilio García Díez to replace them. The Board of Directors also appointed Mr. Ignacio Swett Lazcano as Chairman of the Board of Directors.

According to the above, the Board of Directors of the Company is made up as follows:

- Pablo Irrarázaval Valdés Chairman
 - Ignacio Swett Lazcano Chairman
 - Víctor Bezanilla Saavedra Vice-Chairman
 - Emilio García Díez Director
 - Mario Valcarce Durán Director
 - Sergio Weinstein Aranda Director
4. On August 23, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that as from 00:00 A.M. on August 21, 1999, the Chilean Ministry of Public Works had authorized the total commissioning of the Fiscal Public Work Autopista del Sol, which gives it the right to operate the concession, as stipulated in the contracts and complementary agreements signed between the Company and the Chilean Ministry of Public Works.
 5. On October 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the meeting the Board of Directors held on September 23, it had been agreed to convene a Shareholders' Extraordinary Meeting, to be held on October 21, 1999, in order to decide on the following matters:
 - a) Increase the Company's capital to the amount to be determined by the assembly, through the issuance of the corresponding paid shares, with no nominal value and at the placement price to be established by the Assembly.
 - b) Modify the relevant permanent and transitory articles of the Company's by-laws to make them conform to the capital increase approved.
 - c) Vest the Board of Directors with power to proceed with the issuance of the shares of common stock that represent the capital increase.
 - d) Adopt all agreements such as needed to execute the reforms and the decisions of the Assembly.
 6. On October 22, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the Shareholders' Meeting held on October 21, the assembly approved increasing the Company's capital from Ch\$ 26,727,053,447 divided into 3,144,289 shares of a series, to the bearer, and with no nominal value to Ch\$ 32,115,290,245 divided into 3,740,916 shares of a series, to the bearer, and with no nominal value, that is the Company's capital was increased by Ch\$ 5,388,236,798 equivalent to 360,000 Unidades de Fomento as at October 21, through the issuance of 596,627 shares of a series, to the bearer and with no nominal value. The placement value of the shares will be of 0,6033928447 Unidades de Fomento.
 7. On December 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that on November 30, 1999, the capital increase approved at the Shareholders' Extraordinary Meeting held on October 21, 1999, was subscribed and paid-in.

AUTOPISTA LOS LIBERTADORES S.A.

1. On June 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on May 31, 1999, accepted the resignation of Mr. Jaime Bauzá Bauzá as Director and Chairman of the Board of Directors and appointed Mr. Francisco García Sánchez to replace him.
2. On June 18, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that Autopista Los Libertadores S.A. had decided to operate under the new Regulation of the Concessions Law, in accordance to the provisions in Article 1 Transitory of the Supreme Decree of the Ministry of Public Works No. 956, published in the Diario Oficial on March 20, 1999.
3. On August 6, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that, at the meeting of the Board of Directors held on August 5, 1999, the Directors Mr. Francisco García Sánchez, who also held office as Chairman of the Board of Directors, and Mr. José Luis Domínguez Covarrubias submitted their resignations. The Board of Directors elected Mr. Mario Valcarce Durán and Mr. Emilio García Díez to replace them.

According to the above, the Board of Directors of the Company is made up as follows:

- | | |
|-----------------------------|---------------|
| • Ignacio Swett Lazcano | Chairman |
| • Sergio Weinstein Aranda | Vice-Chairman |
| • Mario Valcarce Durán | Director |
| • Emilio García Díez | Director |
| • Víctor Bezanilla Saavedra | Director |

EMPRESA ELECTRICA PEHUENCHE S.A.

1. On April 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Board of Directors at the meeting held on May 31, 1999, resolved to convene a Shareholders' Extraordinary Meeting to be held on April 22, 1999, at the Tupahue Hotel, Salón Isla Negra, at No. 477 on San Antonio Street, in Santiago, to address matters relevant to it.
2. On April 1, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the meeting of the Board of Directors of the Company held on March 31, 1999, the resignation submitted by the Chairman Mr. Juan Eduardo Errázuriz Ossa was accepted. At that same meeting, the Vice-Chairman Mr. Jaime Bauzá Bauzá was appointed Chairman of the Board of Directors of the Company.
3. On April 23, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that the Shareholders' Ordinary Meeting held on April 22, 1999, the following was agreed:
 - a) Approval of Annual Report, Balance Sheet, other Financial Statements and Report of External Auditors for the period ended at December 31, 1998.
 - b) Agreement to absorb part of losses of the period 1998 against retained earnings from previous periods.
 - c) Approved the remuneration for the Board of Directors.
 - d) Approved dividends policy proposed by Board of Directors for the period 1999.
 - e) Appointed the company Deloitte and Touche Tohmatsu as External Auditors for the period 1999.
4. On June 2, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that, at the meeting of the Board of Directors held on May 31, 1999, the Board accepted the resignations submitted by the Directors Mr. Sergio Undurraga Saavedra and Mr. Juan Eduardo Errázuriz and appointed Mr. Francisco García Sánchez and Mr. Juan Eduardo Vásquez Moya to replace them. Also, the Board accepted the resignation tendered by Mr. Jaime Bauzá Bauzá as Director and Chairman of the Board of Directors and appointed Mr. Francisco García Sánchez to replace him as Chairman.
5. On July 27, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the Meeting of the Board of Directors held on July 26, the Board accepted the non-voluntary resignation submitted by Mr. Eugenio Pérez Izquierdo to his position as Chief Executive Officer and appointed Mr. Marcelo Castillo Agurto to replace him.
6. On August 5, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the meeting of the Board of Directors held on August 4, the following agreements were made:
 - a) Accept the resignations tendered by Mr. Francisco García Sánchez as Director and Chairman of the Board of Directors, Mr. Ernesto Fontaine Ferreira-Nóbriga, Mr. Alfredo Llorente Legaz and Mr. Juan Eduardo Vásquez Moya as Directors of the Company.
 - b) Appoint Mr. Alejandro Wendling Aliaga as new Director of the Company.
 - c) Appoint Mr. Leonidas Vial Echeverría as chairman of the Board of Directors of the Company and Mr. Claudio Iglesias Guillard as Vice-Chairman.
7. On November 3, 1999, the Company informed the Superintendency of Securities and Insurance, as an essential event, that at the extraordinary meeting of the Board of Directors held on November 2, 1999, the Board of Directors has accepted the resignation submitted by Mr. Marcelo Castillo Agurto as Chief Executive Officer of the Company and had appointed Mr. Lucio Castro Márquez as new Chief Executive Officer of the Company.

ACCOUNTS INSPECTOR'S REPORT

Pursuant to the provisions in law No. 18,046 on Limited Liability Stock Companies and in compliance with the mandate granted by the Shareholders' General Meeting held on April 30, 1999, we have examined the Consolidated Financial Statements of Enersis S.A. for period between January 1 and December 31, 1999.

Our assignment was focused on verifying, on a selective basis, the coincidence of the figures presented in the Financial Statements with the official records of the Company and its subsidiaries and to such end we compared the figures presented in the ledger with the grouping and classification worksheets. To subsequently ascertain if these amounts which are the balances of accounts of the same nature match with those included in the Financial Statements, a revision which entailed no objections.



Marcela Araya
Accounts Inspector



Marco Acevedo
Accounts Inspector

Santiago, February 18, 2000

ENERSIS S.A. AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS

For the years then ended December 31, 1998 and 1999

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| | | |
|--------|---|---|
| Ch\$ | = | Chilean pesos |
| ThCh\$ | = | Thousands of Chilean pesos |
| US\$ | = | United States dollars |
| ThUS\$ | = | Thousands of United States dollars |
| UF | = | The Unidad de Fomento, or UF, is an inflation-indexed peso denominated monetary unit in Chile. The UF rate is set daily in advance based on the change in the Chilean Consumer Price Index in relation to the previous month. |

Application of Constant Chilean Pesos

The financial statements included herein have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 1999 purchasing power.

REPORT OF INDEPENDENT ACCOUNTANTS

(Translation of a report originally issued in Spanish - See note 2 to the unconsolidated financial statements)

ARTHUR ANDERSEN LANGTON CLARKE®

To the shareholders of Enersis S.A. :

We have audited the accompanying balance sheet of Enersis S.A. (the "Company") as of December 31, 1999, and the related statement of income and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have not audited the financial statements of Empresa Nacional de Electricidad S.A. (a subsidiary of the Company) and certain of its subsidiaries, which total assets amounted to ThCh\$ 3,608,088,370 as of December 31, 1999, and total revenue of ThCh\$ 386,983,659 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors. The financial statements of Enersis S.A. as of December 31, 1998 were audited by other auditors whose report dated February 24, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

The financial statements referred to above have been prepared to reflect the individual financial position of Enersis S.A. based on the criteria described in Note 2, before proceeding to the line-by-line consolidation of the subsidiaries detailed in Note 8. Therefore, for adequate interpretation, these financial statements should be read and analyzed in conjunction with the consolidated financial statements of Enersis S.A. and its subsidiaries which are required by generally accepted accounting principles in Chile.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Enersis S.A. as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Chile.

As indicated in Note 3, as of January 1, 1999, the Company has recorded the obligation related to pensions and post-retirement benefits in connection the employees' collective bargaining agreement.



Cristián Bastián E.

ARTHUR ANDERSEN - LANGTON CLARKE

Santiago (Chile)
February 15, 2000

AUDITED UNCONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| ASSETS | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
|---|----------------------|----------------------|------------------|
| CURRENT ASSETS: | | | |
| Cash | 36,135 | 321,690 | 607 |
| Time deposits | - | 12,173,534 | 22,966 |
| Accounts receivable | 7,431 | 9,847 | 19 |
| Notes receivable | 8,784,539 | 4,593,372 | 8,666 |
| Amounts due from related companies | 170,514,531 | 268,833,931 | 507,167 |
| Income taxes recoverable | 3,791,928 | 7,740,099 | 14,602 |
| Prepaid expenses and other current assets | 56,603 | 42,686 | 81 |
| Other current assets | 8,766,520 | 162,406,773 | 306,387 |
| Total current assets | 191,957,687 | 456,121,932 | 860,495 |
| Property, plant and equipment, net | 13,160,391 | 12,338,207 | 23,277 |
| OTHER ASSETS: | | | |
| Investments in related companies | 1,094,394,000 | 1,648,941,786 | 3,110,800 |
| Goodwill, net | 171,895,587 | 747,343,035 | 1,409,895 |
| Negative goodwill, net | (182,517) | (168,742) | (318) |
| Amounts due from related companies | 263,328,936 | 757,008,902 | 1,428,130 |
| Intangibles | 1,221,551 | 1,220,289 | 2,302 |
| Accumulated amortization | (62,276) | (122,029) | (230) |
| Others | 18,978,233 | 8,106,348 | 15,293 |
| Total other assets | 1,549,573,514 | 3,162,329,589 | 5,965,872 |
| TOTAL ASSETS | 1,754,691,592 | 3,630,789,728 | 6,849,644 |

AUDITED UNCONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| LIABILITIES | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
|---|----------------------|----------------------|------------------|
| CURRENT LIABILITIES: | | | |
| Due to banks and financial institutions current portion | 567,507 | 18,514,098 | 34,928 |
| Current portion of bonds payable | 5,599,467 | 5,754,801 | 10,857 |
| Dividends payable | 1,157,339 | 850,209 | 1,604 |
| Accounts payable and accrued expenses | 100,980 | 2,762,314 | 5,211 |
| Notes payable and other accounts payable | 1,029,132 | 16,874,655 | 31,835 |
| Amounts payable to related companies | 204,545,794 | 287,364,981 | 542,126 |
| Withholdings | 170,216 | 228,449 | 431 |
| Accrued expenses | 5,937,976 | 758,554 | 1,431 |
| Deferred income | 1,044,737 | 203,652 | 384 |
| Deferred income taxes | 74,487 | 93,070 | 176 |
| Other current liabilities | - | 144,917,988 | 273,394 |
| Total current liabilities | 220,227,635 | 478,322,771 | 902,377 |
| LONG-TERM LIABILITIES: | | | |
| Due to banks and financial institutions | 279,425,318 | 805,886,624 | 1,520,340 |
| Bonds payable | 394,211,499 | 427,284,629 | 806,091 |
| Amounts payable to related companies | 54,066,236 | 1,217,561,741 | 2,296,983 |
| Accrued expenses | 636,925 | 1,281,656 | 2,418 |
| Other long-term liabilities | 1,777,897 | 1,789,899 | 3,377 |
| Total long-term liabilities | 730,117,875 | 2,453,804,549 | 4,629,209 |
| SHAREHOLDERS' EQUITY: | | | |
| Paid-in capital | 398,624,586 | 398,624,586 | 752,023 |
| Additional paid-in capital – share premium | 24,184,786 | 24,184,786 | 45,626 |
| Other reserves | 23,157,824 | 23,295,280 | 43,948 |
| Retained earnings | 277,206,634 | 330,716,485 | 623,911 |
| Net income (loss) for the year | 92,435,598 | (78,158,729) | (147,450) |
| Interim dividends | (11,263,346) | - | - |
| Total shareholders' equity | 804,346,082 | 698,662,408 | 1,318,058 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,754,691,592 | 3,630,789,728 | 6,849,644 |

AUDITED UNCONSOLIDATED STATEMENTS OF INCOME

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| | Years ended December 31, | | |
|---|--------------------------|---------------------|------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| OPERATING INCOME: | | | |
| Operating revenues | 3,851,526 | 3,855,335 | 7,273 |
| Operating Costs | (784,221) | (769,530) | (1,452) |
| Gross profit | 3,067,305 | 3,085,805 | 5,821 |
| Administrative and selling expenses | (8,688,533) | (12,396,361) | (23,386) |
| Operating income | (5,621,228) | (9,310,556) | (17,565) |
| NON-OPERATING INCOME: | | | |
| Interest income | 33,299,092 | 53,618,246 | 101,153 |
| Equity in income of related companies | 116,794,277 | 12,960,122 | 24,450 |
| Other non-operating income | 21,535,963 | 106,706,380 | 201,306 |
| Amortization of goodwill | (10,082,999) | (27,965,522) | (52,758) |
| Interest expense | (49,261,267) | (133,572,610) | (251,991) |
| Other non-operating expenses | (14,679,955) | (10,436,416) | (19,689) |
| Price-level restatement | (427,998) | (70,092,968) | (132,233) |
| Non-operating expense, net | (97,177,113) | (68,782,768) | (129,762) |
| Income before income taxes and amortization of negative goodwill | 91,555,885 | (78,093,324) | (147,326) |
| Income taxes | (603,830) | (79,180) | (149) |
| Income before amortization of negative goodwill | 90,952,055 | (78,172,504) | (147,476) |
| Amortization of negative goodwill | 1,483,543 | 13,775 | 26 |
| Net income (loss) for the year | 92,435,598 | (78,158,729) | (147,450) |

AUDITED UNCONSOLIDATED STATEMENTS OF CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated).

| | Years ended December 31, | | |
|--|--------------------------|--------------------|----------------|
| | 1998 | 1999 | 1999 |
| | ThCh\$ | ThCh\$ | ThUS\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) for the year | 92,435,598 | (78,158,729) | (147,450) |
| Gain (losses) from sales of assets: | | | |
| Gain on sales of property, plant and equipment | 15,369 | - | - |
| Loss on sales of investments | (982,584) | - | - |
| Charges (credits) to income which do not represent cash flows: | | | |
| Depreciation | 721,945 | 708,516 | 1,337 |
| Amortization of intangibles | 62,276 | 61,014 | 115 |
| Equity in income of non-consolidated affiliates | (122,777,203) | (109,115,481) | (205,851) |
| Equity in loss of non-consolidated affiliates | 5,982,926 | 96,155,360 | 181,401 |
| Amortization of goodwill | 10,082,999 | 27,965,522 | 52,758 |
| Amortization of negative goodwill | (1,483,543) | (13,775) | (26) |
| Price-level restatement | 427,998 | 70,092,968 | 132,233 |
| Other credits to income which do not represent cash flows | (4,585,345) | (8,254,069) | (15,572) |
| Other charges to income which do not represent cash flows | 14,839,934 | 8,173,070 | 15,419 |
| Changes in assets which affect cash flows: | | | |
| Decrease (increase) in trade receivables | (10,995) | 370,029 | 698 |
| Decrease (increase) in other assets | 22,530,576 | 56,852,406 | 107,255 |
| Changes in liabilities which affect cash flows: | | | |
| Increase in accounts payable associated with operating results | (10,762,766) | (3,489,563) | (6,583) |
| Increase in interest payable | 21,608,828 | 59,931,629 | 113,064 |
| Increase (decrease) in income tax payable | 603,830 | 3,715,702 | 7,010 |
| Increase (decrease) in other accounts payable associated with non-operating results | 425,160 | 2,848,480 | 5,374 |
| Net increase (decrease) in value added tax and other similar taxes payable | (7,703) | 2,443 | 5 |
| Net cash flows from operating activities | 29,127,300 | 127,845,522 | 241,187 |

AUDITED UNCONSOLIDATED STATEMENTS OF CASH FLOWS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

| | Years ended December 1999 | | |
|--|---------------------------|------------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ | 1999 ThUS\$ |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from loans | 275,161,016 | 845,454,764 | 1,594,987 |
| Other loans from related parties | - | 118,974,911 | 224,451 |
| Proceeds from other loans obtained from related companies | 82,727,698 | 1,063,855,791 | 2,007,010 |
| Dividends paid | (49,317,201) | (27,835,105) | (52,512) |
| Payment of debt | - | (403,509,499) | (761,238) |
| Bond redemption | (3,215,243) | (3,224,749) | (6,084) |
| Payment of loans obtained from related companies | - | (3,881,859) | (7,323) |
| Other disbursements for financing | - | (14,094) | (27) |
| Net cash provided by financing activities | 305,356,270 | 1,589,820,160 | 2,999,264 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds of loans from related parties | - | 11,045,101 | 20,837 |
| Other loans provided to related companies | (31,282,404) | (126,725,476) | (239,073) |
| Additions to property, plant and equipment | (342,849) | (141,060) | (266) |
| Long-term investments | (302,557,169) | (1,131,119,903) | (2,133,907) |
| Loans provided to related companies | - | (458,023,622) | (864,081) |
| Other investment disbursements | (246,132) | (4,629,949) | (8,735) |
| Net cash used in investing activities | (334,428,554) | (1,709,594,909) | (3,225,225) |
| NET CASH FLOW FOR THE YEAR | 55,016 | 8,070,773 | 15,226 |
| EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS | (46,033) | (39,083) | (74) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 8,983 | 8,031,690 | 15,152 |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 27,152 | 36,135 | 68 |
| CASH AND CASH EQUIVALENTS END OF YEAR | 36,135 | 8,067,825 | 15,220 |

NOTES TO THE AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 1999, except as stated)

1. DESCRIPTION OF BUSINESS:

Eneris S.A. (the «Company») is registered in the Securities Register under No. 0175 and is regulated by the Chilean Superintendency of Securities and Insurance (the «SVS»). The Company issued publicly-registered American Depositary Receipts in 1993 and 1996 and Yankee bonds in 1996. Eneris S.A. also reports to United States Securities and Exchange Commission of the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) GENERAL:

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively «Chilean GAAP»), except for the investments in related companies which are reported on a single line in the balance sheet at their equity value, and therefore, have not been consolidated line-by-line. This treatment does not modify the net income or equity of the Company for the year. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Chile do not conform with generally accepted accounting principles in the United States («US GAAP»).

The preparation of financial statements in conformity with Chilean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying unconsolidated financial statements reflect the financial position and results of operations of the agency formed by the Company in the Grand Cayman Islands in 1996.

b) PERIODS COVERED:

These financial statements reflect the Company's financial positions as of December 31, 1998 and 1999, and the results of its operations and its cash flows for the years ended December 31, 1998 and 1999.

c) CONSTANT CURRENCY RESTATEMENT:

The cumulative inflation rate in Chile as measured by the Chilean Consumer Price Index («CPI») for the two-year period ended December 31, 1999 was approximately 7.01%.

Chilean GAAP requires that the financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method described below is based on a model that enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency. The model prescribes that the historical cost of all non-monetary accounts be restated for general price-level changes between the date of origin of each item and the year-end.

The financial statements of the Company have been price-level restated in order to reflect the effects of the changes in the purchasing power of the Chilean currency during each year. All non-monetary assets and liabilities, all equity accounts and income statement accounts have been restated to reflect the changes in the CPI from the date they were acquired or incurred to year-end (see also Note 4).

The purchasing power gain or loss included in net income reflects the effects of Chilean inflation on the monetary assets and liabilities held by the Company.

The restatements were calculated using the official consumer price index of the National Institute of Statistics and based on the «prior month rule,» in which the inflation adjustments are based on the CPI at the close of the month

preceding the close of the respective period or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index that most closely complies with the technical requirement to reflect the variation in the general level of prices in Chile, and consequently it is widely used for financial reporting purposes.

The values of the Chilean consumer price indices used to reflect the effects of the changes in the purchasing power of the Chilean peso (“price-level restatement”) are as follows:

| | Index | Change over Previous November 30 |
|-------------------|--------|-------------------------------------|
| November 30, 1998 | 99.49 | 4.3% |
| November 30, 1999 | 102.04 | 2.6% |

By way of comparison, the actual values of the Chilean consumer price indices as of the balance sheet date are as follows:

| | Index | Change over previous December 31 |
|-------------------|--------|-------------------------------------|
| December 31, 1998 | 100.00 | 4.7% |
| December 31, 1999 | 102.31 | 2.3% |

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in net results for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

Index-linked assets and liabilities

Assets and liabilities that are denominated in index-linked units of account are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (“UF”), which is adjusted daily to reflect the changes in Chile’s CPI. Certain of the Company’s investments are linked to the UF. As the Company’s indexed liabilities exceed its indexed assets, the increase in the index results in a net loss on indexation. Values for the UF are as follows (historical Chilean pesos per UF):

| | Ch\$ |
|-------------------|-----------|
| December 31, 1998 | 14,685.39 |
| December 31, 1999 | 15,066.96 |

Comparative financial statements

For comparative purposes, the historical December 31, 1998 and 1999 unconsolidated financial statements and their accompanying notes have been presented in constant Chilean pesos as of December 31, 1999. Amounts previously presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the CPI to December 31, 1999, as follows:

| Year | Change in Index |
|------|-----------------|
| 1998 | 2.6% (1) |

1) Equivalent to the amounts for 1998 multiplied by the change in the CPI for 1999.

This updating does not change the prior periods’ statements or information in any way except to update the amounts to constant Chilean pesos of similar purchasing power.

Convenience translation to U.S. dollars

The financial statements are stated in Chilean pesos. The translations of Chilean pesos into US dollars are included solely for the convenience of the reader, using the observed exchange rate reported by the Chilean Central Bank as of December 31, 1999 of Ch\$ 530.07 to US\$ 1.00. The convenience translations should not be construed as representations that the Chilean peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

d) ASSETS AND LIABILITIES IN FOREIGN CURRENCY:

Assets and liabilities denominated in foreign currency are detailed in Note 16. These amounts have been stated at the observed exchange rates reported by the Central Bank of Chile as follows:

| | Ch\$ per US\$ 1.00 |
|-------------------|--------------------|
| December 31, 1998 | 472.41 |
| December 31, 1999 | 530.07 |

e) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are recorded at contributed amounts or cost, as appropriate, plus price-level restatement.

In 1986, an increase based upon a technical appraisal of property, plant and equipment was recorded in the manner authorized by the SVS in Circulars No's 550 and 566 dated October 15 and December 16, 1985, respectively, and Communication No. 4.790, dated December 11, 1985.

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets.

f) INVESTMENTS IN RELATED COMPANIES:

Investments in related companies are included in Other non-current assets using the equity method. This valuation method recognizes in income the Company's equity in the net income or loss of each investee on the accrual basis (Note 8).

Investment in foreign affiliates are recorded in accordance with Technical Bulletin No. 64 of the Chilean Institute of Accounting (Technical Bulletin No. 51 in 1997).

g) INTANGIBLES, OTHER THAN GOODWILL:

Intangibles other than goodwill, correspond mainly to easements and are amortized according to the standards defined in Technical Bulletin No. 55 of the Chilean Institute of Accountants.

h) SEVERANCE INDEMNITY:

The severance indemnity that the Company is obliged to pay to its employees under the collective bargaining agreements is stated at the present value of the benefit under the vested cost method, discounted at 6.0 % and 9.5% for the years ended December 31, 1998 and 1999, respectively, and assuming an average employment span which varies based upon years of services with the Company.

i) DEFERRED INCOME TAXES:

In accordance with circular No. 986 issued in 1991 by the SVS and Technical Bulletin No. 41 issued by the Chilean Institute of Accountants, the Company records the effects of deferred taxes resulting from significant timing differences that will not be fully offset when they reverse by similar new differences.

In accordance with circular No. 1466 issued in 2000 by the SVS, deferred taxes are presented in accordance with BT's No.'s 60 and 68 of the Chilean Institute of Accountants, which is effective as of January 1, 2000.

j) CASH EQUIVALENTS:

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin No. 50 issued by the Chilean Institute of Accountants, include time deposits, investments in fixed income securities classified as marketable securities, repurchase agreement classified as other current assets, and other balances classified as other accounts receivable with maturities of less than 90 days.

For classification purposes, cash flows from operations include collections from clients and payments to suppliers, payroll and taxes.

k) FORWARD CONTRACTS:

Forward contracts are recorded in accordance with Technical Bulletin No. 57 of the Chilean Institute of Accountants, and are held with related companies for investment purposes.

l) GOODWILL AND NEGATIVE GOODWILL:

Goodwill and negative goodwill are determined according to Circular No. 368 of the SVS. Amortization is determined using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, and does not exceed 20 years.

m) TIME DEPOSITS:

Time deposits are presented at cost plus accrued interest and indexation adjustments, as applicable.

n) PENSION AND POST-RETIREMENT BENEFITS:

The complimentary pension plans and other post-retirement benefits have been calculated based on the actuarial value of future benefits.

3. CHANGE IN ACCOUNTING PRINCIPLES:

PENSIONS AND POST-RETIREMENT BENEFITS

Beginning January 1, 1999, the Parent Company and its Chilean Subsidiaries have accounted for the total obligation for complementary pension plans and other post-retirement benefits. The post-retirement benefits comprise a pension plan payment that is complementary to that granted by the social pension system and which is paid for life to the former employees. Also, healthcare benefits and electric tariff discounts are included.

This commitment has been calculated based on the actuarial value of future benefits. This method results in the Company recording the present value of the future obligations for the concepts mentioned before, discounted at an annual rate of 9.5% and incorporating the probabilities that these payments be effectively made, be it due to mortality (in the case of the retired) and personnel turnover (in the case of active employees). In the case of the active employees, only the proportional accrued portion at the closing date for the period is reflected. Until December 31, 1998, the Company reflected the expense for this concept at the moment of the monthly payment made to the beneficiaries of this benefit.

Included under the heading Short and Long-term Liability Provisions, is the amount of the obligation for these concepts, that as of December 31, 1999 is ThCh\$ 76,770 and ThCh\$ 564,669 respectively. Of that figure, ThCh\$ 442,910 has been charged to income for 1999 and the balances of ThCh\$ 37,477 and ThCh\$ 161,051 were registered under the heading Other short and long-term accrued liabilities, respectively, which will be amortized over 5 years.

4. PRICE-LEVEL RESTATEMENT:

The (charge) credit to income for price-level restatement as of each year-end is as follows:

| | As of December 31, | |
|---|--------------------|---------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Credits (charges) to income for the restatement of: | | |
| Shareholders' equity | (30,043,091) | (19,920,639) |
| Property, plant and equipment | 571,894 | 334,449 |
| Other assets | 37,514,736 | 47,906,982 |
| Foreign exchange | (7,522,085) | (87,402,774) |
| Indexation | (1,219,208) | (11,742,778) |
| Net credit (charges) for price-level restatement of balance sheet accounts | (697,754) | (70,824,760) |
| Price-level restatement of the income statement | 269,756 | 731,792 |
| Net charge to income | (427,998) | (70,092,968) |

5. TIME DEPOSITS:

Time deposits as of each year-end are as follows:

| Institution | Annual rate % | Maturity ThCh\$ | 1998 | 1999 |
|------------------------|------------------|--------------------|----------|-------------------|
| | | | ThCh\$ | ThCh\$ |
| American Express | 5.55 | 01-2000 | - | 465,786 |
| American Express | 5.55 | 01-2000 | - | 464,218 |
| American Express | 5.55 | 01-2000 | - | 462,654 |
| American Express | 5.55 | 01-2000 | - | 461,094 |
| American Express | 5.55 | 01-2000 | - | 459,538 |
| American Express | 5.55 | 02-2000 | - | 457,986 |
| American Express | 5.55 | 02-2000 | - | 456,438 |
| American Express | 5.55 | 02-2000 | - | 454,893 |
| American Express | 5.55 | 02-2000 | - | 909,345 |
| American Express | 5.55 | 02-2000 | - | 453,352 |
| American Express | 5.55 | 03-2000 | - | 451,815 |
| American Express | 5.55 | 03-2000 | - | 902,754 |
| American Express | 5.55 | 03-2000 | - | 450,282 |
| American Express | 5.55 | 03-2000 | - | 448,753 |
| American Express | 5.55 | 03-2000 | - | 447,227 |
| American Express | 5.55 | 04-2000 | - | 1,332,561 |
| American Express | 5.55 | 05-2000 | - | 439,224 |
| American Express | 5.55 | 04-2000 | - | 1,313,166 |
| American Express | 5.55 | 05-2000 | - | 437,722 |
| American Express | 5.55 | 05-2000 | - | 436,223 |
| Banco Chile Nueva York | 2.50 | 01-2000 | - | 468,503 |
| Total | | | - | 12,173,534 |

6. OTHER CURRENT ASSETS:

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

| | As of December 31, | |
|----------------------------------|--------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Bond discount | 585,139 | 586,235 |
| Deferred expenses | 4,406,878 | 7,596,143 |
| Deferred expenses for Bond issue | 3,755,076 | - |
| Forward contracts (1) | - | 154,166,850 |
| Special deposits | 19,427 | 18,934 |
| Other | - | 38,611 |
| Total | 8,766,520 | 162,406,773 |

1) As of December 31, 1999, the nominal values of forward contracts are the following:

| | |
|---------------------|-----------------|
| Rights | Obligations |
| US\$ 291,000,000.00 | UF 9,618,263.27 |

7. PROPERTY, PLANT AND EQUIPMENT:

The composition of property, plant and equipment at each year-end is as follows:

| | As of December 31, | |
|---|--------------------|-------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Distribution and transmission lines | 18,152,782 | 18,152,782 |
| Machinery and equipment | 1,452,893 | 1,560,292 |
| Other fixed assets | 65,509 | 65,509 |
| Work in progress | 221,760 | - |
| Total Other fixed assets | 287,269 | 65,509 |
| Technical appraisal | 29,588 | 29,588 |
| Total | 19,922,532 | 19,808,171 |
| Less: accumulated depreciation | (6,762,141) | (7,469,964) |
| Property, plant and equipment, net | 13,160,391 | 12,338,207 |

8. INVESTMENTS IN RELATED COMPANIES

a. Investments are summarized as follows:

| Related companies | Percentage | Number | Equity of | Carrying value of investments | | Equity in net earnings | |
|--|------------|---------------|---------------|-------------------------------|----------------------|------------------------|-------------------|
| | Owned | of shares | the company | 1998 | 1999 | 1998 | 1999 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Chilectra S.A. | 72.56% | 263,595,655 | 389,797,358 | 254,030,955 | 282,852,403 | 69,311,465 | 51,692,242 |
| Río Maipo S.A. | 83.75% | 302,003,137 | 20,041,647 | 16,628,270 | 16,784,285 | 7,511,515 | 7,079,157 |
| Inmobiliaria Manso de Velasco S.A. | 99.99% | 29,462,253 | 40,348,107 | - | 40,348,093 | - | 1,101,350 |
| Diprel S.A. | 99.93% | 4,359,440 | 1,681,572 | 1,781,148 | 1,680,416 | 2,051,572 | 1,389,786 |
| Synapsis S.A. | 99.99% | 10,569,721 | 4,275,723 | 4,426,522 | 4,275,295 | 3,149,716 | 3,313,411 |
| Endesa S.A. | 59.98% | 4,919,488,794 | 1,134,407,406 | 260,413,945 | 680,428,129 | 9,096,310 | (86,664,978) |
| Constructora El Gobernador Ltda. | 0.00015% | - | 14,771,712 | 24 | 23 | (4) | - |
| Inversiones Distrilima S.A. | 14.79% | 58,311,641 | 124,075,463 | 16,109,288 | 18,350,759 | 1,360,673 | 2,576,051 |
| Distrilec Inversora S.A. (2) | 20.43% | 101,684,374 | 284,827,103 | 53,430,131 | 58,202,906 | 4,801,153 | 1,368,909 |
| Enersis International Ltd. | 100.00% | - | 31,552,991 | 23,371,034 | 27,179,691 | 4,060,474 | 4,994,001 |
| Enersis de Argentina S.A. | 99.99% | 119,999 | 97,594 | 89,055 | 97,594 | 9,854,803 | 3,770,229 |
| Empresa Distribuidora Sur S.A. (1) | 14.50% | 143,996,758 | 558,568,629 | 74,357,654 | 81,000,371 | 6,681,160 | 1,905,773 |
| Aguas Cordillera S.A. | 99.99% | 137,999,999 | 35,557,864 | 34,147,360 | 35,557,863 | 636,842 | 1,410,505 |
| Electromen S.A. | 0.01% | 1 | 517 | - | - | - | (1) |
| Enersis Investment S.A. | 99.99% | 501 | 308,188,829 | 271,911,872 | 308,188,829 | (5,968,806) | 21,770,282 |
| Empresa Eléctrica de Panamá S.A. (3) | 81.00% | 237,733 | 19,939,804 | - | 16,151,106 | - | 6,743,785 |
| Interocean Developments Inc. | 99.99% | 501 | 23,583,476 | - | 23,583,475 | (4,823) | (2,515,601) |
| Electric Corporation S.A. | 99.99% | 100 | 1,131 | 3,906 | 1,131 | (918) | (2,776) |
| Panaguide Corporation Inc. | 100.00% | 100 | 45 | 2,869 | 45 | (1,956) | (2,825) |
| Enersis de Buenos Aires S.A. | 99.99% | 11,999 | 793 | - | 768 | (1,447) | (9,494) |
| Agua de los Andes S.A. | - | - | - | - | - | (4,972) | - |
| Aguas Puerto S.A. | 72.00% | 949,968 | 65,687,577 | - | 47,295,056 | - | (1,010,817) |
| Cía Americana de Multiservicios S.A. (4) | 99.99% | 29,462,253 | 6,963,551 | 83,689,967 | 6,963,548 | 4,261,520 | (5,948,867) |
| Total | | | | 1,094,394,000 | 1,648,941,786 | 116,794,277 | 12,960,122 |

1) By way of the Company's agency

2) By way of the Company's agency in the amount of 19.80%

3) By way of the Company's agency in the amount of 80.97%

4) Previously Ingenieria e Inmobiliaria Manso de Velasco S.A.

b. The income and losses recorded by the Company correspond to the participation in the equity of the income of related companies amounting to ThCh\$ 122,777,203 and ThCh\$ 109,115,481 for the years ended December 31, 1998 and 1999, respectively, and the equity of the losses of related companies amounting to ThCh\$ 5,982,926 and ThCh\$ 96,155,359 for the years ended December 31, 1998 and 1999, respectively.

The dividends received by the Company amounted to ThCh\$ 83,956,191 and ThCh\$ 57,955,322 for the years ended December 31, 1998 and 1999, respectively.

c. In accordance with current standards, recognition has been given to the excess of the equity in the net assets acquired over the purchase price (negative goodwill) in the purchase of shares as of December 31, 1998 and 1999 as follows:

| Company | As of | | Period activity | Amortization for the period | As of | |
|---------------|----------------|----------|-----------------|-----------------------------|----------------|--------|
| | January 1, | Reserve | | | December 31, | 1999 |
| | 1999 | ThCh\$ | | | 1999 | ThCh\$ |
| Synapsis S.A. | 182,517 | - | - | (13,775) | 168,742 | |
| Total | 182,517 | - | - | (13,775) | 168,742 | |

d. In accordance with current standards, recognition has been given to the excess of the purchase price over the equity in the net assets acquired (goodwill) in the purchase of shares as of December 31, 1998 and 1999 as follows:

| Company | As of January 1, 1999 | Reserve | Period activity | Amortization for the period | As of December 31, 1999 |
|--------------------------------|-----------------------------|----------------|--------------------|--------------------------------|-------------------------------|
| Endesa S.A. | 139,721,991 | - | 602,752,977 | (26,079,727) | 716,395,241 |
| Distrilec Inversora S.A. | 3,643,642 | 341,121 | - | (202,056) | 3,782,707 |
| Chilectra S.A. | 12,524,024 | - | - | (792,099) | 11,731,925 |
| Inversiones Distrilima S.A. | 16,188 | 1,515 | - | (1,106) | 16,597 |
| Río Maipo S.A. | 377,354 | - | - | (21,575) | 355,779 |
| Aguas Cordillera S.A. | 12,222,584 | - | - | (649,816) | 11,572,768 |
| Empresa Distribuidora Sur S.A. | 3,389,804 | 317,357 | - | (219,143) | 3,488,018 |
| Total | 171,895,587 | 659,993 | 602,752,977 | (27,965,522) | 747,343,035 |

e. In accordance with current standards, the Company has credited income for ThCh\$ 4,437,604 and ThCh\$ 8,042,967 for the year ended December 31, 1998 and 1999, respectively, for the premium obtained on the placement of shares by the subsidiaries Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A. and Aguas Cordillera S.A. which are reported in Other non-operating income as adjustments to investments in related companies.

f. The Company's agency purchased the shares of Edesur S.A. without the right to receive dividends until December 22, 2001.

g. The Company's agency purchased 19.01% of the investment in Distrilec Inversora S.A. without the right to receive dividends until December 29, 2002.

h. Under Technical Bulletin No. 64 of the Chilean Institute of Accountants, as of 1998, the Company recorded in the cumulative translation adjustment in shareholders' equity the net exchange difference on liabilities that are denominated in the same currency used to control the investment, and, in this way, act as a hedge of the exchange risk affecting the same investment. As of December 31, 1999 the amounts are as follows:

| Company | Country of origin | Investment ThCh\$ | Reporting Currency | Liability ThCh\$ |
|--------------|-------------------|----------------------|-----------------------|---------------------|
| Edesur S.A. | Argentina | 146,474,002 | US\$ | 146,286,738 |
| Edelnor S.A. | Peru | 18,367,357 | US\$ | 17,940,890 |
| Codensa S.A. | Colombia | 136,183,969 | US\$ | 171,459,419 |
| | | 301,025,328 | | 335,687,047 |

9. INTANGIBLES:

Intangibles as of each year-end are as follows:

| Description | As of January 1, 1999 ThCh\$ | Period Activity ThCh\$ | Amortización for the period ThCh\$ | As of December 31, 1999 ThCh\$ |
|--------------|------------------------------------|------------------------------|--|--------------------------------------|
| Easements | 1,159,275 | - | (61,015) | 1,098,260 |
| Total | 1,159,275 | - | (61,015) | 1,098,260 |

10. OTHER ASSETS

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

| Description | As of December 31, | |
|--------------------------------------|--------------------|------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Bond discount | 3,885,810 | 3,299,567 |
| Deferred expenses | 14,662,558 | 4,338,737 |
| Investments projects | 191,229 | - |
| Pension and post-retirement benefits | - | 161,051 |
| Others | 238,636 | 306,993 |
| Total | 18,978,233 | 8,106,348 |

Deferred costs correspond to compensation paid or accrued related to interest rate swap hedges of foreign currency denominated debt. The deferred costs amounted to ThCh\$ 14,662,558 and ThCh\$ 4,338,737 as of December 31, 1998 and 1999, respectively.

11. DUE TO BANKS AND FINANCIAL INSTITUTIONS:

Long-term debt:

| Financial Institution | Currency | As of December 31, 1998 | | | As of December 31, 1999 | | | Total long-term portion ThCh\$ | Average annual interest rate % |
|---------------------------|----------|------------------------------|-----------------------------|------------------------------|---|---|---|-----------------------------------|-----------------------------------|
| | | Short-term portion ThCh\$ | Long-term portion ThCh\$ | Short-term portion ThCh\$ | Years to maturity | | | | |
| | | | | | After 1 year but within 2 years ThCh\$ | After 2 year But within 3 years ThCh\$ | After 3 year but within 5 years ThCh\$ | | |
| Argentaria Bank | US\$ | (*) | - | 310,355 | 13,781,820 | - | - | 13,781,820 | 6.65% |
| Bank of América | US\$ | (*) | - | 1,357,153 | 81,047,703 | - | - | 81,047,703 | 6.15% |
| Bco. Negocios Argentaria | US\$ | (*) | - | 5,158,297 | 198,246,180 | - | - | 198,246,180 | 6.57% |
| BNP España | US\$ | (*) | - | 2,077,564 | 79,510,500 | - | - | 79,510,500 | 6.60% |
| Citibank | US\$ | (*) | - | 317,872 | 25,093,513 | - | 28,756,298 | 53,849,811 | 6.54% |
| Dresdner Bank | US\$ | (*) | - | 3,966,979 | 182,264,570 | - | - | 182,264,570 | 6.69% |
| Midland Bank | US\$ | (*) | - | 345,832 | 13,251,750 | - | - | 13,251,750 | 6.56% |
| Santander Central Hispano | US\$ | - | 4,980,046 | 183,934,290 | - | - | 183,934,290 | 6.46% | |
| Chase Manhattan Bank | US\$ | - | 567,507 | 279,425,318 | - | - | - | - | |
| Total | | | 567,507 | 279,425,318 | 18,514,098 | 777,130,326 | - | 28,756,298 | 805,886,624 |

| | | | |
|--|---|----------------|----------------|
| | | 1998 | 1999 |
| Percentage of debt in foreign currency | : | 100.00% | 100.00% |
| Percentage of debt in local currency | : | 0.00% | 0.00% |
| | | <u>100.00%</u> | <u>100.00%</u> |

(*) Note: Corresponds to a debt agreement entered into by the Company's agency as a consequence of the renegotiation of the debt of the Enersis Group in which eight financial entities participated in the first line amounting to US\$3.5 billion.

To develop the Company's investment plans, financing was obtained with banks and financial institutions or through the issuance of financial instruments in domestic and foreign markets, which contain financial and non-financial covenants.

The costs related to the loan received on December 11, 1998 and refinanced in August of 1999, and also, the costs of interest rate swap hedges included under the heading Other current assets and Other assets, amount to ThCh\$ 4,406,878 and ThCh\$ 7,558,666, and ThCh\$ 14,662,558 and ThCh\$ 4,338,737 as of December 31, 1998 and 1999, respectively. The costs are charged to earnings as Financing expenses over the life of the related loan.

12. MISCELLANEOUS SHORT AND LONG-TERM LIABILITIES

a. The obligations included in current liabilities as of each year-end are as follows:

| Items | Currency | | | | | | | | | |
|---|-------------------|--------------------|----------------|----------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | US\$ | | Other | | UF | | Ch\$ | | Total | |
| | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ | 1998 ThCh\$ | 1999 ThCh\$ |
| Bond issues | 2,206,025 | 2,412,555 | - | - | 3,393,442 | 3,342,246 | - | - | 5,599,467 | 5,754,801 |
| Notes and accounts payable to related parties | 87,487,508 | 129,358,463 | - | - | 23,178,759 | 56,119,339 | 93,879,526 | 101,887,179 | 204,545,794 | 287,364,981 |
| Other current liabilities | - | - | - | - | - | 144,917,988 | 9,514,868 | 21,770,903 | 9,514,867 | 166,688,891 |
| Total | 89,693,533 | 131,771,018 | - | - | 26,572,201 | 204,379,573 | 103,394,394 | 123,658,082 | 219,660,128 | 459,808,673 |
| Total principal due | | 126,693,029 | - | | | 179,998,348 | | 96,818,152 | | 403,509,529 |
| Weighted average annual interest rate | | 5.95% | - | | | 3.46% | | 11.31% | | |

| | | | |
|--|---|---------|---------|
| | | 1998 | 1999 |
| Percentage of debt in foreign currency | : | 40.83% | 28.66% |
| Percentage of debt in local currency | : | 59.17% | 71.34% |
| | | 100.00% | 100.00% |

b. The long-term obligations as of each year-end are as follows:

| Currency / Readjustment Index | 1998 Long-term portion ThCh\$ | Years to maturity | | | | | 1999 Long-term portion ThCh\$ | Average Annual Interest rate % | Average Principal Due as of 1999 ThCh\$ |
|---|--|--|--|--|-----------------------------------|--------------------|--|--|---|
| | | Greater Than 1 Up to 2 ThCh\$ | Greater Than 2 Up to 5 ThCh\$ | Greater Than 5 Up to 8 ThCh\$ | More Than 8 years ThCh\$ | | | | |
| | | Bond issues | US\$ | 387,754,128 | - | - | | | |
| | U.F. | 6,457,371 | 3,228,629 | - | - | - | 3,228,629 | 6.90% | 3,228,629 |
| Notes and accounts payable to related parties | U.F. | 26,094,477 | 1,123,638,745 | - | - | - | 1,123,638,745 | 5.80% | 1,122,626,745 |
| | US\$ | 27,971,759 | 93,922,996 | - | - | - | 93,922,996 | 6.12% | 93,922,996 |
| Accrued expenses | \$ | 636,925 | - | - | - | 1,281,656 | 1,281,656 | - | - |
| Other long-term liabilities | \$ | 1,777,897 | 62,030 | - | - | 1,727,869 | 1,789,899 | - | - |
| Total | | 450,692,557 | 1,220,852,400 | - | 159,021,000 | 268,044,525 | 1,647,917,925 | | 1,643,834,370 |

| | | | |
|--|---|---------|---------|
| | | 1998 | 1999 |
| Percentage of debt in foreign currency | : | 92.24% | 31.43% |
| Percentage of debt in local currency | : | 7.76% | 68.57% |
| | | 100.00% | 100.00% |

13. INCOME TAXES:

a. Income taxes

Income taxes recoverable as of each year-end are as follows:

| | As of December 31, | |
|--|--------------------|------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Income tax provision – current | (10,202) | - |
| Income taxes recoverable | 3,595,509 | 7,498,628 |
| Installments, donations, and credits for training expenses | 206,621 | 241,471 |
| Total | 3,791,928 | 7,740,099 |

Deferred tax expense amounted to ThCh\$ 593,628 and ThCh\$ 79,180 for the years ended December 31, 1998 and 1999, respectively.

Taxable losses amounted to ThCh\$ 23,970,060 and ThCh\$ 49,990,855 for the years ended December 31, 1998 and 1999.

Taxable retained earnings amounted to ThCh\$ 73,351,542 and ThCh\$ 49,414,462 with associated credits of ThCh\$ 12,801,890 and ThCh\$ 8,577,667 as of December 31, 1998 and 1999, respectively.

b. Deferred taxes

In accordance with BT No. 41 and Circular No. 986 of the SVS, deferred income taxes recorded as of December 31, 1998 and 1999 are as follows:

| | As of December 31, | | | |
|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 1998 | | 1999 | |
| | Short-term ThCh\$ | Long-term ThCh\$ | Short-term ThCh\$ | Long-term ThCh\$ |
| Liabilities | | | | |
| Depreciation | - | 1,156,885 | - | 1,155,348 |
| Severance indemnity | - | 23,377 | - | 70,383 |
| Bond discount | 74,487 | 563,883 | 93,070 | 564,168 |
| Total | 74,487 | 1,744,145 | 93,070 | 1,789,899 |

c. Future Accounting Change

In accordance with circular No. 1.450 and 1.466 of the SVS, deferred taxes as determined under BT No.'s 60 and 68 of the Accountants Association of Chile are presented solely for information purposes and have not been reflected in the financial position of the Company.

If this accounting change were applied for the year ended December 31, 1999, deferred income taxes would have been comprised of the following:

| Temporary differences | As of December 31, 1999 | | | |
|---|-------------------------|---------------------|----------------------|---------------------|
| | Asset | | Liability | |
| | Short-term ThCh\$ | Long-term ThCh\$ | Short-term ThCh\$ | Long-term ThCh\$ |
| Deferred income | (814,610) | - | - | - |
| Provision for vacations | (13,282) | - | - | - |
| Depreciation of Property, plant and equipment | - | - | - | 345,790 |
| Bond discount | - | - | 14,824 | (486,732) |
| Severance indemnity | - | - | - | 165,416 |
| Deferred expenses | - | - | 7,437,834 | (12,590,282) |
| Others | - | 586,642 | - | - |
| Total | (827,892) | 586,642 | 7,452,658 | (12,565,808) |

The detail of the deferred income tax assets and liabilities that would have been generated and reversed during the year ended December 31, 1999 is as follows:

| Temporary Differences | As of December 31, 1999 ThCh\$ |
|---|--------------------------------------|
| Deferred income | (122,192) |
| Provision for vacations | (1,992) |
| Depreciation of Property, plant and equipment | (51,869) |
| Bond discount | 70,786 |
| Severance indemnity | (24,812) |
| Deferred expenses | 772,867 |
| Others | 87,997 |
| Total | 730,785 |

The detail of the accumulated balances of deferred income taxes and the corresponding complementary accounts as of January 1, 1999 would have been the following:

| | Assets | | Liabilities | | Period of Reversal Years | Weighted Average Period of Reversal Years |
|---|------------|-----------|---------------|------------------|-----------------------------|---|
| | Short-term | Long-term | Short-term | Long-term | | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | |
| Provision for deferred income | 152,739 | - | - | - | 1 | 0.44 |
| Complementary liability | (152,739) | - | - | - | | |
| Provision for vacations | 55,340 | - | - | - | 1.5 | 0.53 |
| Complementary liability | (55,340) | - | - | - | | |
| Depreciation of Property, plant and equipment | - | - | - | 1,271,825 | 18 | 11.64 |
| Complementary asset | - | - | - | (144,257) | | |
| Provision severance indemnity | - | - | - | 22,785 | 11 | 0.11 |
| Complementary asset | - | - | - | - | | |
| Bond discount – short-term | - | - | 85,547 | - | 1 | 1.00 |
| Complementary asset | - | - | (12,948) | - | | |
| Bond discount – long-term | - | - | - | 568,101 | 4 | 1.37 |
| Complementary asset | - | - | - | (18,507) | | |
| Amortization of financial expenses | - | - | - | 2,539,353 | 4 | 0.52 |
| Complementary asset | - | - | - | (2,539,353) | | |
| Total | - | - | 72,599 | 1,699,947 | | |

| As of December 31, 1999 | |
|--|----------------|
| ThCh\$ | |
| Current income tax provision: | |
| First category income taxes | - |
| Deferred income tax provision: | |
| Deferred tax provision | 730,785 |
| Amortization of the complementary asset and liability accounts | (176,904) |
| Total income taxes | 553,881 |

14. ACCRUED EXPENSES:

The accrued expenses included in current liabilities as of each year-end are as follows:

| | As of December 31, | |
|--------------------------------------|--------------------|----------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Bonus and other fringe benefits | 553,308 | 568,957 |
| Negative equity in related companies | 5,304,632 | - |
| Accrued expenses | 80,036 | 189,597 |
| Total | 5,937,976 | 758,554 |

No write-offs with respect to uncollectible accounts receivable were effected for the years ended December 31, 1998 and 1999.

15. OTHER CURRENT LIABILITIES

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

| | 1998 | 1999 |
|----------------------------|----------|--------------------|
| | ThCh\$ | ThCh\$ |
| Forward contracts (Note 6) | - | 144,917,988 |
| Total | - | 144,917,988 |

16. FOREIGN CURRENCY

As of December 31, 1998 and 1999, foreign currency denominated assets and liabilities are as follows:

| Assets | | As of December 31, 1998 | | | As of December 31, 1999 | | |
|---|------|-------------------------|----------|--------------------|-------------------------|---------------|----------------------|
| | | Foreign Currency | Exchange | Total | Foreign Currency | Exchange Rate | Total |
| | | | Rate | | | Ch\$ | |
| Cash | US\$ | 17,263 | 472.41 | 8,367 | 61,876 | 530.07 | 32,799 |
| Time deposits | US\$ | - | - | - | 883,851 | 530.07 | 468,503 |
| Amounts due from related companies | | | | | | | |
| Short-term | US\$ | 218,138,900 | 472.41 | 105,730,324 | 338,044,866 | 530.07 | 179,187,442 |
| Long-term | US\$ | 526,534,579 | 472.41 | 255,207,445 | 1,419,192,393 | 530.07 | 752,271,312 |
| Investments in related companies | US\$ | 296,833,131 | 472.41 | 143,897,074 | 297,232,510 | 530.07 | 157,554,037 |
| Goodwill | US\$ | 14,544,545 | 472.41 | 7,049,635 | 13,747,846 | 530.07 | 7,287,322 |
| Other Assets | | | | | | | |
| Short-term | US\$ | - | - | - | 290,842,435 | 530.07 | 154,166,850 |
| Total assets | | | | 511,892,845 | | | 1,250,968,265 |
| Liabilities | | | | | | | |
| Due to Banks and Financial institutions | | | | | | | |
| Short-term | US\$ | 1,170,860 | 472.41 | 567,507 | 34,927,647 | 530.07 | 18,514,098 |
| Long-term | US\$ | 576,500,000 | 472.41 | 279,425,318 | 1,520,340,000 | 530.07 | 805,886,624 |
| Bonds payable | | | | | | | |
| Short-term | US\$ | 4,551,387 | 472.41 | 2,206,025 | 4,551,389 | 530.07 | 2,412,555 |
| Long-term | US\$ | 800,000,000 | 472.41 | 387,754,128 | 800,000,000 | 530.07 | 424,056,000 |
| Accounts payable to related companies | | | | | | | |
| Short-term | US\$ | 180,500,997 | 472.41 | 87,487,508 | 244,040,339 | 530.07 | 129,358,463 |
| Long-term | US\$ | 57,710,297 | 472.41 | 27,971,759 | 177,189,797 | 530.07 | 93,922,996 |
| Total liabilities | | | | 785,412,245 | | | 1,474,150,736 |

17. BONDS PAYABLE

Bonds payable are comprised of the following:

a. Series D-1 and D-2 – Enersis S.A.

On November 30, 1989, the SVS, under regulation No. 117 of the Securities Register, registered the bearer bond issue made by Enersis S.A., as of October 1, 1989, for U.F. 1,500,000, in two series as follows:

| Series | No. of bonds per series | Face value in U.F. | Total amount in U.F. |
|--------|----------------------------|-----------------------|-------------------------|
| D-1 | 150 | 5,000 | 750,000 |
| D-2 | 750 | 1,000 | 750,000 |

The maturity of the bonds is 12 years, interest is payable semiannually and amortization is in 14 installments starting April 1, 1995. Annual interest is 6.9%, compounded semiannually. This issue was 100% sold.

b. Yankee Bonds

On November 21, 1996, the Company, acting through its agency in the Cayman Islands, issued corporate notes (Yankee Bonds) for US\$800 million in three series, as follows:

| Series | Total amount US\$ | Years to maturity | Nominal annual interest rate |
|--------|----------------------|----------------------|---------------------------------|
| 1 | 300,000,000 | 10 | 6.90% |
| 2 | 350,000,000 | 20 | 7.40% |
| 3 | 150,000,000 | 30 | 6.60% |

Interest is payable on a semi-annual basis and principal is paid at maturity. Notes in series three have a put option which can be freely exercised by the holder in the seventh year.

c. Series A

On September 10, 1999, under regulation No. 213 of the Securities Register, registered the bearer bond issue made by Enersis S.A., as of June 7, 1999, for a maximum amount of U.F. 7,000,000, as follows:

| Series | No. of bonds per series | Face value in U.F. | Total amount in U.F. |
|--------|----------------------------|-----------------------|-------------------------|
| A | 700 | 10,000 | 7,000,000 |

The maturity of the bonds is 30 years, interest is payable semi-annually and repayment is in one installment on June 15, 2029. Annual interest is 5.8%, compounded semi-annually.

d. Classification of the balance sheet

Debt related to bond issuances are included under the heading Bonds payable as follows:

| | 1998 | 1999 |
|-------------------------|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Short-term: | | |
| Capital | 3,228,689 | 3,234,555 |
| Accrued interest | 2,370,778 | 2,520,246 |
| Total short-term | 5,599,467 | 5,754,801 |
| Long-term: | | |
| Capital | 394,211,499 | 427,284,629 |
| Total long-term | 394,211,499 | 427,284,629 |

The bond discount related to the domestic bonds has been deferred over the life of the respective bonds. The discount amounted to ThCh\$750,577 and ThCh\$477,629 as of December 31, 1998 and 1999, respectively. ThCh\$272,940 and ThCh\$274,036 of the discount is included under the heading Other current assets and ThCh\$477,637 and ThCh\$203,593 is included under the heading Other assets as of December 31, 1998 and 1999, respectively.

Under the same headings, discounts and costs with respect to the Yankee Bonds have been deferred over 14 years, the average life of the bonds. The discounts and costs amounted to ThCh\$3,720,372 and ThCh\$3,408,173 as of December 31, 1998 and 1999, respectively. ThCh\$312,199 and ThCh\$312,199 of the discount and costs are included under the heading Current assets and ThCh\$3,408,173 and ThCh\$3,095,974 are included under the heading Other assets as of December 31, 1998 and 1999, respectively.

18. LONG-TERM ACCRUALS

Long-term accruals include severance indemnities to personnel, calculated in accordance with the policy described in Note 2. An analysis of the changes in the accruals in each year are as follows:

| | As of December 31, | |
|--------------------------------------|--------------------|------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Opening balance as of January 1 | 455,452 | 620,785 |
| Increase in accrual | 280,855 | 241,622 |
| Payments during the period | (99,382) | (145,418) |
| Sub-total | 636,925 | 716,989 |
| Pension and post-retirement benefits | - | 564,667 |
| Total | 636,925 | 1,281,656 |

19. OTHER LONG-TERM LIABILITIES

The detail of other long-term liabilities as of each year-end is as follows:

| | 1998 | 1999 |
|-----------------------------|------------------|------------------|
| | ThCh\$ | ThCh\$ |
| Deferred income taxes | 1,744,145 | 1,789,899 |
| Other long-term liabilities | 33,752 | - |
| Total | 1,777,897 | 1,789,899 |

20. TRANSACTIONS WITH RELATED COMPANIES:

a. Related companies and the nature of the relationship are as follows:

| Company name | Taxpayer Identification | |
|--|-------------------------|-----------------------|
| | No. | Relationship |
| Elesur S.A. | 96.800.570-7 | Parent |
| Chilectra S.A. | 96.524.320-8 | Subsidiary |
| Agencia Caymán de Chilectra S.A. | Foreign Company | Agency |
| Compañía Eléctrica del Río Maipo S.A. | 96.557.330-5 | Subsidiary |
| Synapsis S.A. | 96.529.420-1 | Subsidiary |
| Inmobiliaria Manso de Velasco S.A. | 96.909.280-8 | Subsidiary |
| Compañía Americana de Multiservicios S.A. | 96.530.650-1 | Subsidiary |
| Distribuidora de Productos Eléctricos S.A. | 96.543.670-7 | Subsidiary |
| Endesa S.A. (Chile) | 91.081.000-6 | Subsidiary |
| Enersis International Ltd. | Foreign Company | Subsidiary |
| Chilectra International Ltd. | Foreign Company | Related to Subsidiary |
| Empresa Eléctrica del Panamá S.A. | Foreign Company | Subsidiary |
| Enersis Argentina S.A. | Foreign Company | Subsidiary |
| Edelnor S.A. | Foreign Company | Related to Subsidiary |
| Aguas Cordillera S.A. | 80.311.300-9 | Subsidiary |
| Sociedad Panameña de Electricidad S.A. | Foreign Company | Related to Subsidiary |
| Cerj | Foreign Company | Subsidiary |
| Enersis Investment S.A. | Foreign Company | Subsidiary |
| Inversiones Distrilima S.A. | Foreign Company | Subsidiary |
| Electric Corporation S.A. | Foreign Company | Subsidiary |
| Interocean Developments Inc. | Foreign Company | Subsidiary |
| Enersis de Buenos Aires S.A. | Foreign Company | Subsidiary |
| Agua de los Andes S.A. | Foreign Company | Subsidiary |
| Bertran Investments Ltd. | Foreign Company | Related to Subsidiary |
| Panaguide Corporation Inc. | Foreign Company | Subsidiary |
| Luz de Bogotá S.A. | Foreign Company | Subsidiary |
| Luz de Mendoza S.A. | Foreign Company | Related to Subsidiary |
| Estelmar Holding S.A. | Foreign Company | Related to Subsidiary |
| Investluz | Foreign Company | Subsidiary |
| Corporación Essex S.A. | Foreign Company | Related to Subsidiary |
| Empresa Distribuidora Sur S.A. | Foreign Company | Subsidiary |
| Chilectra Panamá S.A. | Foreign Company | Related to Subsidiary |
| Codensa S.A. | Foreign Company | Related to Subsidiary |
| Coelce | Foreign Company | Related to Subsidiary |
| Esva S.A. | 89.900.400-0 | Related to Subsidiary |
| Aguas Puerto S.A. | 96.874.360-0 | Subsidiary |
| Luz de Río S.A. | Foreign Company | Related to Subsidiary |
| Cerj Overseas | Foreign Company | Related to Subsidiary |
| Empresa Eléctrica Conosur S.A. | Foreign Company | Related to Subsidiary |
| Endesa Chile Overseas Co. | Foreign Company | Related to Subsidiary |
| Luz de Panamá | Foreign Company | Related to Subsidiary |

20. TRANSACTIONS WITH RELATED COMPANIES, CONTINUED:

b. The balances of accounts receivable and payable classified according to the nature of the transaction are as follows as of December 31, 1998 and 1999:

| Company name | Nature of transaction | As of | As of December 31, 1999 | | |
|--|------------------------|-------------------|-------------------------|-----------|------------|
| | | December 31, 1998 | Operating | Other | Total |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Accounts receivable short-term: | | | | | |
| Chilectra S.A. | Miscellaneous services | 1,528,493 | - | 9,060,485 | 9,060,485 |
| Synapsis S.A. | Miscellaneous services | 35,515 | - | 40,280 | 40,280 |
| Inmobiliaria Manso de Velasco S.A. | Intercompany account | 56,825,542 | 23,246,290 | - | 23,246,290 |
| | Miscellaneous services | 49,574 | - | 29,341 | 29,341 |
| Distribuidora de Productos Eléctricos S.A. | Intercompany account | 1,930,476 | 2,844,152 | - | 2,844,152 |
| Compañía Eléctrica del Río Maipo S.A. | Miscellaneous services | 37,679 | - | 81,756 | 81,756 |
| Energis International Ltd. | Intercompany account | 103,984 | - | - | - |
| | Miscellaneous services | 35,518 | 76,883 | 78,713 | 155,596 |
| Agencia Caymán de Chilectra S.A. | Intercompany account | 16,138,287 | 14,317,870 | - | 14,317,870 |
| | Miscellaneous services | 11,939 | - | 19,579 | 19,579 |
| Empresa Eléctrica de Panamá S.A. | Intercompany account | 27,160,108 | 73,246,398 | - | 73,246,398 |
| | Miscellaneous services | 776 | - | 872 | 872 |
| Edelnor S.A. | Intercompany account | 14,445,975 | 24,835,607 | - | 24,835,607 |
| | Miscellaneous services | 14,349 | - | 17,152 | 17,152 |
| Soc. Panameña de Electricidad S.A. | Miscellaneous services | 52,536 | - | 53,782 | 53,782 |
| Chilectra International Ltd. | Miscellaneous services | 11,634 | 13,430 | 283 | 13,713 |
| | Intercompany account | 2,570,941 | 3,029,738 | - | 3,029,738 |
| Aguas Cordillera S.A. | Miscellaneous services | 6 | - | 7 | 7 |
| | Intercompany account | 5,081,102 | 1,410,889 | - | 1,410,889 |
| Inversiones Distrilima S.A. | Miscellaneous services | 30,321 | - | 12,904 | 12,904 |
| | Miscellaneous services | 1,541 | - | - | - |
| Cerj | Miscellaneous services | 19,853 | - | 15,892 | 15,892 |
| | Intercompany account | 39,805,052 | 14,288,493 | - | 14,288,493 |
| Agua de los Andes S.A. | Miscellaneous services | 9,458 | - | 6,729 | 6,729 |
| | Miscellaneous services | 388,092 | - | - | - |
| Interocean Developments Inc. | Intercompany account | 4,127,180 | 12,461,039 | - | 12,461,039 |
| | Miscellaneous services | 29,480 | - | 30,033 | 30,033 |
| Investluz | Miscellaneous services | 123 | - | - | - |
| Electric Corporation S.A. | Miscellaneous services | 941 | - | 227 | 227 |
| Bertran Investments Ltd. | Miscellaneous services | 1,771 | - | 172 | 172 |
| Panaguide Corporation, Inc. | Miscellaneous services | 2,226 | - | 400 | 400 |
| Luz de Bogotá S.A. | Miscellaneous services | 2,226 | - | 400 | 400 |
| Luz de Bogotá S.A. | Miscellaneous services | 16,824 | - | 18,399 | 18,399 |
| Energis de Buenos Aires S.A. | Miscellaneous services | 1,327 | - | 1,450 | 1,450 |
| Corporación Essex S.A. | Miscellaneous services | 121 | - | - | - |
| Luz de Mendoza S.A. | Miscellaneous services | 1,327 | - | 1,450 | 1,450 |
| Estelmar Holding S.A. | Miscellaneous services | 251 | - | - | - |

| Company name | Nature of transaction | As of | As of December 31, 1999 | | |
|--|------------------------|--------------------|-------------------------|------------------|--------------------|
| | | December 31, 1998 | Operating | Oher | Total |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Accounts receivable short-term: | | | | | |
| Edesur S.A. | Miscellaneous services | 14,924 | - | 43,689 | 43,689 |
| Luz de Rio Ltda. | Miscellaneous services | - | - | 12,701 | 12,701 |
| Cerj Overseas | Miscellaneous services | - | - | 1,387 | 1,387 |
| | Intercompany account | - | 7,373,982 | - | 7,373,982 |
| Chilectra Panamá S.A. | Miscellaneous services | 10 | - | 10 | 10 |
| Codensa S.A. | Miscellaneous services | 19,670 | - | 30,208 | 30,208 |
| Coelce | Miscellaneous services | 4,450 | - | - | - |
| Empresa Eléctrica de Colina S.A. | Miscellaneous services | - | - | 527 | 527 |
| Empresa Eléctrica Conosur S.A. | Intercompany account | - | 60,311 | - | 60,311 |
| Luz de Panamá | Intercompany account | - | 370,753 | - | 370,753 |
| Endesa S.A. | Intercompany account | 5,155 | 65,742,924 | - | 65,742,924 |
| | Miscellaneous services | - | - | 5,519 | 5,519 |
| Endesa Chile Overseas Co. | Intercompany account | - | 17,085 | - | 17,085 |
| Cía. Americana de Multiservicios S.A. | Intercompany account | - | 15,810,550 | - | 15,810,550 |
| | Miscellaneous services | - | - | 84,156 | 84,156 |
| Elesur S.A. | Miscellaneous services | - | - | 16 | 16 |
| Aguas Puerto S.A. | Miscellaneous services | - | 29,302 | 10,116 | 39,418 |
| Total short-term | | 170,514,531 | 259,175,696 | 9,658,235 | 268,833,931 |
| Accounts receivable long-term: | | | | | |
| Inmobiliaria Manso de Velasco S.A. | Intercompany account | 4,907,130 | - | - | - |
| Chilectra Agencia Caymán | Intercompany account | 168,773,270 | 187,528,893 | - | 187,528,893 |
| Empresa Eléctrica de Panamá S.A. | Intercompany account | 86,434,178 | 94,526,219 | - | 94,526,219 |
| Enerisis International Ltd. | Intercompany account | - | 143,541,781 | - | 143,541,781 |
| Endesa Chile Overseas Co. | Intercompany account | - | 2,733,719 | - | 2,733,719 |
| Endesa Agencia Caymán Island | Intercompany account | - | 3,392,978 | - | 3,392,978 |
| Cerj Overseas | Intercompany account | - | 128,276,940 | - | 128,276,940 |
| Cía. Eléctrica Conosur S.A. | Intercompany account | - | 38,936,119 | - | 38,936,119 |
| Interocean Developments Inc. | Intercompany account | - | 120,830,296 | - | 120,830,296 |
| Luz de Panamá | Intercompany account | - | 32,504,368 | - | 32,504,368 |
| Cía Eléctrica del Río Maipo S.A. | Intercompany account | 3,214,358 | 4,737,589 | - | 4,737,589 |
| Total long-term | | 263,328,936 | 757,008,902 | - | 757,008,902 |

| Company name | Nature of Transaction | As of | As of December 31, 1999 | | |
|--|------------------------|--------------------|-------------------------|------------------|----------------------|
| | | December 31, 1998 | Operating | Other | Total |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Accounts payable short-term: | | | | | |
| Chilectra S.A. | Intercompany account | 132,136,431 | 157,316,965 | - | 157,316,965 |
| | Miscellaneous services | 85,184 | - | 171,534 | 171,534 |
| Synapsis S.A. | Intercompany account | 4,637,926 | 4,456,466 | - | 4,456,466 |
| | Miscellaneous services | 22,901 | - | 79,031 | 79,031 |
| Inmobiliaria Manso de Velasco S.A. | Intercompany account | 992,102 | 33,051 | - | 33,051 |
| | Miscellaneous services | 63,022 | - | 67,035 | 67,035 |
| Distribuidora de Prod. Eléctricos S.A. | Miscellaneous services | 8,867 | - | 138,306 | 138,306 |
| Compañía Eléctrica del Río Maipo S.A. | Intercompany account | 5,622,710 | - | - | - |
| | Miscellaneous services | 248 | 68,579 | 2,642 | 71,221 |
| Enersis International Ltd. | Intercompany account | 39,251,340 | 41,066,872 | - | 41,066,872 |
| | Miscellaneous services | 7,180,722 | - | - | - |
| Chilectra International Ltd. | Intercompany account | 6,462,103 | 8,247,631 | - | 8,247,631 |
| Endesa | Intercompany account | 2,253,924 | - | - | - |
| Aguas Cordillera S.A. | Miscellaneous services | 14,595 | 8,390 | 13,679 | 22,069 |
| Edelnor S.A. | Miscellaneous services | 11,375 | - | 12,441 | 12,441 |
| Chilectra Agencia Caymán | Miscellaneous services | - | - | 61,182 | 61,182 |
| Cía. Americana de Multiervicios S.A. | Intercompany account | - | 5,145,018 | - | 5,145,018 |
| | Miscellaneous services | - | - | 1,834,803 | 1,834,803 |
| Enersis Argentina S.A. | Miscellaneous services | - | - | 16,432 | 16,432 |
| Enersis Investments | Intercompany account | - | 37,632,409 | - | 37,632,409 |
| Enersis de Buenos Aires S.A. | Miscellaneous services | 1,454 | - | 1,547 | 1,547 |
| Edesur S.A. | Miscellaneous services | - | - | 14,406 | 14,406 |
| Endesa S.A. | Intercompany account | - | 2,606,854 | 5,870 | 2,612,724 |
| Elesur S.A. | Intercompany account | - | 21,553,541 | - | 21,553,541 |
| Empresa Eléctrica del Panamá S.A. | Intercompany account | 5,800,890 | 6,810,297 | - | 6,810,297 |
| Total short-term | | 204,545,794 | 284,946,073 | 2,418,908 | 287,364,981 |
| Accounts payable long-term: | | | | | |
| Chilectra S.A. | Intercompany account | 54,066,236 | 57,666,935 | - | 57,666,935 |
| Enersis International Ltd. | Intercompany account | - | 63,332,499 | - | 63,332,499 |
| Elesur S.A. | Intercompany account | - | 1,096,562,307 | - | 1,096,562,307 |
| Total long-term | | 54,066,236 | 1,217,561,741 | - | 1,217,561,741 |

Miscellaneous services represent billings with 30 days terms.

The transfer of short-term funds between related companies, which are not for collection or payment of services, is on the basis of a current cash account, at a variable interest rate based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30 day terms, with automatic rollover for the same period and settlement in line with cash flows.

c. The payment terms and conditions with respect to long-term accounts receivable and payable with related companies are as follows:

| Company name | Account | Maturity | Capital | Currency | Interest rate |
|-----------------------------------|---------------------|-----------|----------------|----------|---------------|
| Cía. Eléctrica del Río Maipo S.A. | Accounts receivable | Dec. 2001 | 3,132,903 (2) | ThCh\$ | 0.96% (1) |
| | Accounts receivable | Dec. 2001 | 106,503 | U.F. | 8.50% |
| Endesa S.A. | Accounts receivable | Aug. 2001 | 5,157,279 | US\$ | 6.63% |
| Enersis International Ltd. | Accounts receivable | Aug. 2001 | 5,530,000 | US\$ | 5.75% |
| | Accounts receivable | Aug. 2001 | 104,479,500 | US\$ | 6.46% |
| Cerj Overseas | Accounts receivable | Aug. 2001 | 242,000,000 | US\$ | 13.70% |
| Chilectra S.A. | Accounts payable | Dec. 2001 | 601,686 | U.F. | 6.50% |
| | Accounts payable | Dec. 2001 | 1,195,388 | U.F. | 5.70% |
| | Accounts payable | Aug. 2001 | 57,710,298 (2) | US\$ | 5.37% (1) |
| Elesur S.A. | Accounts payable | May. 2001 | 62,977,309 | U.F. | 5.80% |
| | Accounts payable | May. 2001 | 9,801,959 | U.F. | 5.80% |
| Enersis International Ltd. | Accounts payable | Aug. 2001 | 15,000,000 | US\$ | 6.63% |

(1) Corresponds to the monthly nominal interest rate

(2) Payables related to foreign investments

| Company name | Account | Maturity | Capital | Currency | Interest rate |
|-----------------------------------|---------------------|-----------|-------------|----------|---------------|
| By means of the Company's Agency: | | | | | |
| Agencia Caymán de Chilectra S.A. | Accounts receivable | Dec. 2001 | 5,574,600 | US\$ | 7.65% |
| | Accounts receivable | Dec. 2006 | 4,800,151 | US\$ | 5.47% |
| | Accounts receivable | Dec. 2006 | 128,777,490 | US\$ | 7.12% |
| | Accounts receivable | Dec. 2016 | 150,240,393 | US\$ | 7.65% |
| | Accounts receivable | Dec. 2026 | 64,388,740 | US\$ | 6.92% |
| Empresa Eléct. de Panamá S.A. | Accounts receivable | Dec. 2006 | 66,872,927 | US\$ | 7.12% |
| | Accounts receivable | Dec. 2016 | 78,018,415 | US\$ | 7.65% |
| | Accounts receivable | Dec. 2026 | 33,436,463 | US\$ | 6.92% |
| Enersis International Ltd. | Accounts receivable | Aug. 2001 | 95,568,281 | US\$ | 5.75% |
| | Accounts receivable | Aug. 2001 | 15,000,000 | US\$ | 6.63% |
| | Accounts receivable | Aug. 2001 | 50,220,000 | US\$ | 5.75% |
| Luz de Panamá S.A. | Accounts receivable | Aug. 2001 | 61,320,897 | US\$ | 13.69% |
| Interocean Developments Inc. | Accounts receivable | Aug. 2001 | 227,951,583 | US\$ | 5.61% |
| Empresa Eléctrica Conosur S.A. | Accounts receivable | Aug. 2001 | 73,454,673 | US\$ | 7.39% |
| Enersis International Ltd. | Accounts payable | Aug. 2001 | 104,479,500 | US\$ | 6.46% |
| Agencia Caymán de Endesa S.A. | Accounts receivable | Dec. 2001 | 6,401,000 | US\$ | 6.04% |

d. Effects on income for each year-end are as follows:

| Company name | Interest expense (income) ThCh\$ | Lease expense (income) ThCh\$ | Usufruct dividend loss ThCh\$ | Services and other expense (income) ThCh\$ | Material purchases (sales) ThCh\$ | Total net effect ThCh\$ |
|--|---|--|--|--|--|----------------------------------|
| 1998 | | | | | | |
| Chilectra S.A. | 15,703,943 | (3,821,201) | - | (4,346,544) | 45,534 | 7,581,732 |
| Inmobiliaria Manso de Velasco S.A. | (9,458,109) | 639,041 | - | (360,527) | - | (9,179,595) |
| Distribuidora de Productos Eléctricos S.A. | (320,260) | (360,527) | - | - | - | (680,787) |
| Synapsis S.A. | 760,939 | - | - | (104,594) | - | 656,345 |
| Compañía Eléctrica del Río Maipo S.A. | (433,515) | - | - | (608,096) | - | (1,041,611) |
| Enersis International Ltd. | 86,956 | - | - | - | - | 86,956 |
| Empresa Distribuidora Sur S.A. | - | - | - | (3,991,914) | - | (3,991,914) |
| Endesa S.A. | 132,636 | - | - | - | - | 132,636 |
| Aguas Cordillera S.A. | (756,037) | - | - | (58,750) | - | (814,787) |
| Compañía Eléctrica Colina S.A. | - | - | - | (2,198) | - | (2,198) |
| By means of the Company's Agency: | | | | | | |
| Agencia Caymán de Chilectra S.A. | (13,498,654) | - | - | - | - | (13,498,654) |
| Empresa Eléctrica de Panamá S.A. | (6,865,969) | - | - | - | - | (6,865,969) |
| Enersis Investment S.A. | (465,563) | - | - | - | - | (465,563) |
| Chilectra International Ltd. | 237,375 | - | - | - | - | 237,375 |
| Chilectra Argentina | - | - | 9,853,273 | - | - | 9,853,273 |
| Interocean Developments Inc. | (83,980) | - | - | - | - | (83,980) |
| Soc. Panameña de Electricidad | (646) | - | - | - | - | (646) |
| Total | (14,960,884) | (3,542,687) | 9,853,273 | (9,472,623) | 45,534 | (18,077,387) |
| 1999 | | | | | | |
| Chilectra S.A. | 17,344,285 | (3,825,003) | - | (4,373,584) | 42,515 | 9,188,213 |
| Inmobiliaria Manso de Velasco S.A. | (758,223) | 144,855 | - | - | - | (613,368) |
| Distribuidora de Productos Eléctricos S.A. | (170,467) | - | - | (276,146) | - | (446,613) |
| Synapsis S.A. | 543,600 | - | - | (72,499) | - | 471,101 |
| Compañía Eléctrica del Río Maipo S.A. | (178,013) | - | - | (625,322) | - | (803,335) |
| Enersis International Ltd. | (458,259) | - | - | - | - | (458,259) |
| Empresa Distribuidora Sur S.A. | - | - | - | (3,854,949) | - | (3,854,949) |
| Aguas Cordillera S.A. | (298,499) | - | - | (54,250) | - | (352,749) |
| Endesa S.A. | (2,823,664) | - | - | - | - | (2,823,664) |
| Compañía Americana Multiservicios S.A. | (4,470,393) | 454,249 | - | (360,826) | - | (4,376,970) |
| By means of the Company's Agency: | | | | | | |
| Agencia Caymán de Chilectra S.A. | (16,132,698) | - | 3,765,486 | - | - | (12,367,212) |
| Empresa Eléctrica de Panamá S.A. | (7,382,948) | - | - | - | - | (7,382,948) |
| Enersis Investment S.A. | (1,189,937) | - | - | - | - | (1,189,937) |
| Sociedad Panameña de Electricidad S.A. | (692) | - | - | - | - | (692) |
| Interocean Developments Inc. | (3,111,884) | - | - | - | - | (3,111,884) |
| Aguas Puerto S.A. | (103) | - | - | - | - | (103) |
| Cerj | (7,479,169) | - | - | - | - | (7,479,169) |
| Coelce | (1,904,410) | - | - | - | - | (1,904,410) |
| Total | (28,240,694) | (3,225,899) | 3,765,486 | (9,617,576) | 42,515 | (37,276,168) |

21. SHAREHOLDERS' EQUITY:

a. The changes in the Shareholders' Equity as of each year-end are as follows:

| | Paid-in Capital Th\$ | Additional paid-in Capital Th\$ | Other Reserves Th\$ | Retained Earnings Th\$ | Interim Dividends Th\$ | Net Income Th\$ | Total Th\$ |
|---|----------------------------|--|---------------------------|------------------------------|------------------------------|---------------------|--------------------|
| As of January 1, 1998 | 372,505,262 | 22,600,111 | 21,594,889 | 232,469,742 | (46,665,681) | 103,516,270 | 706,020,593 |
| Transfer of prior year income to retained earnings | - | - | - | 56,850,589 | 46,665,681 | (103,516,270) | - |
| Dividends | - | - | - | (30,600,001) | - | - | (30,600,001) |
| Price-level restatement | 16,017,726 | 971,805 | 928,580 | 11,461,574 | (97,920) | - | 29,281,765 |
| Changes in equity affiliates | - | - | (668,503) | - | - | - | (668,503) |
| Cumulative translation adjustment | - | - | 716,013 | - | - | - | 716,013 |
| Interim dividends | - | - | - | - | (10,880,000) | - | (10,880,000) |
| Net income for the period | - | - | - | - | - | 90,093,175 | 90,093,175 |
| As of December 31, 1998 | 388,522,988 | 23,571,916 | 22,570,979 | 270,181,904 | (10,977,920) | 90,093,175 | 783,963,042 |
| Price-level restatement | 10,101,598 | 612,870 | 586,845 | 7,024,730 | (285,426) | 2,342,423 | 20,383,040 |
| Restated as of December 31, 1998 | 398,624,586 | 24,184,786 | 23,157,824 | 277,206,634 | (11,263,346) | 92,435,598 | 804,346,082 |
| As of January 1, 1999 | 388,522,988 | 23,571,916 | 22,570,979 | 270,181,904 | (10,977,920) | 90,093,175 | 783,963,042 |
| Transfer of prior year income to retained earnings | - | - | - | 79,115,255 | 10,977,920 | (90,093,175) | - |
| Dividends | - | - | - | (27,200,000) | - | - | (27,200,000) |
| Price-level restatement | 10,101,598 | 612,870 | 586,845 | 8,619,326 | - | - | 19,920,639 |
| Changes in equity affiliates | - | - | (2,633,340) | - | - | - | (2,633,340) |
| Cumulative translation adjustment | - | - | 2,770,796 | - | - | - | 2,770,796 |
| Net loss for the period | - | - | - | - | - | (78,158,729) | (78,158,729) |
| As of December 31, 1999 | 398,624,586 | 24,184,786 | 23,295,280 | 330,716,485 | - | (78,158,729) | 698,662,408 |

b. Shares issued

At the General Shareholders' Meeting held on April 30, 1999, the shareholders agreed to increase the capital of the Company by US\$ 1,000 million through the issue of shares in foreign capital markets, which will occur within a period of 3 years.

As of the date of the financial statements presented herein the Company has not started the process of the issuance.

c. Dividends

There are no restrictions on the payment of dividends. The following dividends were paid as of each period-end:

| Dividend Number | Payment date Ch\$ per share | Historical value | Type of dividend | Related to |
|-----------------|--------------------------------|------------------|------------------|------------|
| 67 | Feb/98 | 0.8 | Interim | 1997 |
| 68 | May/98 | 4.5 | Final | 1997 |
| 69 | Nov/98 | 1.6 | Interim | 1998 |
| 70 | May/99 | 4.0 | Final | 1998 |

d. Cumulative Translation Adjustment

The change in the cumulative translation adjustment for the year ended December 31, 1999 is as follows:

| | As of January 1, 1999 ThCh\$ | Assets ThCh\$ | Liabilities ThCh\$ | Reserve of the period ThCh\$ | As of December 31, 1999 ThCh\$ |
|--------------------------------------|------------------------------------|-------------------|-----------------------|------------------------------------|---|
| Cumulative translation adjustment | 734,629 | 57,044,848 | (54,274,052) | 2,770,796 | 3,505,425 |
| Total | 734,629 | 57,044,848 | (54,274,052) | 2,770,796 | 3,505,425 |

The balance of the cumulative translation adjustment is comprised as follows:

| | As of December 31, 1999 ThCh\$ |
|-----------------------------------|-----------------------------------|
| Distrilec Inversora S.A. | 419,269 |
| Inversiones Distrilima S.A. | 192,510 |
| Cía. Peruana de Electricidad S.A. | 1,193,429 |
| Edesur | 845,415 |
| Cerj S.A. | 801,225 |
| Coelce | 53,577 |
| Total | 3,505,425 |

22. OTHER INCOME AND EXPENSES:

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

| | Year ended December 31, | |
|---|-------------------------|--------------------|
| | 1998 ThCh\$ | 1999 ThCh\$ |
| Adjustments to investments in related companies | 4,585,345 | 10,002,432 |
| Project administration and construction | 10,308,081 | 10,112,191 |
| Gain on forward contracts | - | 76,106,698 |
| Reversal of allowance for negative equity of related companies | - | 2,923,779 |
| Income taxes recoverable | 3,595,509 | 7,498,628 |
| Miscellaneous | 3,047,028 | 62,652 |
| Total | 21,535,963 | 106,706,380 |

b. Other non-operating expense in each period is as follows:

| | Year ended December 31, | |
|---|-------------------------|-------------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| Loss for dividends rights | 9,853,273 | 3,765,486 |
| Adjustments to investments in related companies | 1,711,150 | 5,759,375 |
| Negative equity of related companies | 2,690,371 | - |
| Project expenses | - | 80,716 |
| Others | 425,161 | 830,839 |
| Total | 14,679,955 | 10,436,416 |

23. CONTINGENCIES AND COMMITMENTS

Deposits, performance bonds, mortgage and pledges received in guarantee totaled ThCh\$ 1,701,989 and ThCh\$ 385,478 as of December 31, 1998 and 1999, respectively.

24. DIRECTORS' FEES:

Directors fees for the years ended December 31, 1998 and 1999 are the following:

| | As of December 31, | |
|----------------------------------|--------------------|----------------|
| | 1998 | 1999 |
| | ThCh\$ | ThCh\$ |
| José Antonio Guzmán Matta | 63,491 | 29,328 |
| Rodolfo Martín Villa | 45,259 | 33,217 |
| Juan Eduardo Errázuriz Ossa | 31,746 | 14,664 |
| Héctor López Vilaseco | 31,746 | 20,283 |
| Alfredo Llorente Legaz | 31,746 | 54,097 |
| Miguel Angel Poduje Sapiain | 31,746 | 14,664 |
| Ernesto Silva Ballafuy | 31,746 | 34,942 |
| Luis Fernando Mackenna Echaurren | 56,934 | - |
| Rodrigo G. Errázuriz Ruiz Tagle | 32,526 | - |
| Sergio Gutiérrez Irarrázaval | 32,653 | - |
| Pedro Smith Harrison | 32,526 | - |
| Leonidas Vial Echeverría | 32,526 | - |
| Carlos Cáceres Contreras | 39,044 | - |
| Rafael Miranda Robredo | - | 18,034 |
| Felipe Montt Fuenzalida | 32,526 | - |
| Luis Rivera Novo | - | 13,527 |
| Carlos Vicuña Fuentes | - | 18,031 |
| José Fesser Anton | - | 13,527 |
| Hernán Somerville Senn | - | 11,271 |
| Total | 526,215 | 275,585 |

25. SHAREHOLDER TRANSACTIONS:

During 1998 and 1999 the principal shareholders, members of the Board of Directors, general managers and other individuals or related parties carried out the following share transactions:

| Shareholder | Relationship | Number of shares | | | |
|--|--|-------------------------|-------------|-------------------------|-----------|
| | | As of December 31, 1998 | | As of December 31, 1999 | |
| | | Purchase | Sale | Purchase | Sale |
| Elesur S.A. | Major shareholder | 388,619,768 | - | 1,841,808,811 | - |
| Endesa Internacional S.A. | Major shareholder | - | - | 694,591,189 | - |
| Jorge Hormazábal Rodríguez | Ex-Management of a Subsidiary | 1,000,000 | - | 1,399,499 | 2,837,770 |
| Guillermo Gacitúa Sepúlveda | Ex-Management of a Subsidiary | - | - | 1,194,580 | 2,302,453 |
| Inversiones y Turismo el Vellochino S.A. | Company related to Enersis manager | - | - | 493,168 | 1,000,000 |
| Rolando Hechenleitner K. | Management of a Subsidiary | - | - | 231,863 | 597,833 |
| Inmob. Inv. Y Ass. Quantum Ltda. | Company related Subsidiary to manager | - | - | 210,800 | 482,800 |
| Raúl Hernán Moya Reveco | Management of a Subsidiary | - | - | 175,917 | 532,624 |
| Guillermo Pérez del Río | Management of a Subsidiary | - | - | 117,998 | 357,264 |
| Andrés Vial Infante | Ex-Management of a Subsidiary | 1,220 | - | 99,235 | 201,220 |
| José Luis Peña Forbes. | Management of a Subsidiary | - | - | 80,291 | 51,805 |
| Asesoría e Inv. El Alarife Ltda. | Company related to Enersis manager | 120,000 | - | 59,180 | 120,000 |
| Aglae Ossandon Alvarez | Spouse of management of a Subsidiary | - | - | 54,681 | 110,869 |
| Inv. Y Rentas Vallor Ltda. | Company related Subsidiary to manager | - | - | 54,523 | 698,956 |
| Inmob. E Inv. Centinela Ltda. | Company related Subsidiary to manager | - | - | 42,888 | 86,957 |
| Jaime Lerner Plischuk | Ex-Enersis assistant | - | 20,000 | 18,659 | 57,098 |
| Invers. Asesoría Consolidada Ltda. | Company related to Ex-Enersis manager | - | - | 13,988 | 42,351 |
| María Letelier Reyes | Management of a Subsidiary | - | - | 12,077 | 24,488 |
| Manuel González Durán | Management of a Subsidiary | - | - | 10,971 | 22,245 |
| Luis Mauricio Avedaño Guerra | Management of a Subsidiary | - | - | 10,135 | 20,550 |
| Francisco Valdebenito Vallejos | Management of a Subsidiary | - | - | 9,405 | 19,070 |
| Fernando Gastón Urbina Soto | Management of a Subsidiary | - | - | 3,028 | 6,140 |
| Bernardita Zuñiga Oliva | Spouse of management of a Subsidiary | - | - | 2,666 | 5,406 |
| Inversiones Harabuquén | Company related to Subsidiary manager | - | 20,733,012 | - | - |
| Juan Pablo Spoerer Hurtado | Management | - | - | - | 8,621 |
| Rogelio Toro Avila | Management of a Subsidiary | 24,000 | - | - | 24,000 |
| Inv. Inmob. Y Asesorías Marrol Ltda. | Company related to Subsidiary Director | - | 730,000 | - | - |
| Endesa Desarrollo S.A. | Major shareholder | - | 201,341,500 | - | - |
| Carmen Paz Urbina Sateler | Management of a Subsidiary | 13,000 | - | - | 13,000 |
| Ernesto Silva Bafalluy | Parent company Director | 200,000 | - | - | 200,000 |
| Cía. Invers. Luz S.A. (In sale) | Major shareholder | - | 131,721,164 | - | - |
| Empresa de Serv. Empresarial Ltda. | Company related to Subsidiary Director | - | - | - | 213,870 |
| María L. Fourcade Magofke | Spouse of management of a Subsidiary | - | - | - | 17,430 |
| Gloria Errázuriz Abad | Spouse of management of a Subsidiary | - | - | - | 3,440 |
| Juan Carlos Mundaca Alvarez | Management of a Subsidiary | - | - | - | 1,740 |
| Pedro Miguel Durán | Management of a Subsidiary | - | - | - | 75,050 |
| Patricia Otárola Monardes | Spouse of management of a Subsidiary | - | - | - | 6,000 |
| Pamela de Vos Calderón | Spouse of management of a Subsidiary | - | - | - | 700 |
| Ana María Figueroa Guzmán | Spouse of management of a Subsidiary | - | - | - | 7,690 |
| Elvira Cardenasso Sanchez | Ex-Management of a Subsidiary | - | - | - | 91,838 |
| Enrique Fernández Pérez | Management of a Subsidiary | - | - | - | 3,240 |

25. SHAREHOLDER TRANSACTIONS, CONTINUED:

| Shareholder | Relationship | Number of shares | | | |
|--------------------------------------|---|-------------------------|---------|-------------------------|-----------|
| | | As of December 31, 1998 | | As of December 31, 1999 | |
| | | Purchase | Sale | Purchase | Sale |
| Invers. Inmob. Y Aut. Canibius Ltda. | Company related to Management of Subs. | - | - | - | 1,000,000 |
| Jorge Omar Alé Yavard | Management | - | - | - | 43,000 |
| Juan Eduardo Errázuriz Ossa | Ex-Director of Enersis | - | - | - | 11,700 |
| Luis Gonzalo Martínez Albazábal | Management of a Subsidiary | - | - | - | 34,471 |
| María Luisa Lorca Aceval | Spouse of management of a Subsidiary | - | - | 43,879 | 88,973 |
| Netty Yasmín Hernández Zinn | Spouse of management of a Subsidiary | - | - | - | 4,331 |
| Pablo Fernando Escibano Esteban | Management of a Subsidiary | - | - | - | 21,700 |
| Patricia J. León Morales | Spouse of management of a Subsidiary | - | - | - | 30,000 |
| Patricio Camilo Coll Mori | Management of a Subsidiary | - | - | - | 2,000 |
| Pedro Sotomayor Carvallo | Spouse of ex-management of a Subsidiary | - | - | - | 176,200 |
| Rolf Heller Inhle | Management of a Subsidiary | - | - | - | 219,347 |
| Soc. Invers. Huallico Ltda. | Company related to Ex-Enersis manager | - | - | - | 97,716 |
| Fernando Rosati Biancardi | Management | - | 281,400 | - | - |

(*) Transferred shares to broker for the purposes of the public offering of shares by Elesur S.A.

26. SHAREHOLDER PARTICIPATION:

The shareholders of the Company as of each year-end are as follows:

| Type of shareholders | As of December 31, 1998 | | As of December 31, 1999 | |
|--|-------------------------|---------------|-------------------------|---------------|
| | Percentage | Number of | Percentage | Number of |
| | Participation | Shareholders | Participation | Shareholder |
| | % | | % | |
| 10% or greater participation | 19.60 | 1 | 50.27 | 3 |
| Less than 10% participation with investment equal or greater than 200 UF | 79.49 | 3,019 | 48.91 | 1,743 |
| Less than 10% participation, with investment less than 200 UF | 0.91 | 9,659 | 0.82 | 8,832 |
| Total | 100.00 | 12,679 | 100.00 | 10,578 |
| Controlling shareholders | 31.90% | 5 | 63.90% | 6 |

As of December 31, 1999 the following companies are considered controlling shareholders as defined in the Securities Law 18,045 - articles 96 to 99 and Circular No. 1,162 of June 27, 1994 issued by the SVS.:

- Compañía de Inversiones Luz y Fuerza S.A.
- Compañía de Inversiones Los Almendros S.A.
- Compañía de Inversiones Chispa Uno S.A.
- Compañía de Inversiones Chispa Dos S.A.
- Elesur S.A.
- Endesa Internacional

27. RESEARCH AND DEVELOPMENT EXPENDITURES:

In accordance with Circular No. 981 dated December 28, 1990 of the SVS, the Company did not incur research and development expenditures for the years ended December 31, 1998 and 1999:

28. YEAR 2000:

In accordance with Circular No. 00065 dated January 7, 1999 of the SVS related to the Year 2000 Issue, the Company incurred expenditures mainly related to the replacement of hardware of ThCh\$ 18,334 and ThCh\$ 14,153 for the years ended December 31, 1998 and 1999, respectively. The total expenses incurred by the Company for the year ended December 31, 1999 amounted to ThCh\$ 87,206.

During 1998 and 1999, the Company did not accrue for contingencies nor write-off any amounts in relation to the Year 2000.

29. SUBSEQUENT EVENTS

At an Extraordinary Session of the Board of Directors, held on January 17, 2000, the present members of the Board of Enersis S.A. unanimously agreed that certain accounting adjustments and extra charges to income of the Financial Statements of Enersis S.A. as of December 31, 1999, stemming from the investments or operations of its subsidiaries in Chile and abroad be recognized, amounting to approximately US\$ 85 and US\$ 90 million, in its equivalent in Chilean pesos.

The accounting adjustments and the extra charges mentioned above, will have no significant impact on the Company's cash flow, and will be reflected in the financial statements of Enersis for the fourth quarter of 1999. The accounting adjustments and extra charges referred to are broken down into approximately –in their equivalent in Chilean pesos– the sum of US\$ 63 million stemming from the impact of generating subsidiaries and approximately US\$25 million US stemming from distribution subsidiaries.

These amounts mainly relate to situations recently made known, as well as to the new business environment of the group and are broken down in the following manner:

- Accounting adjustments stemming from an extraordinary audit carried out by Enersis S.A. of its subsidiary (regarding bad debts, obsolete assets and projects for the normalization of networks), which resulted in a figure close to US\$ 26 million.
- Accounting charges related to low feasibility of development projects for a total of US\$ 27 million, given the current tariff environment.
- Requirement for the application of new accounting criteria to the industry, regarding provisions for retirement plans and complementary pension, for an approximate amount of US\$ 21 million.
- Compensation agreements and eventual agreements made between Chilean generators, because of drought, for an approximate amount of US\$ 14 million.

These adjustments and extra charges in the financial statements of Enersis S.A. would decrease the Company's income corresponding to the fourth quarter of 1999. On the other hand, the hydrologic normalization produced during the second half of 1999, the improved evolution of energy sales and the first positive signs due to the measures defined by the Génesis Plan, would lead us to expect an important recovery in the operating results during the last quarter of 1999.

There is no knowledge of any other important events that occurred subsequent to the closing date of these financial statements, which could significantly affect their presentation.

UNCONSOLIDATED MANAGEMENT'S ANALYSIS

At December 31, 1999 (expressed in thousands of Ch\$)

RELEVANT EVENTS

The year 1999 was oriented, primarily, to restructure the organization internally, by developing practices and strategic decisions that will underlie the guidelines for growth so as to meet the new challenges posed by a new business setting, with the ultimate aim of maximizing the economic value for shareholders.

In line with Enersis' expansion and diversification, which started in the year 1992, during the months of April and May of 1999, new investments were made in sanitary companies to an amount of US\$ 98.4 million to purchase 29.07% of Empresa Sanitaria de Valparaíso (ESVAL), the country's second most important sanitary company. On the other hand, on the side of electricity generation, and through a Public Offer for Shares in place during the month of April, Enersis increased its share in the ownership of Endesa Chile by 34.7%, representing an investment of US\$ 2,146 million, thereby attaining a participation of 59.98% in the ownership of the above mentioned generation company.

Some considerations regarding the state of the business activities during 1999 follow:

Physical sales of distribution companies reached 47,128 GWh, representing a 4.6% increase with respect to sales recorded in 1998 (tolls excluded).

With respect to the electric energy distribution business during 1999, it has continued to increase its levels of efficiency in the commercial, technical and financial areas, through investment made in new projects related to technical measures and the control and maintenance of existing programs. On account of this, the indices for energy losses have continued to go down in all distribution companies connected with the Company, as shown in the graph on the next page.

In the case of electricity generation, as it is well-known, 1999 was marked by the greatest drought ever recorded in Chile and which has affected the country since 1998. The severe and prolonged absence of rainfalls is the worst on record — measured both in terms of level of rainfalls, as well as the level of runoff from melting snow — and had a strong impact on hydroelectric generation, significantly reducing the production at many plants, increasing the cost for fuels and the cost for energy purchases. It is also necessary to mention the 6.2 % decrease in the average sales price of energy and capacity experienced by Endesa and its national subsidiaries.

However, and precisely as a result of the measures adopted by the management in order to overcome energy deficits, net production of energy by the generation companies totaled 38,517 GWh, up by 7.6% with respect to the previous year. By the end of the year, however, as the rainfall system once again reached its normal levels, though belated, made it possible to have greater water reserves that was reflected in a higher availability of the hydroelectric units and, consequently, lower purchases of fuels, positively affecting operating margin.

On the financial side, it is worth mentioning two important facts. The first is related to the rescheduling of the financial debt made by Enersis during the month of July. Actually, during that month, the company and a panel made up by eight international banks, restructured financial liabilities to an amount of US\$ 3.5 billion, which has involved a yearly savings for Enersis, due to lower financial expenses, equivalent to US\$ 75 million.

Additionally, towards the end of the period, the company reported that it had made extraordinary accounting adjustments and only for that one time, with a view to adequately reflect its economic and financial situation, on the basis of recommendations set forth by the External Auditors, originating from an exhaustive due diligence process. The adjustments were duly reported as an essential event to the Superintendency of Securities and Insurance, equivalent to US\$ 76 million.

MARKET IN WHICH THE COMPANY PARTICIPATES

Energis' activities are conducted through subsidiary companies operating the different businesses in the countries in which the company is active. Energis' core business activity is electricity distribution and the table that follows shows the evolution of the key indicators in the different countries:

| Company | Concession Area (km ²) | Energy sales (GWh) | | Energy losses (%) | | Customers (thousands) | | Customers per employee (thousands) | |
|--------------|------------------------------------|--------------------|---------------|-------------------|--------------|-----------------------|--------------|------------------------------------|--------------|
| | | Dec-98 | Dec -99 | Dec -98 | Dec -99 | Dec -98 | Dec -99 | Dec 98 | Dec -99 |
| Chilectra | 2,118 | 8,175 | 8,425 | 6.0% | 5.4% | 1,212 | 1,239 | 724 | 896 |
| Río Maipo | 1,500 | 1,016 | 1,050 | 6.0% | 5.6% | 267 | 274 | 1,242 | 1,514 |
| Edesur | 3,309 | 11,680 | 12,325 | 8.1% | 7.8% | 2,094 | 2,105 | 698 | 800 |
| Edelnor | 2,440 | 3,389 | 3,423 | 9.7% | 8.8% | 816 | 843 | 1,067 | 1,164 |
| Cerj | 31,741 | 7,208 | 7,694 | 19.1% | 15.3% | 1,452 | 1,559 | 765 | 875 |
| Codensa | 14,000 | 8,217 | 8,502 | 19.5% | 14.4% | 1,628 | 1,746 | 855 | 1,439 |
| Coelce | 147,000 | 5,377 | 5,709 | 13.3% | 11.2% | 1,508 | 1,652 | 822 | 844 |
| Total | 202,108 | 45,062 | 47,128 | 12.3% | 10.2% | 8,977 | 9,418 | 811 | 1,005 |

I ANALYSIS OF FINANCIAL STATEMENTS

1. - STATEMENT OF INCOME

The results for the periods ended at December 31 of 1999 and 1998, show the following indicators:

| Statement of Income (million of Ch\$) | Dec. 98 | Sept. 99 | Dec-99 | Dec. 99-98 | Var 99/98 |
|---|----------|----------|----------|------------|------------|
| Operating revenues | 3,852 | 2,884 | 3,855 | 3 | 0.08% |
| Operating costs | (784) | (575) | (770) | 14 | (1.79%) |
| Gross profit | 3,068 | 2,309 | 3,085 | 17 | 0.55% |
| Adm. and selling expenses | (8,689) | (7,574) | (12,396) | (3,707) | 42.66% |
| Variable costs (*) | 34.6 | 50.49 | 47.4 | - | - |
| Fixed costs (*) | 65.4 | 49.6 | 52.6 | - | - |
| Operating income | (5,621) | (5,265) | (9,311) | (3,690) | 65.65% |
| Profit (loss) investment in related companies | 116,795 | 28,444 | 12,959 | (103,836) | (88.90%) |
| Other net non-operating revenues | 6,856 | 90,178 | 96,270 | 89,414 | 1,304.17% |
| Net financial expenses | (15,962) | (53,313) | (79,954) | (63,992) | 400.90% |
| Negative goodwill in investments | (10,083) | (17,748) | (27,966) | (17,883) | 117.36% |
| Price-level restatement | (429) | (74,151) | (70,092) | (69,663) | 16,238.46% |
| Non-operating income | 97,177 | (26,590) | (68,783) | (165,960) | (170.78%) |
| Income tax | (604) | 0 | (79) | 525 | (86.92%) |
| Amortization goodwill in investments | 1,484 | 10 | 14 | (1,470) | (99.06%) |
| Net income for period | 92,436 | (31,845) | (78,159) | (170,595) | (184.55%) |
| Profit (loss) per share Ch\$ | 13.59 | (4.68) | (11.49) | (25,1) | (184.55%) |

(*) % in relation to total operating expenses

Accumulated net income at December 1999 as compared to that of the same period at 1998, shows a decrease of Ch\$170,595 million. This variation is explained primarily by lower non-operating income that went down by Ch\$165,960 million and a lower amortization of Goodwill in investments of Ch\$1,470 million.

The variation in non-operating income is explained chiefly by:

- 1) Net Financial Margin: it records a negative variation of Ch\$ 63,992 million, as a consequence of the increase in financial expenses to an amount of Ch\$ 84,311 million associated with the increase of liabilities used to finance new investments and the increase in debts with related companies, which exceed the increase of Ch\$ 20,319 million recorded by financial expenses.
- 2) Non-operating Revenues and Expenses: they show a net positive variation of Ch\$ 89,414 million, which is explained mainly by the recognition of profit on futures contracts to an amount of Ch\$ 76,107 million and a lower loss in the beneficial share of dividends to an amount of Ch\$ 6,088 million.
- 3) Amortization of Negative Goodwill in Investments: it increased by Ch\$ 17,883 million, explained chiefly by the increase of the company's share in the ownership of Endesa S.A. (Chile).
- 4) Income from Investments in Related Companies: it went down by Ch\$ 103,836 million, accounted for by:
 - a) Decrease in the recognition of income for investment in Endesa to an amount of Ch\$ 95,761 million, due primarily to higher losses in the period added to the increase in participation, up from 25.28% to 59.98%.
 - b) Decrease in the recognition of income in Compañía Americana de Multiservicios S.A., to an amount of Ch\$10,211 million, a company originating from the division of Ingeniería e Inmobiliaria Manso de Velasco S.A., which records lower revenues as a result of the redistribution of engineering and real estate projects.
 - c) Decrease in the recognition of income, to an amount of Ch\$ 4,775 million, owing to a decrease in the results in Edesur, as a consequence of the fines in favor of the users originated by the failure at the Azopardo substation (Argentina), loss recognized due to the investment in Coelce to an amount of Ch\$ 2,511 million, partially offset by an increase in the results of Cerj (Brazil) to an amount of Ch\$ 6,744 million.
 - d) Increase in the results in Colombia and Peru to an amount of Ch\$ 27,739 million and Ch\$ 1,215 million corresponding to Codensa S.A. and Edelnor S.A., respectively.
- 5) Price-level Restatement: it shows a negative variation of Ch\$ 69,663 million, which is explained by the company's structure of assets and liabilities in foreign currency.
- 6) Amortization of Goodwill in Investments: Decrease of Ch\$ 1,470 million due to a higher application of the Amortization of Goodwill during 1998, originating in the first acquisitions of Endesa.

2. - ANALYSIS OF BALANCE SHEET

The evolution of the key financial indicators has been as follows :

| Assets (million Ch\$) | Dec-98 | Sep-99 | Dec-99 | Dec 99-98 | % Var 99/98 |
|-----------------------|------------------|------------------|------------------|------------------|---------------|
| Current Assets | 191,958 | 448,016 | 456,124 | 264,166 | 137.6% |
| Fixed Assets | 13,160 | 12,673 | 12,339 | (821) | (6.2%) |
| Other Assets | 1,549,574 | 3,191,314 | 3,162,328 | 1,612,754 | 104.1% |
| Total Assets | 1,754,692 | 3,652,003 | 3,630,791 | 1,876,099 | 106.9% |

Total assets of the Company show an increase of Ch\$ 1,876,099 million, which represents a variation of 106.9%. This variation is due to the increase in the ownership of Endesa S.A. and the investment in Aguas Puerto S.A. (Esva S.A.) and increases in accounts receivable from related companies.

| Liabilities (million Ch\$) | Dec.98 | Sept. 99 | Dec. 98 | Dec. 99-98 | % Var 99/98 |
|----------------------------|------------------|------------------|------------------|------------------|---------------|
| Current liabilities | 220,227 | 419,408 | 478,323 | 258,096 | 117.2% |
| Long-term liabilities | 730,177 | 2,482,193 | 2,453,806 | 1,723,689 | 236.1% |
| Equity | 804,348 | 750,402 | 698,662 | (105,686) | (13.1%) |
| Total Liabilities | 1,754,692 | 3,652,003 | 3,630,791 | 1,876,099 | 106.9% |

Short-term and long-term liabilities increased by Ch\$ 258,096 and Ch\$ 1,723,689 million, respectively, which represents an increase of 208.5%, which is explained, chiefly, by borrowings to finance the investments made in Esva S.A. and Endesa Chile, a transaction that involved an amount of US\$ 2,244.4 million, and loans obtained to restructure the obligations of Enersis.

As regards equity, it is worth stating that it went down by Ch\$ 105,686 million with respect to the previous period. This increase is attributable mainly to higher accumulated profits to an amount of Ch\$ 53,509 million and an increase in interim dividends of Ch\$ 11,263 million, increases that were offset by a decrease in the results of the period to an amount of Ch\$170,595 million.

| Indicator | Unit | Dec. 98 | Sept. 99 | Dec. 99 | Dic-99-98 | % Var 99/98 |
|----------------------|--------------|----------|----------|----------|-----------|-------------|
| Liquidity | Times | 0.87 | 1.07 | 0.95 | 0.08 | 9.20% |
| Acid ratio test (*) | Times | 0.87 | 1.07 | 0.95 | 0.08 | 9.20% |
| Borrowing | Times | 1.18 | 3.87 | 4.20 | 3.02 | 255.93% |
| Short-term borrowing | % | 23.17 | 14.45 | 16.31 | - | - |
| Long-term borrowing | % | 76.83 | 85.55 | 83.69 | - | - |
| Working capital | Ch\$ million | (28,269) | 28,608 | (22,199) | 6,070 | (21.47%) |

(*) Current assets net of pre-paid expenses

The current ratio of 0.95 shows the regularity observed in the period, reflecting an adequate composition of current assets and liabilities in terms of their due dates and Enersis' ability to pay. The variation in the indices for the composition of the debt are related to variations in the balances of the accounts receivable from, and payable to national subsidiaries, for the normal operation of their business activities, financed with long-term resources, which is also observed in the changes shown by working capital.

In turn, the effect generated by the increase of the exchange rate generates a net increase in the value of the debt denominated in dollars of the United States of North America and which corresponds basically to the issuance of Yankee bonds as well as loans obtained to restructure debts.

3. - PRINCIPAL SOURCES AND APPLICATION OF FUNDS.

The cash flow for the period 1999 shows a net positive variation of Ch\$ 341 million in cash and cash equivalent.

| Effective cash flow (million Ch\$) | Dec. 98 | Sept. 99 | Dec. 98 | Dec. 99-98 | % Var 99/98 |
|------------------------------------|-----------|-------------|-------------|-------------|-------------|
| Operating | 29,127 | 126,419 | 127,846 | 98,719 | 338.93% |
| Financing | 305,356 | 1,539,475 | 1,589,820 | 1,284,464 | 420.64% |
| Investment | (334,428) | (1,664,212) | (1,709,595) | (1,375,167) | 411.20% |
| Net cash flow of the period | 55 | 1,682 | 8,071 | 8,016 | 14,574.55% |

The variation breaks down as follows:

- a) Operating activities generated a net negative flow of Ch\$ 98,719 million.
- b) A net positive flow of Ch\$ 1,284,464 million for financing activities, deriving from loans obtained from related companies to an amount of Ch\$1,100,103 million, due to the increase in the participation in the ownership of Endesa Chile, loans obtained from financial institutions to an amount of Ch\$ 570,294 million, and a negative flow due to the payment of obligations with banks to an amount of Ch\$ 403,509 million.
- c) A net negative flow of Ch\$ 1,375,167 million for investment activities, made up primarily by Ch\$ 828,563 million to increase the company's participation in the ownership of Endesa Chile and other loans to related companies to an amount of Ch\$ 553,467 million.

II. BOOK VALUE AND ECONOMIC VALUE OF ASSETS:

As regards the most important assets it is worth mentioning the following:

- The values for fixed assets are adjusted pursuant to the accounting criteria established by the Superintendency of Securities and Insurance in Circulars Nos. 550 and 566 of 1985. In the case of the foreign company Inversiones Distrilima S.A. the values of the fixed assets were adjusted according to the exceptional criteria set forth in the Technical Bulletin No. 45 of the Chilean Professional Association of Accountants, A.G., which was the standing rule at the time the investment was made and was not modified by Technical Bulletin No. 51 which replaced the former one.
- Depreciation is calculated on the updated value of the assets in accordance to the remaining years of useful life of each asset.
- Investments in related companies are appraised at their proportional equity value. In the case of foreign companies, the application of this methodology has been made, as from the second quarter of 1998, on the basis of financial statements prepared pursuant to the guidelines set forth in Technical Bulletin No. 64 of the Chilean Professional Association of Accountants, A.G. For the first semester of 1998, the methodology stipulated in Technical Bulletin No. 51 of the said association was applied.
- Intangible values are price-level restated and are amortized according to the guidelines set forth in Technical Bulletin No. 55 of the Chilean Professional Association of Accountants, A.G.
- Assets expressed in foreign currency are presented at the exchange rate effective at year-end.
- Investments in financial instruments with agreements are presented according to their purchase value plus the proportion of the corresponding interests in terms of the rate implicit for each transaction.
- Accounts and notes receivable from related companies are classified according to their due dates in short and long term. The transactions are adjusted to conditions of equity similar those which usually prevail in the market.
- Summing up, the value of Assets is presented in pursuance of generally accepted accounting criteria and principles as well as the instructions issued in that connection by the Superintendency of Securities and Insurance, set forth in Note 2 to these Financial Statements.

UNCONSOLIDATED RELEVANT EVENTS

For the period 1999

I. EMPRESA NACIONAL DE ELECTRICIDAD

SALE OF PARTICIPATION IN THE OWNERSHIP

On January 27, 1999, the Superintendency of Securities and Insurance was informed that the Board of Directors had adopted the following agreement on the same date:

Pursuant to the provisions in Article 58 No. 3 of Law No. 18,406 the Board of Directors had resolved to vest Mr. José Antonio Guzmán M., with the power, acting individually in the name and on behalf of Enersis S.A., to request Empresa Nacional de Electricidad S.A. "Endesa" to convene, during the month of March of 1999, a Shareholder's Extraordinary General Meeting in order that the Assembly should decide on the following matters:

1. Modify the maximum concentration in the ownership of the capital stock established by article five bis of the by-laws from the current level of 26% to a level of 65%, substituting, to the said effect, the numeral 26 in the current text of article five bis of the by-laws of Endesa by the numeral 65.
2. Substitution of the concentration factor 1 contained in the said article five bis by 0.6 in pursuance of the provisions in Decree Law 3,500.
3. Incorporate any other modifications to the by-laws such as are needed for purposes of consistency with the reforms indicated in the above numerals and that also with the purpose that the said Assembly should adopt all agreements needed and leading to fulfill the above stated reforms to the by-laws.

At the Shareholders' Extraordinary Meeting held on February 4, 1999, the following was resolved:

1. The disposal of all Enersis S.A.'s participation in the ownership of Empresa Nacional de Electricidad S.A. "Endesa" for a majority vote of 54.86% of the shares present or represented at the Assembly; and
2. Vest the Board of Directors with powers in order that it should delegate to a committee of the Board of Directors or to one or more members of the Upper Management of the Company who, either acting separately and indistinctly, may execute and enter into all acts and contracts as are needed to fully accomplish the disposal of all or part of the shares of Empresa Nacional de Electricidad S.A. "Endesa" that are owned by Enersis S.A. These faculties are understood to be granted though they do not necessarily entail any obligation as to the disposal of the above mentioned participation in the ownership, for which the said disposal shall be effected only if the conditions to materialize it were, in the judgment of the Board of Directors, favorable to the interests of the Company.

At a Meeting of the Board of Directors held on February 11, 1999, the procedure was approved for the sale of the stake in the ownership that the company holds in Empresa Nacional de Electricidad S.A., for which it will rely on the advisory services of the investment bank Dresdner Kleinwort Benson.

The process starting as from this same date will be open to all those investors who should request to be considered to be potential buyers and it is expected that it will reach its completion during the coming month of April.

SUSPENSION OF THE PROCESS FOR THE DISPOSAL OF ENERSIS' PARTICIPATION IN THE OWNERSHIP OF EMPRESA NACIONAL DE ELECTRICIDAD S.A.

The Board of Directors of the Company at its Extraordinary Meeting held on March 11, 1999, resolved by the unanimous vote of all members present, to suspend the process for the disposal of Enersis' share in the ownership of Empresa Nacional de Electricidad S.A., until the domestic and international offer promoted by Endesa Spain does not reach its completion. Once the said public offer reaches its completion, Enersis S.A. will be able to continue with the said process of disposal, to the extent that the circumstance prevailing at that opportunity allow to reasonably maximize the sales price of its participation in the ownership of Empresa Nacional de Electricidad S.A.

LOSS OF CONTROL IN EMPRESA NACIONAL DE ELECTRICIDAD S.A.

As a consequence of the resignations tendered as from March 30, 1999, by the directors of Enersis S.A. Mr. José Antonio Guzmán Matta and Mr. Juan Eduardo Errázuriz Ossa, Enersis S.A. has lost the condition of parent company of Empresa Nacional de Electricidad S.A. ("ENDESA"), based on the circumstance that it is no longer a majority on the Board of Directors of the said Company. Therefore, Enersis S.A. will no longer consolidated its financial statements in what respects Endesa, as from the financial statements at the month of March 1999.

OFFER FOR THE ACQUISITION THROUGH AN AUCTION OF SHARES OF EMPRESA NACIONAL DE ELECTRICIDAD S.A.

(MODIFICATION OF OFFER AT CH\$ 360 PER SHARE)

At the Meeting of the Board of Directors of Enersis S.A. held on April 20, 1999, the Board of Directors of the Company resolved to modify the offer for the purchase through an auction of the shares of Empresa Nacional de Electricidad S.A., that was informed to the Superintendency of Securities and Insurance on April 13, 1999, and published in "El Mercurio" newspaper on April 14, 1999.

The modification of the above mentioned offer consists in offering Ch\$ 360 for each share of Empresa Nacional de Electricidad S.A. in Chile and the amount of Ch\$ 10,800 for each ADS in the United States of North America. Furthermore, the offer in Chile will be made for a percentage equivalent to 30% of the capital stock of Empresa Nacional de Electricidad S.A. and the Tender Offer in the United States of North America will be made for a percentage equivalent to 4.7% of the capital stock of Empresa Nacional de Electricidad S.A, that is to say, until completing an additional percentage of 34.7% of the capital stock of Empresa Nacional de Electricidad S.A. With such additional percentage, Enersis S.A. will attain, either directly or indirectly, a total percentage of 59.98% of the capital stock of Empresa Nacional de Electricidad S.A.

FILING OF THE NATIONAL ECONOMIC ATTORNEY

By ruling of April 28, 1999, the Honorable Resolutive Committee has taken action on a filing submitted by the National Economic Attorney against Enersis S.A. The said filing has deemed the take over of Empresa Nacional de Electricidad S.A. (Endesa) by the defendant, either directly or through intermediary natural or juridical persons, through the purchase in an auction or any other mechanism, of 34.7% of the shares of Endesa, added to the current holding of 24.28% of the shares of the said company, as a conduct that would be contrary to free competition within the electricity market.

Furthermore, as at the same date the Honorable Resolutive Committee has accepted to pass a ruling with the character of a restraining order for the temporary suspension of the offer to acquire the participation in the capital stock of Endesa mentioned above, and the corresponding auction of the said shares which, as provided by the Superintendency of Securities and Insurance in its Circular 2327 of April 16, 1999, would take place on the Santiago Stock Exchange on April 29 of the same year.

Finally, the Superintendency of Securities and Insurance was informed that the Board of Directors of the said company at the meeting held on April 29, 1999, had resolved to declare that the offer, which was a matter of the suspension mentioned above, still is effective, notwithstanding the measure mentioned.

RESTRAINING ORDER LIFTED

On May 10, 1999, the Honorable Resolutive Committee has discharged the restraining order for the temporary suspension of the Offer for the Acquisition of Shares of Empresa Nacional de Electricidad S.A. (Endesa) and the corresponding auction of the said shares which, as provided by the Superintendency of Securities and Insurance, should have taken place on the Santiago Stock Exchange on April 29, 1999.

As a consequence of the above, at this date Bankers Trust Corredores de Bolsa Limitada has filed a registration with the Santiago Stock Exchange for the auction of the shares of Endesa, to be held on May 11, 1999 at 11:20 P.M., upon considering that Bankers Trust Corredores de Bolsa Limitada has duly certified that at this same date no shareholder has withdrawn Endesa shares submitted at the said Broker with an express reserve of his right to sell them at the Offer for the Acquisition of Shares of Empresa Nacional de Electricidad S.A. (Endesa).

TAKE OVER OF ENDESA CHILE

On May 13, 1999, a number of shares of Empresa Nacional de Electricidad S.A. (Endesa) equivalent to 30% of the company's capital stock were duly registered on the Shareholders' Register of the said Company, and which were acquired by Enersis S.A. at the auction held on May 11 this year at the Santiago Stock Exchange. As a consequence of the above, Empresa Nacional de Electricidad S.A. has acquired the status of a subsidiary of Enersis S.A., given that the latter has come to control, either directly or indirectly, more than 50% of the capital with a voting right of the said Company, in pursuance to the provisions in article 86 of the Chilean Company Law. Likewise, and given what has been stated above, Enersis S.A. now consolidates Empresa Nacional de Electricidad S.A. (Endesa) as from this date, which will be reflected in the Financial Statements as from June 1999.

II. TECHNICAL FAILURE AT EDESUR S.A.

FAILURE AZOPARDO SUBSTATION

On February 15, 1999, the Argentinean company Edesur S.A., a subsidiary of Enersis S.A., experienced a failure at the Azopardo substation that interrupted the flow of electric energy to a significant number of its customers. Despite the measures adopted by the company, making it possible to normalize the service only a few hours after to most of the 160,000 customers affected, as from that moment and until February 22, the number of customers without electricity has gone down from 60,000 to 10,000.

Fully aware of the discomfort and trouble originated by the prolonged outage that has attained an extent that was not foreseen, Edesur is adopting all measures possible and entering into all contracts as are needed and prudent aimed at fully reestablishing the service at the earliest, and has also complied with all requests made by the National Electricity Regulatory Agency, the regulatory instance in Argentina. Though it is true that the contract for the concession signed by Edesur S.A. with the Government of the Republic of Argentina establishes the application of different penalties among which are those related to deficiencies in the quality of the service provided, the final amount of the same and the company's final accountability in what respects them, as well as the amounts of the probable compensations deriving from legal actions brought against the company by private individuals can not be established on an a priori basis, considering also that there are insurance involved and liabilities of third parties that are to be ascertained.

The National Electricity Regulatory Agency of Argentina through a resolution issued on February 23, 1999, notified Edesur that it has informed the National Executive Power that in its opinion the situation provided for in Article 37 section b) of the Contract for the Concession clearly exists, that is the execution of the guarantee on the class A shares of Edesur.

The Company, considering that this notification is one of the factors that the National Executive Power will take into consideration, can not at this stage issue a final opinion as to the future outcome of this situation.

PAYMENT OF FINES

In relation to the failure which occurred last February 15 at the facilities of the Azopardo substation, Edesur S.A. has made a proposal to the users that were affected by it in terms of paying a voluntary compensation.

Given that the acceptance of the proposal is voluntary, it is not feasible at this moment to establish the amounts involved in such an offer which anticipates that payments would be made as of March 15.

It is to be considered that the voluntary compensations will be added to the payment of fines for quality of service as provided in the Contract for the Concession that amount to about 10,800,000 Argentinean pesos and that will be included in the next invoice. Likewise, the company has filed an appeal for review with the National Electricity Regulatory Agency of Argentina against Resolution 292/99 because, among other reasons, the Argentinean law and the Contract for the Concession do not stipulate any faculty or power to National Electricity Regulatory Agency of Argentina to establish any type of indemnification, fine or bonus that is not provided for in standing law.

NATIONAL ELECTRICITY REGULATORY AGENCY E.N.R.E. (ARGENTINA)

- a) On April 7, 1999, the National Electricity Regulatory Agency (E.N.R.E.) through its Resolution 471/99 dismissed the appeal for review filed by Edesur S.A. against Resolution 292/99 that established penalties in favor of T1R users (minor lawsuits brought about by residential customers).

The Board of Directors of Edesur S.A. has resolved not to further pursue the matter regarding the applicability of Resolution 292/99 of the E.N.R.E with a court of competent jurisdiction and, therefore, has decided to charge the invoices of the users by the amount that the said Resolution provides for by way of an extraordinary fine.

Likewise, in the case of the T1G, T2, T3 tariffs and tolls, Edesur S.A. is implementing the Voluntary Reparation Plan designed by the Company and will also credit through the corresponding invoices what is provided for in Resolution 292/99 by way of a fine for quality of technical service pursuant to the provisions in Sub-annex 4 of the Contract for the Concession.

Likewise, in what respects the legal action to be taken which Resolution 294/99 refers to, the National Electricity Regulatory Agency of Argentina, has ruled in a final manner, through Resolution 539/99, of April 20, 1999, to penalize Edesur S.A. with a fine equivalent to 1,500,000 KWh, which represents a payment in the order of 136,500 Argentinean pesos.

In line with the above, Edesur S.A. has charged a total amount of 75 million Argentinean pesos against income in its accounting, which amount includes all fines and payments described in the foregoing paragraphs. The impact of those fines and payments on the results of Enersis S.A. amounts approximately to US\$ 25 million, a figure that will affect the results of the Company during the first quarter of 1999.

Finally, we inform that National Electricity Regulatory Agency of Argentina, by Resolution 540/99 of April 20, 1999, has left Resolution 293/99 (Execution of Guarantees) without effect, with which the risk of the execution of the guarantee posted by Distrilec Inversora S.A. on class A shares of Edesur S.A. ceases to exist.

- b) The National Electricity Regulatory Agency (E.N.R.E.) of the Republic of Argentina has notified this Company on September 9, 1999, in relation to its investment in Edesur S.A., that it will conduct a summary inquest in order to determine the eventual enforcement of Article 32 of Law No. 24,065 of the Republic of Argentina or any other statutory provision of the said law with respect to the holders of shares in distribution companies.

III. ENDESA SPAIN

MODIFICATION OF THE PERCENTAGE OF MAXIMUM CONCENTRATION IN THE OWNERSHIP OF CAPITAL STOCK

The Shareholders' Extraordinary General Meeting held on February 24, 1999, convened in order to resolve with respect to the reform of the by-laws of the Company, did not approve the modification of the percentage of maximum concentration of ownership of the capital stock of the company from a 32 to a 65% pursuant to what is stipulated in article five bis of the by-laws of the Company, nor the modification of the concentration factor from 1.0 to 0.6.

TAKE OVER OF ENERSIS S.A. BY ENDESA S.A (ENDESA SPAIN)

With occasion of the transfer of shares submitted at the Register of Shares of Enersis S.A., this company has become controlled by Endesa S.A. (Endesa Spain) through the following companies: Endesa Internacional S.A., Elesur S.A., Compañía de Inversiones Chispa Uno S.A., Compañía de Inversiones Chispa Dos S.A., Compañía de Inversiones Los Almendros S.A., and Compañía de Inversiones Luz y Fuerza S.A.

IV. DIVIDENDS POLICY

At the Meeting of the Board of Directors of Enersis S.A. held on March 11 of this year, the following Dividends Policy for 1999 has been agreed on:

The Chief Executive Officer stated that the Board of Directors should approve the Dividends Policy which, in accordance to standing law, is to be informed at the Shareholders' Ordinary Meeting.

DIVIDENDS POLICY FOR 1999

Distribute in the months of May, August and November of the year 1999 and in the month of February of the year 2000, a provisional dividend to be charged against the net income of the year 1999, amounting to 85% of the net income from normal operations in the quarters ending in the months of March, June, September and December of such fiscal year. For purposes of the above calculation, the provisional dividends for the year 1999 already distributed on such distribution date will be deducted from 85% of the cumulative net income for such quarter.

Dividends established in pursuance of this policy will be applied to the income originating from normal company operations, understanding as such the net income obtained by the Company in fiscal year 1999, without considering those originating from the following events:

- 1.- Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
- 2.- Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.
- 3.- Profits arising directly or indirectly from participation in related companies organized in Chile or abroad.
- 4.- Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 50 % of the capital stock of those companies.
- 5.- Accounting recognition of positive and negative goodwill associated with the investments.

The Board of Directors shall not distribute dividends chargeable against profits that arise from the above events and the Ordinary Shareholders' Meeting will state their view thereon when approving the final dividend.

The foregoing is the intention of the Board of Directors of the Company and, consequently, its compliance will be subject to actual profits as well as to the results reflected in the projections that the Company makes from time to time, or to the existence of given conditions.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends will be as a minimum the provisional dividends already distributed or the minimum provided under the operation of the Chilean Company Law, whichever of the two is higher.

V. INVESTMENT AND FINANCING POLICY FOR YEAR 1999

The Board of Directors of Enersis at the Meeting held on March 19 of this year, agreed to propose to the next Shareholders' Ordinary Meeting, to be held on April 29 of this year, the following Investment and Financing Policy for year 1999.

INVESTMENTS

a) Investment Areas

Enersis S.A., will make investments, pursuant to the provisions in its by-laws, in the following areas:

- Equity contributions to its public utility subsidiaries.
- Equity contributions for investment or to form subsidiary or related companies, the scope of business of which is similar, related or connected to energy in any of its forms or nature or to the provision of public utility services or that have energy as their main input.
- Other investments in real property and in any other kind of financial assets, negotiable commercial instruments, securities and equity contributions to companies.

b) Maximum investment limits

The maximum investment limits for each investment area will be as follows:

- Investments in public utility subsidiaries, as needed to enable such subsidiaries to attain their scope of business and perform their function as concessionaires.
- Investments in other subsidiary companies, such that:
 - a) The ratio of total debt to equity plus minority interest of the consolidated balance sheet is kept at a level lower than or equal to 1.35. Notwithstanding the latter, such ratio may increase up to 1.45 on a temporary basis and until the total placement, within the period in which this Investment and Financing Policy is effective, of the capital increase approved at the Extraordinary Shareholders' Meeting held on March 26, 1998 is made.

- b) The sum total of the proportions of fixed assets that correspond to the participation in each one of these other subsidiary companies should not exceed the proportion of the fixed asset that corresponds to the participation in the public utility subsidiaries and in the parent company.
- Other investments, such that the clean assets factor for accounting purposes of Enersis, calculated on the basis of the individual balance sheet, should represent, as a proportion of the assets of Enersis, a percentage not below that stipulated in the first section of Article 45 bis of Decree Law No. 3,500.
- c) Controlling participation in areas of investment.

In order to control the areas of investment and pursuant to what is stipulated in the general scope of business of the company, actions will be taken as follows:

- Propose to the Shareholders' Meetings of the subsidiary and related companies for the appointment of directors to act on behalf of the Company, with appointees originating on a majority basis from the Board of Directors or the senior management of either the Company or other subsidiary companies.
- Propose to the subsidiary companies the investment, financing and commercial policies as well as the accounting systems and criteria which they are to abide by.
- Supervise and coordinate the management and operation of the subsidiary and related companies.
- Maintain a permanent control on the borrowing limits and the clean assets factor for accounting purposes, in a manner such that the investments or equity contributions made or to be made do not involve a variation that departs from the parameters defining the maximum investment limits.

FINANCING

a) Maximum debt level:

The maximum debt level for Enersis will be based on a ratio of total debt to equity plus minority interest equal to 1.35 of the consolidated balance sheet. Notwithstanding the latter, such ratio may increase up to 1.45 on a temporary basis and until the total placement, within the period in which this Investment and Financing Policy is effective, of the capital increase approved at the Extraordinary Shareholders' Meeting held on March 26, 1998 is made.

b) Authority of management to agree with creditors on restrictions to dividend distributions:

Restrictions to dividend distributions may be agreed solely provided that they are previously approved at a General Shareholders' Meeting (either Ordinary or Extraordinary).

c) Authority of management to agree with creditors on granting collateral:

Notwithstanding the restrictions provided by law or the by-laws as regards granting real or personal guarantees to secure third party obligations, management has the authority to agree with creditors on granting collateral that commit up to 50 % of the consolidated net worth of the company. For amounts higher, the approval of an Extraordinary Shareholders' Meeting shall be required.

d) Essential assets for the operation of the Company:

The shares of common stock that represent equity contributions made by the Company to its subsidiaries Chilectra and Río Maipo are essential assets for the operation of the Company.

VI. INVESTMENTS IN BRAZIL

CERJ AND COELCE

As a consequence of the recent devaluation in place in Brazil and the application of Chilean accounting principles and criteria with respect to cross-border investments, at January 31, 1999, a positive effect is generated on the results of Enersis S.A. due to the accounting effects that this devaluation originates on the accounting of the investments which the Company has in Cerj and Coelce and the final impact of which will be known only when the closing exchange rate for the quarterly period ending on March 31, 1999 is known.

It is stated that the impact of the above mentioned devaluation only is an accounting effect and does not represent an effective generation of cash flow in those companies.

VII. CIRCULAR NO. 01764 FROM SUPERINTENDENCY OF SECURITIES AND INSURANCE

According to the request made by the Superintendency of Securities and Insurance through its Circular No. 01764 of March 18, 1999, please be advised of the following:

EDESUR

1. The National Electricity Regulatory Agency of Argentina which regulates the electricity sector applied a fine for quality of technical service equivalent to 10,800,000 Argentinean pesos.
2. On Monday March 15 this year, Edesur began a process to reach a voluntary understanding with its customers that had been affected by the interruption of the electricity service due to the fire which had broken out at the new Azopardo 2 substation.
3. The voluntary compensation or reparation established by Edesur S.A. in general terms will be made on the basis of the hours which the provision of electricity was actually suspended for the corresponding customer affected. From this standpoint, Edesur S.A. is going through a process of orderly responding to its customers demands, and has, until the previous day, Thursday, reached agreements with a percentage close to 70% of the customers on the basis of a previously established schedule to examine each case.

In fact, the above mentioned schedule has set appointments for approximately 27,829 customers during these first four days of operation of the project and 19,227 have been reviewed and solved, which represents a high degree of user acceptance. In any event, it is to borne in mind that the universe of users originally affected is 160,000.

At the end of the process described above, scheduled to end the second fortnight of April, Edesur has to make a material assessment of the process, so as to determine the cases that have been actually solved, those that are still pending or whether there exist additional complaints, and make the projections and provisions needed on the basis of such information.

On the other hand, it is to be borne in mind that the fine stipulated in Resolution 292/99 of the National Electricity Regulatory Agency of Argentina is not within the scope of the Contract for the Concession, a reason which has prompted Edesur to file an appeal for review and with respect to it or the process of voluntary reparation it is not pertinent to make any evaluations or estimations as yet.

CERJ - COELCE

As stated in the Essential Event reported on March 15, the accounting net income indicated does not represent an affective generation of cash flow in those companies. The exchange rate in Brazil during the past days has been essentially variable, and therefore to make any projections in that respect, prior to the end of the quarterly period, may lead to erroneous conclusions.

Notwithstanding the above, and with respect to the positive effect generated in the results of Enersis owing to the above mentioned devaluation, which according to the accounting principles and criteria that are accepted in Chile for the Company's participation in the ownership in the companies Cerj and Coelce, the Superintendency of securities and Insurance was informed that, considering the last financial statements known at December 31, 1998 of those

companies, and considering their net positions in assets and liabilities denominated in US dollars and in Brazilian reales, the effect in Enersis would be eventually at March 31 of this year, in terms of the equivalent in national currency, of US\$ 1,217,000 approximately of net income for each cent of a real at which such currency is depreciated with respect to the dollar of the United States of North America.

The exchange rate at December 31, 1998 was 1.2087 reales per dollar of the United States of America and on the previous day, March 18, 1999, it was 1.875 reales.

VIII. CHANGES IN THE BOARD OF DIRECTORS AND OTHER AGREEMENTS

MARCH 30, 1999

At the Meeting held on March 30, 1999, the Board of Directors of Enersis S.A. adopted the following agreements:

1. Accept the resignation tendered by the Directors Mr. José Antonio Guzmán Matta (Chairman), Mr. Juan Eduardo Errázuriz Ossa and Mr. Miguel Angel Poduje Sapiain, by the General Manager Mr. Pablo Ihnen de la Fuente, by the Vice-Chairman of Planning and Development Mr. Ramón Yávar Bascuñán and by the Chief Legal Counsel and Secretary to the Board Mr. Fernando Frías Larraín.
2. Appoint Mr. Rodolfo Martín Villa as Chairman of the Board of Directors and Mr. Alfredo Llorente Legaz as Vice-Chairman of the same Board and nominate Mr. Emilio García Díez to serve the position of Director in the position that was held by Mr. Juan Eduardo Errázuriz Ossa, postponing the appointments to replace the other Directors who tendered their resignations until the next Shareholders' General Ordinary Meeting that is to be held on next April 30. The Board of Directors appointed the current Vice-Chairman of Administration and Finance of Enersis Mr. Juan Ignacio Domínguez Arteaga as Acting General Manager and Mr. Domingo Valdés Prieto, the current Chief Legal Counsel of the Company, as "Ad Hoc" Secretary to the Board.
3. Decide that Enersis S.A. should favorably vote the extension of the maximum concentration in the ownership of the capital stock at the Shareholders' Extraordinary General Meeting of Endesa convened for next April 8, 1999.
4. Submit to the approval of the next Shareholders' Ordinary General Meeting a final dividend against the net income of 1998, equivalent to Ch\$ 4 (four Chilean pesos) per share.
5. Resolve, in accordance to the reports submitted by the Legal Counsel of the Company on March 11, 1999 and by the Assistant Internal Comptroller on March 18, 1999, and with due consideration to the information available, that there have not been any infringements by either the members of the Board of Directors or the executives of the Company in the voting process in connection with the ADRs at the last Shareholders' Extraordinary General Meeting held on last February 24, as well as in relation to information contained in the document 14 D submitted by Duke International to the Security Exchange Committee (SEC) of the United States.
6. Inform that the Shareholders' Extraordinary Meeting of Enersis held on March 30, 1999, gave its approval to the proposal to increase the degree of maximum concentration in the ownership of the capital stock of the Company from a 30% to a 65% as well as the modification of the by-laws such as are needed for its implementation.

APRIL 12, 1999

At the Extraordinary Meeting held on April 12, 1999, the Board of Directors of Enersis designated Mr. José María Fesser Antón to serve as Director of the Company in replacement of Mr. Miguel Angel Poduje Sapiain who tendered his resignation on March 30, 1999.

APRIL 13, 1999

At the Extraordinary Meeting of the Board of Directors of Enersis S.A., held on April 13, 1999, the Board of Directors adopted, among others, the following agreements:

- A. Convene a Shareholders' Extraordinary Meeting of Enersis S.A. for next April 30, 1999, to be held immediately after the Shareholders' Ordinary Meeting of Enersis S.A. to be held on that same date at 5:00 P.M. at the Teatro Teletón at No. 1531 on Rozas Street, in the municipal district and city of Santiago, in order to review and decide

1. Leave fully without effect the capital increase approved by the Shareholders' Extraordinary Meeting held on March 26, 1998, acknowledged by public deed of April 14, 1998, executed before Mr. Patricio Zaldívar M., Notary Public in and for the city of Santiago.
2. Approve a capital increase by issuing paid shares to be offered both in the domestic and international markets, up to an equivalent of US\$ 1 billion (one billion dollars of the United States of North America), to be subscribed and paid-in within a term of up to three years as from the date of the Meeting. The shares may be paid in cash or with securities to be determined by the Shareholders' Meeting.

The intention of the Board of Directors of Enersis is that part of the capital increase be placed in foreign security markets to be traded through the mechanism of the ADRs or other such mechanisms.

3. Approval of the equity contributions other than money mentioned in the numeral 2 above, as well as their corresponding expert appraisals.
 4. Revoke the power of attorney granted by the Shareholders' Extraordinary Meeting of Enersis S.A. of February 4, 1999, for the sale of the participation in the capital stock of Empresa Nacional de Electricidad S.A., Endesa, held by Enersis S.A.
 5. Introduce such reforms to the by-laws as are pertinent to fully implement the agreements that are adopted with respect to the matters referred to in numerals 1 and 2 above.
- B.** Resolved to make an Offer for the Acquisition of Shares in Chile for a 25% and a Tender Offer in the United States of America for a 4.7% in order to take effective control of Empresa Nacional de Electricidad S.A., Endesa, in pursuance of the provisions in Article 97 literal a) of the Chilean Securities Market Law. The Offer for the Acquisition of Shares shall be made in Chile by Enersis S.A., whereas the Tender Offer shall be made in the United States of America by Agua de los Andes S.A. a subsidiary owned 100% by Enersis S.A. Such offer shall be made at a price of Ch\$ 305 per share of Empresa Nacional de Electricidad S.A., Endesa, in the case of both markets.

The Board of Directors has also approved to accept a financing offer from the Endesa Spain Group involving an amount similar to that of the offer, in Euros at an interest rate of 3% and for a term of two years.

JULY 29, 1999

At the meeting held on July 29, 1999, Mr. Rodolfo Martín Villa submitted his resignation as Director of Enersis S.A. He also reported that the Board of Directors of Enersis S.A. had nominated Mr. Hernán Somerville Senn as Director of the Company to replace Mr. Rodolfo Martín Villa. Finally, the Company also informed the Superintendency of Securities and Insurance that the Board of Directors of Enersis S.A. has nominated Mr. Rafael Miranda Robredo as Vice-Chairman of the Board of Directors of Enersis S.A.

IX. OTHERS

In compliance of Circular No. 03737 of last June 28, and by virtue of which the Company was asked to inform the Superintendency of Securities and Insurance with respect to the information published by the newspaper "Estrategia", in its issue of last June 24, regarding the sale of assets by the Company, the information reported was as follows:

The Executive of the Spanish company Endesa S.A. Mr. Rafael Miranda informed that as Delegate Councilor of the said Company, he gave an interview to Reuters on the progress of the business activities of Endesa Spain.

At that interview, Mr. Miranda pointed out that Endesa S.A. (Endesa Spain) considered that there existed a potential for optimizing Enersis S.A. and its subsidiaries which could include, among others, the possibility of some investments that Mr. Miranda estimated at approximately one billion dollars.

Enersis S.A. is currently studying, on a preliminary basis, different alternatives for the disposal of assets and considering that such studies have not been completed, it has not adopted any decision as to which assets should be sold.

Enersis S.A. has been informed by the International Risk Rating Company Standard & Poor's that the such rating company has confirmed the international risk rating assigned to Enersis S.A. at A-, in line with the sovereign risk assigned to Chile.

Furthermore, the same risk rating company lowered the domestic rating assigned to Enersis S.A. from A+ to A, which is still higher than the sovereign risk assigned to Chile.

As a relevant event, Enersis S.A. has been informed by the International Risk Rating Company Moody that such rating company has confirmed the international risk rating assigned to Enersis S.A. at Baa 1, in line with Chile's sovereign risk rating. Also, the same company considers that the company's risk prospects are "stable".

Enersis S.A. has taken action to denominate its outstanding debt with Elesur S.A. in Unidades de Fomento, which debt is currently denominated in Euros. Such course of action was agreed on considering Ch\$ 542 per Euro, plus a yearly interest of 5.8% on Unidades de Fomento.

The transaction described above eliminates the risk of an appreciation of the Euro with respect to the Chilean peso and consequently does not expose the results of the Company to the effects which this implies.

With respect to Circular No.05393 of September 24, 1999, from the Superintendency of Securities and Insurance, the Company informed the following:

1. The newspapers "El Mercurio", "La Estrategia" and "El Diario" have informed of a restructuring process within Chilectra S.A. Ingeniería e Inmobiliaria Manso de Velasco S.A. and Diprel S.A. that consists in implementing a retirement plan with benefits for their respective employees, As stated in those newspapers, such processes have been carried out by the subsidiaries of Enersis S.A. mentioned and not by the Company itself.
2. In consideration of the above, Enersis S.A. has no additional informational to that which has already been made public with respect to the plans implemented, notwithstanding which it is deemed that such plans will have no material effect on the results of the Company, considering the cost associated with the above mentioned plans.

The Board of Directors of Enersis S.A. at its Ordinary Meeting held on May 26, 1999, resolved, in order to settle and consolidate for purposes of accounting the investments which Enersis S.A. currently holds in Codensa S.A. E.S.P, Companhia de Electricidade de Rio Janeiro-Cerj and in Companhia Energética do Ceará, to authorize the negotiation and signature of agreements at the corresponding corporate levels to ensure the control by Enersis S.A. of the Boards of Directors of those companies and of the Boards of Directors of Distriluz Energía Eléctrica S.A., Investluz S.A. and Luz de Bogotá S.A.

The Board of Directors also vested the Chief Executive Officer, Mr. Enrique García Alvarez, and Deputy General Manager, Mr. Juan Ignacio Domínguez Arteaga, with powers so that indistinctly any of them, acting in the name of and on behalf of Enersis S.A., inform in the character of an essential event to the Superintendency of Securities and Insurance the signature of the contracts and all other pertinent agreements by virtue of which the settlement and consolidation for accounting purposes will be attained of the companies mentioned in the foregoing paragraph in favor of Enersis, as soon as it is place. The signature of such agreements has been effected on this date June 25 of 1999, Consequently, as from the financial statements at June 30, 1999, the above mentioned companies will consolidate with Enersis S.A.

X. DISPOSAL OF ASSETS

The Board of Directors of Enersis S.A., at meeting held on August 31, 1999, agreed by the unanimity of all members present:

1. Ask the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, to adopt the measures needed or relevant so that the corresponding corporate instances should convene a Shareholder's Extraordinary Meeting of Ingeniería e Inmobiliaria Manso de Velasco S.A. in order that such an assembly should decide on, among other things a) the cancellation of the registration of the Company in the Securities Register at the Superintendency of Securities and Insurance, and b) the division of Ingeniería e Inmobiliaria Manso de Velasco S.A. through the creation of two new companies in which it will assign a part of its equity, and the shareholders of the Company so divided, that is, Ingeniería e Inmobiliaria Manso de Velasco S.A., will receive the same

proportion of the capital stock of the new companies created as a result of such division as that which they held in the capital stock of Ingeniería e Inmobiliaria Manso de Velasco S.A.;

2. Instruct the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, to adopt the measures needed or relevant so that the corresponding corporate instances should convene a Shareholder's Extraordinary Meeting of Aguas Cordillera S.A. in order that such an assembly should decide on, among other things the division of Aguas Cordillera S.A. through the creation of a new company denominated Inmobiliaria Cordillera S.A. in which it will assign a part of its real estate and stock equity, and the shareholders of the Company so divided, that is, Aguas Cordillera S.A., will receive the same proportion of the capital stock of Inmobiliaria Cordillera, created as a result of such division as that which they hold in the capital stock of Aguas Cordillera S.A. on the basis of its equity prior to division.
3. Vest the Chief Executive Officer, Mr. Enrique García Alvarez, or whoever acts in his stead, with the power to call a private tender for the disposal of the direct or indirect participation which Enersis S.A. holds in Aguas Cordillera S.A., once the decision mentioned in the foregoing numeral is in place. This agreement was approved by the unanimous vote of all Board members present.
4. Vest the Chief Executive Officer, Mr. Enrique García Alvarez, the Deputy General Manager, Mr. Juan Ignacio Domínguez Arteaga, the Chief Legal Counsel, Mr. Domingo Valdés Prieto and the Development Manager Mr. Osvaldo Schaerer de la Vega, with the power so that acting either jointly or severally, they should prepare and make known the terms of reference for the respective call for bid, considering within them the award of the participation held by Enersis S.A. in the capital stock of Aguas Cordillera and which amounts to 99.999966% of the capital stock of the latter, to the offer which contains the best price and providing that the said offer should exceed the minimum price which in due time will be set, and so that the said attorneys secure the services of an Investment Bank;
5. Vest the Chief Executive Officer, Mr. Enrique García Alvarez, or in lieu of him the Deputy General Manager Mr. Juan Ignacio Domínguez Arteaga, with the power so that acting either jointly or severally, they sign and execute the documents and contracts that at law are to be entered to proceed with the disposal of the participation in the ownership of the capital mentioned above.

The Board of Directors of Enersis S.A. at its Extraordinary Meeting held on September 16, 1999, agreed by the unanimity of its members present that, having analyzed the information and with a view to facilitate and materialize the sale of Aguas Cordillera S.A. to leave without effect agreement No. 123/99 of the Board of Directors, adopted at the Ordinary Meeting of the Board of Directors of Enersis S.A. on August 31, 1999, and informed as an essential event to that Superintendency on September 1, 1999, by virtue of which it was agreed to request, pursuant to the provisions in Article 58 No. 3 of Law 18,046, that a Shareholders' Extraordinary Meeting of Aguas Cordillera S.A. be convened to consider the division of the said Company through the creation of a new Company, in the terms described in the previously mentioned agreement. As a result of this, Aguas Cordillera S.A. will not be divided and its sale will be effected including all its real property assets.

Enersis S.A. has been notified on October 22 of the Resolution No. 553 adopted on October 21 by the Honorable Resolutive Commission, by virtue of which such Commission adopted, among others, the following measures:

- 1) Proceed ad officio to the review and on the information available and according to which there would exist corporate ties between different players that participate in the Bidding Process called by Enersis S.A. for the disposal of all of its participation in the direct or indirect ownership of the capital stock of Aguas Cordillera S.A.
- 2) The Honorable Commission also decreed an injunction whereby it suspended the call for bid called by Enersis S.A. for its indirect or indirect participation in the capital stock of Aguas Cordillera and the prohibition that in lieu of it Enersis S.A. should make a direct sale of such participation in the ownership of the capital stock, until such date that the Honorable Resolutive Commission has not issued a decision on the substance of the matter or adopted any resolution against it.

At its meeting on November 2, the Board of Directors of Enersis S.A. resolved, by the unanimous vote of its members present, to leave without effect the bidding process related to the disposal of its participation in the ownership of the capital stock of Aguas Cordillera, and that was a matter of Agreement No. 124/99 adopted by the Board of

Directors of Enersis S.A. at its Ordinary Meeting held on August 31, 1999. Such decision is based on the impossibility stemming from Resolution No. 553 issued by the Honorable Resolutive Commission of including in the results for the period 1999 the effects of the sale that would have been effected, as well as the proximity of the tariff-setting process affecting that company.

The Board of Directors of the Company will study and reassess the possible future sale of the above mentioned asset in the light of the tariff and market conditions that should prevail in the future.

XI. INTERIM AND FINAL DIVIDENDS

On January 28, 1999, the Board of Directors informed the Superintendency of Securities and Insurance that it had resolved not to distribute a provisional dividend in the month of February of that year because the conditions previously set forth in the dividends policy did not exist.

The Vice-Chairman of Administration and Finance pointed out the need to postpone the agreement in what respects setting a final dividend against the net income of the period 1998, to be addressed in the Ordinary Meeting scheduled for the end of the month.

- a) At the Shareholders' Ordinary Meeting held on April 30, 1999. It was agreed to distribute a final and eventual dividend of Ch\$ 4.00 per share against the net income of 1998.
- b) The Board of Directors resolved not to distribute in the month of May this year an interim dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

At the meeting held on July 29, 1999 the board of Directors agreed not to distribute in the month of August this year an interim dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

The Board of Directors of Enersis S.A., at the meeting held on November 2, 1999, resolved not to distribute in the month of November this year a provisional dividend against the net income of 1999, in accordance to the standing policy in that respect, because the conditions previously set forth in the dividends policy did not exist.

At the meeting held on December 17, the Board of Directors of Enersis S.A. agreed not to distribute in the month of February of the year 2000 an interim dividend against the net income of the period 1999, because the conditions previously set forth in the dividends policy did not exist.

ACCOUNTS INSPECTOR'S REPORT

Pursuant to the provisions in law No. 18,046 on Limited Liability Stock Companies and in compliance with the mandate granted by the Shareholders' General Meeting held on April 30, 1999, we have examined the Unconsolidated Financial Statements of Enersis S.A. for period between January 1 and December 31, 1999.

Our assignment was focused on verifying, on a selective basis, the coincidence of the figures presented in the Financial Statements with the official records of the Company and to such and end we compared the figures presented in the ledger with the grouping and classification worksheets. To subsequently ascertain if these amounts which are the balances of accounts of the same nature match with those included in the Financial Statements, a revision which entailed no objections.



Marcela Araya
Accounts Inspector



Marco Acevedo
Accounts Inspector

Santiago, February 18, 2000

COMPARATIVE BALANCE SHEETS AND INCOME STATEMENTS

For The Years Ended 1998 & 1999

(Expressed in thousands of constant Chilean pesos - M\$ of December 31, 1999)



COMPARATIVE BALANCE SHEETS

For The Years Ended 1998 & 1999

(Expressed in thousands of constant Chilean pesos - M\$ of December 31, 1999)

| | Chilectra | | Río Maipo | | Synopsis | | Inmobiliaria Manso de Velasco | | Diprel | |
|-------------------------------------|--------------------|----------------------|-------------------|-------------------|------------------|-------------------|----------------------------------|--------------------|------------------|-------------------|
| | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 |
| Assets | | | | | | | | | | |
| Current Assets | 198,394,882 | 225,817,105 | 10,769,303 | 5,390,486 | 7,917,044 | 9,575,117 | - | 52,347,152 | 6,869,034 | 12,568,687 |
| Fixed Assets | 202,290,060 | 223,187,737 | 29,287,044 | 30,481,812 | 829,413 | 664,712 | - | 51,607,139 | 423,744 | 389,543 |
| Other Assets | 535,709,466 | 605,037,144 | 1,145,691 | 1,012,288 | 1,285 | 12,296 | - | 3,860,730 | 31,450 | 45,588 |
| Total Assets | 936,394,408 | 1,054,041,986 | 41,202,038 | 36,884,586 | 8,747,742 | 10,252,125 | - | 107,815,021 | 7,324,228 | 13,003,818 |
| Liabilities | | | | | | | | | | |
| Short Term Liabilities | 154,335,271 | 187,844,923 | 12,557,483 | 6,481,532 | 4,222,989 | 5,859,135 | - | 46,498,691 | 5,394,288 | 11,036,816 |
| Long Term Liabilities | 424,490,910 | 461,168,810 | 8,869,844 | 10,361,407 | 116,808 | 97,341 | - | 971 | 147,567 | 285,430 |
| Minority Interest | 13,372,326 | 15,230,895 | - | - | 459 | 449 | - | 20,967,252 | - | - |
| Equity and Reserves | 256,641,691 | 273,943,968 | 17,468,613 | 17,843,515 | 3,747,075 | 3,786,029 | - | 5,586,105 | 1,471,198 | 1,471,198 |
| Subsidiary's Organization Cost | - | - | - | - | - | - | - | - | - | - |
| Accumulated Profits (Losses) | 40,167,457 | 71,469,722 | 966,168 | 930,178 | 3,230 | 5,796 | - | 33,660,652 | 3,595 | 2,730 |
| Net Income | 93,912,658 | 71,236,797 | 8,932,862 | 8,453,025 | 3,150,031 | 3,313,743 | - | 1,101,350 | 2,052,984 | 1,390,742 |
| Interim Dividends | (46,525,905) | (26,853,129) | (7,592,932) | (7,185,071) | (2,492,850) | (2,810,368) | - | - | (1,745,404) | (1,183,098) |
| Total Liabilities and Equity | 936,394,408 | 1,054,041,986 | 41,202,038 | 36,884,586 | 8,747,742 | 10,252,125 | - | 107,815,021 | 7,324,228 | 13,003,818 |

COMPARATIVE INCOME STATEMENTS

For The Years ended 1998 & 1999

(Expressed in thousands of constant Chilean pesos - M\$ of December 31, 1999)

| | Chilectra | | Río Maipo | | Synopsis | | Inmobiliaria Manso de Velasco | | Diprel | |
|--------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|----------------------------------|------------------|------------------|------------------|
| | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 |
| Operating Income | | | | | | | | | | |
| Operating Revenues | 290,503,336 | 266,349,652 | 37,461,284 | 35,144,906 | 13,780,196 | 13,659,955 | - | 5,750,856 | 24,547,602 | 24,465,069 |
| Operating Costs | (187,866,183) | (177,966,271) | (25,773,102) | (23,961,135) | (8,465,797) | (8,414,191) | - | (4,494,634) | (18,545,207) | (19,483,207) |
| Operating Margin | 102,637,153 | 88,383,381 | 11,688,182 | 11,183,771 | 5,314,399 | 5,245,764 | - | 1,256,222 | 6,002,395 | 4,981,862 |
| S&A Expenses | (24,864,558) | (24,972,575) | (3,080,627) | (2,849,885) | (2,161,953) | (1,897,322) | - | (741,824) | (3,317,453) | (3,320,572) |
| Operating Income | 77,772,595 | 63,410,806 | 8,607,555 | 8,333,886 | 3,152,446 | 3,348,442 | - | 514,398 | 2,684,942 | 1,661,290 |
| Non-Operating Income | | | | | | | | | | |
| Non-Operating Revenues | 82,050,731 | 81,282,282 | 3,724,599 | 3,812,036 | 1,045,290 | 884,957 | - | 3,300,926 | 200,661 | 395,751 |
| Non-Operating Costs | (52,367,490) | (58,524,966) | (2,130,854) | (2,401,028) | (229,245) | (150,062) | - | (3,204,247) | (454,837) | (404,751) |
| Price Level Restatement | 2,626,572 | (942,014) | 279,264 | 135,386 | (173,431) | (61,942) | - | 532,679 | (11,829) | 21,772 |
| Non-Operating Income | 32,309,813 | 21,815,302 | 1,873,009 | 1,546,394 | 642,614 | 672,953 | - | 629,358 | (266,005) | 12,772 |
| Income Tax | (15,042,791) | (11,855,467) | (1,547,702) | (1,427,255) | (644,888) | (707,641) | - | (226,140) | (365,953) | (283,320) |
| Minority Interest | (1,126,959) | (2,133,844) | - | - | (141) | (11) | - | 183,734 | - | - |
| Negative Goodwill Amortization | - | - | - | - | - | - | - | - | - | - |
| Net Income | 93,912,658 | 71,236,797 | 8,932,862 | 8,453,025 | 3,150,031 | 3,313,743 | - | 1,101,350 | 2,052,984 | 1,390,742 |

(*) These companies were consolidated considering that Enersis appoints the majority of Board members.

(**) Related company and unconsolidated financial statements.

COMPARATIVE BALANCE SHEETS

For the Years Ended 1998 & 1999

(Expressed in thousands of constant Chilean pesos - M\$ of December 31, 1999)

| | Investluz S.A. (*) | | Luz de Bogotá S.A. (*) | | Cerj (*) | | Aguas Puerto S.A. | | CAM | |
|-------------------------------------|-----------------------|--------------------|---------------------------|----------------------|--------------------|--------------------|----------------------|--------------------|--------------------|-------------------|
| | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 |
| Assets | | | | | | | | | | |
| Current Assets | 82,869,843 | 71,626,966 | 388,901,695 | 167,125,769 | 273,869,956 | 102,073,987 | - | 13,135,003 | 53,151,593 | 25,838,668 |
| Fixed Assets | 512,595,447 | 560,341,701 | 751,282,557 | 812,463,085 | 460,743,133 | 521,896,059 | - | 193,639,833 | 61,294,216 | 8,877,124 |
| Other Assets | 229,455,929 | 192,666,951 | 111,958,325 | 110,549,793 | 165,004,842 | 177,433,743 | - | 20,669,263 | 79,198,449 | 156,438 |
| Total Assets | 824,921,218 | 824,635,618 | 1,252,142,577 | 1,090,138,647 | 899,617,931 | 801,403,789 | - | 227,444,099 | 193,644,258 | 34,872,230 |
| Liabilities | | | | | | | | | | |
| Short Term Liabilities | 119,972,097 | 62,375,250 | 54,040,238 | 110,600,164 | 621,033,672 | 84,299,851 | - | 25,910,037 | 84,353,123 | 27,479,144 |
| Long Term Liabilities | 41,879,385 | 73,972,197 | 39,115,019 | - | 318,998,730 | 352,588,027 | - | 70,233,114 | 5,201,423 | 427,948 |
| Minority Interest | 242,769,467 | 237,702,777 | 549,301,222 | 462,477,620 | - | - | - | 65,613,371 | 20,399,717 | 1,587 |
| Equity and Reserves | 422,651,030 | 462,220,018 | 596,949,514 | 472,827,781 | 218,501,758 | 559,684,784 | - | 67,091,490 | 10,462,490 | 1,109,045 |
| Subsidiary's Organization Cost | - | - | - | - | - | - | - | - | (96,681) | - |
| Accumulated Profits (Losses) | (3,393) | (3,805,791) | - | 34,831,126 | (299,240,157) | (283,156,187) | - | - | 69,215,166 | 11,803,375 |
| Net Income | 2,752,085 | (4,752,556) | 12,736,584 | 9,401,956 | 40,323,928 | 87,987,314 | - | (1,403,913) | 4,261,522 | (5,948,869) |
| Interin Dividends | (5,099,452) | (3,076,277) | - | - | - | - | - | - | (152,502) | - |
| Total Liabilities and Equity | 824,921,218 | 824,635,618 | 1,252,142,577 | 1,090,138,647 | 899,617,931 | 801,403,789 | - | 227,444,099 | 193,644,258 | 34,872,230 |

COMPARATIVE INCOME STATEMENTS

For the Years Ended 1998 & 1999

Expressed in thousands of constant Chilean pesos - M\$ of December 31, 1999

| | Investluz S.A. | | Luz de Bogotá S.A. (*) | | Cerj (*) | | Aguas Puerto S.A. | | CAM | |
|--------------------------------|--------------------|---------------------|---------------------------|-------------------|---------------------|-------------------|----------------------|---------------------|--------------------|---------------------|
| | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 |
| Operating Income | | | | | | | | | | |
| Operating Revenues | 110,694,110 | 167,489,039 | 273,413,974 | 249,175,836 | 314,814,000 | 247,670,159 | - | 33,699,058 | 32,912,618 | 21,712,008 |
| Operating Costs | (68,107,559) | (103,898,412) | (233,937,294) | (216,221,321) | (216,164,345) | (184,031,353) | - | (15,806,013) | (19,778,109) | (14,104,498) |
| Operating Margin | 42,586,551 | 63,590,627 | 39,476,681 | 32,954,515 | 98,649,655 | 63,638,806 | - | 17,893,045 | 13,134,509 | 7,607,510 |
| S&A Expenses | (24,332,541) | (37,587,117) | (19,872,323) | (26,883,212) | (11,335,384) | (27,148,422) | - | (11,503,331) | (4,034,440) | (2,455,617) |
| Operating Income | 18,254,010 | 26,003,510 | 19,604,358 | 6,071,303 | 87,314,270 | 36,490,384 | - | 6,389,714 | 9,100,069 | 5,151,893 |
| Non-Operating Income | | | | | | | | | | |
| Non-Operating Revenues | 10,478,571 | 13,342,838 | 111,085,591 | 46,017,815 | 38,609,103 | 142,058,164 | - | 709,447 | 4,683,542 | 1,937,850 |
| Non-Operating Costs | (18,772,632) | (26,338,157) | (91,419,248) | (14,514,984) | (61,303,445) | (90,561,234) | - | (14,874,307) | (12,881,074) | (12,924,837) |
| Price Level Restatement | 2,579,534 | - | - | - | (17,587,970) | - | - | (4,236,169) | 2,528,693 | 70,473 |
| Non-Operating Income | (5,714,527) | (12,995,319) | 19,666,343 | 31,502,831 | (40,282,311) | 51,496,930 | - | (18,401,029) | (5,668,839) | (10,916,514) |
| Income Tax | (493,417) | (4,443,068) | (11,088,416) | (18,561,991) | (6,708,031) | - | - | (58,486) | (724,014) | (192,393) |
| Minority Interest | (9,293,982) | (13,445,402) | (15,445,701) | (9,610,187) | - | - | - | 10,665,888 | 337,944 | (357) |
| Negative goodwill Amortization | - | 127,723 | - | - | - | - | - | - | 1,216,362 | 8,502 |
| Net Income | 2,752,085 | (4,752,556) | 12,736,584 | 9,401,956 | 40,323,928 | 87,987,314 | - | (1,403,913) | 4,261,522 | (5,948,869) |

IN CHILE

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CHAIRMAN

ALFREDO LLORENTE

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