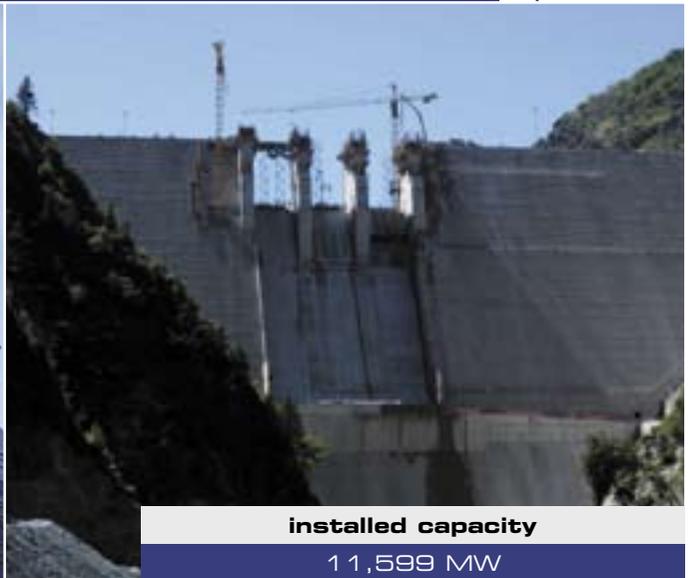


2003 Endesa Chile annual report



installed capacity

11,599 MW



MW certified under ISO 14,001

7,259 MW



BOLSA DE COMERCIO DE SANTIAGO
ENDESA

NEW YORK STOCK EXCHANGE (NYSE)
EOC

LATIBEX (MADRID)
XEOC



Endesa Chile, under the commitment signed by Endesa of Spain, adheres to the new principles of the UNGlobal Compact which is concerned with protecting human rights, working standards and conservation of the environment.



Colombia

Betania 540 MW
(South-east of Colombia)

Emgesa 2,049 MW
(Outskirts of Bogotá)



Peru

Edegel 967 MW



Brazil

Cachoeira Dourada 658 MW
(South of Brasilia)



Argentina

Costanera 2,302 MW
(Buenos Aires)

El Chocón 1,320 MW
(Neuquén)



Chile

3,763 MW

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Assembly of the Rotor Unit 2, Ralco Plant, Chile

chairman's letter to shareholders

To our Shareholders,

I have pleasure in presenting to you the Annual Report and Financial Statements of Endesa Chile for the year 2003.

However, before entering into detail about the company's business last year, allow me to make some general comments on the events of the year.

To start with, it should be remembered that the year opened by inheriting a period of great complexity in the region, well demonstrated by the turbulences in the two principal economies: Argentina and Brazil, countries in which Endesa Chile has substantial assets.

But our company was able to handle the circumstances and achieved an excellent 2003 based on the success of its Financial Strengthening Plan which includes the sale of important assets like Infraestructura Dos Mil S.A. and the Canutillar plant, the bond placements in both the international and domestic markets, and the bank loan rescheduling which extended the average life of our debt to a more balanced position with the company's cash flows.

The success of this task places Endesa Chile in an unbeatable position with a view to the future, reflected in its healthy financial structure, in assets valued by the market and an excellent quality in terms of the partners it has in each of the countries where it operates. The result of the Plan has also enabled the company to improve its credit structure, to facilitate the investor process under way and to provide it with greater liquidity to face its environment.

Fruits of the Effort

The rigorous effort pursued during the whole of 2003 brought forth the expected fruits. It is important to recall that the company began the period following a year of losses, with subsidiaries located in extremely unstable markets, both from a political and economic point of view.

However, in analyzing the year in question, there is an air of satisfaction that is natural from a team that has done things well. Endesa Chile turned round from a loss of ThCh\$ 9,412,247 in 2002, as a result of accounting adjustments known to you all, to a net income of ThCh\$ 78,130,912 in 2003, and the company's debt has reduced by close to US\$ 340 million during the year to provide us with leverage of close to 1:1.

All these figures are the result of a substantial improvement in regional conditions, reflected in increases in demand and in gross energy generation.

Operating Income

The operating income of Endesa Chile was ThCh\$ 338,510,897, a slight decline of 3.2 % compared to 2002. But the results for 2003 are affected by the 17.4 % revaluation of the Chilean peso against the US dollar, affecting the operating flows of the foreign subsidiaries in accounting terms. And it should not be forgotten that the year 2002 included funds inflows from Infraestructura Dos Mil S.A. and the Canutillar plant, assets sold and deducted from the results of the year 2003.

If we compare the operating cash flows of Endesa Chile's foreign subsidiaries in terms of US dollars at December 2002, their operating income would be 17.3 % higher, which more than compensates the reduced flows caused by the asset sales in Chile.

With respect to Chile itself, operating income fell by 10 % to ThCh\$ 155,259,902, explained by the above-mentioned divestments. If these asset sales are taken out, the operating income would have increased by 3.2 %.

Operating income in Colombia improved by 12.9 % in Chilean peso terms to ThCh\$ 85,984,023. However, in local currency terms, the increase was 47.4 %, the value being affected on its transfer to Chilean accounting because of the revaluation of the peso against the US dollar.

In Argentina, the operating income increased by 154 % compared to 2002, reaching ThCh\$ 32,313,222. This notable improvement is due to the performance of both El Chocón and Costanera. In the first case, the improvement was the result of abundant water and, in the second, to greater revenues in capacity payments under the contracts of the second interconnection line with Brazil.

Operating income in Peru declined by 13.9 % to ThCh\$ 61,296,537 despite the increase in energy sales volumes and the higher average sale price in US dollar terms. The basic reason for this is the appreciation of the Chilean peso against the US dollar. If the comparison is made in local currency or dollar terms, operating income would increase by 2.7 %.

In Brazil, the operating income of Cachoeira Dourada S.A. reduced by 78.7 % to ThCh\$ 3,657,213, explained by the US dollar devaluation against the Chilean peso and Brazilian real and by reduced energy sales revenues as a result of the lower average price on the spot market.

In the case of Brazil, the successful renegotiation of the contract between the associate company CIEN and Copel should be mentioned. The agreement, which had the approval of the Brazilian regulator, meant a balance of margins similar to the previous ones for the company.

Share Performance

Endesa Chile's positive performance in 2003 was also reflected in the price of its shares traded both on the Santiago Stock exchange and of its ADRs traded in the United States. In the first case, there was a rise of 30.2 % and, in the second, of 52.1 %.

We are confident that this positive change is due to a broad recognition in the markets of the management's efforts which are reflected in the company's earnings and financial health. Clearly we shall continue to work along the same lines in order to keep on generating value for every one of our shareholders.

Investments and Tariffs

The Ralco plant, whose commissioning is planned for the second half of 2004, reached 95.7 % of its planned construction at December 31, 2003. It is with much satisfaction that I can state that on September 16, 2003, Endesa Chile reached a final agreement with the four Pehuenche land-owners who had still not reached an understanding for the exchange of their lands.

On October 13, 2003, these four owners signed the respective land exchange commitment contracts and desisted from all the legal actions brought against the construction of the project. And, in January 2004, crowning a process that was not free of problems, the final exchanges were signed. Under the terms of the agreement, the four owners chose the offer



initially made by Endesa Chile, which had been on the table since early in 2003. This agreement conclusively opens the way for the start-up of the Ralco hydroelectric plant on the date stipulated, thus helping to ensure Chile's electricity supplies from 2004 onward.

Regarding the tariffs in Chile, the node price set by the authority for the period to April 2004 was reduced by 1.9 % in local currency terms. However, in dollar terms, this meant a rise of 8 %, which is a very positive sign for the company. This, together with the approval by the Chilean parliament of the electricity bill called the "Short Law" allows us to look to the future confident that the regulatory and price uncertainties are being overcome.

Another event of importance to mention, and which occurred on December 10, 2003, was the presentation by Endesa Chile to the 5th Region's Corema (environmental authority) of the environmental impact study for the expansion of the San Isidro thermal plant. This, which is still being analyzed, would consist of the construction of a 370 MW combined-cycle plant having an annual generation capacity of 2,500 GWh.

Environmental Commitment

I would not wish to end these words without highlighting Endesa Chile's environmental efforts, as evidenced by its certification under the ISO 14,001 standard of 63% of its generating assets in Latin America.

We can compare this with the 43 % achieved by the end of 2002 and can state without any doubt that the efforts in this area have been well directed.

However, the task is still not finished. Our plans in this area are ambitious and we are sure that we shall continue advancing at the same pace we have maintained until now. We are a company committed to

its surroundings and the environment and therefore have no hesitation in becoming a model of Environmental Management for the industry in the region.

All the achievements made in 2003, in the financial, production and environmental areas, are the result of the work of an excellent human team.

Ladies and gentlemen shareholders, be confident that in Endesa Chile, fully-trained professionals are working to face the future challenges, as shown in the changes generated by the company during 2003.

And have the conviction that all of us with responsibilities in Endesa Chile will continue to use our best efforts to justify the confidence you have deposited in us. The commitment is to strengthen the leadership the company has built up in the region, and we will not rest until we have achieved it.

Luis Rivera Novo
Chairman of the Board

management

Board of Directors



Chairman

Luis Rivera Novo

Engineer in Roads, Canals and Ports

Universidad Politécnica de Madrid

Tax No.: 48.071.010-K



Vice Chairman

Antonio Pareja Molina

Degree in Economic and Business Sciences

Universidad de Granada

Spanish passport: 24280698-N



Board Member

Jaime Bauzá Bauzá

Civil Engineer

Pontificia Universidad Católica de Chile

Tax No.: 4.455.704-5



Board Member

Ignacio Blanco Fernández

Industrial Engineer

Universidad Politécnica de Cataluña

Economist

Universidad de Zaragoza

Spanish passport: 39666793-G

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Board Member

Enrique García Álvarez

Engineer in Roads, Canals and Ports

Escuela Técnica Superior de ICCP de Madrid

Spanish passport: 00368833-M



Board Member

Carlos Torres Vila

Law Degree

Universidad Nacional de Educación a Distancia, UNED, Madrid

Spanish passport: 50710025-Q



Board Member

Andrés Regué Godall

Industrial Engineer

Escuela Técnica Superior de Ingenieros Industriales de Barcelona

Spanish passport: 36885079-W



Board Member

Antonio Tuset Jorratt

Commercial Engineer

Universidad de Chile

Tax No.: 4.566.169-5



Board Member

Leonidas Vial Echeverría

Vice Chairman of Santiago

Stock Exchange

Tax No.: 5.719.922-9

The company is managed by a board of directors composed of nine members elected at the shareholders' meeting. The directors are elected for a term of three years and may be re-elected.

The present board was appointed at the ordinary shareholders' meeting held on March 31, 2003, except for Enrique García Álvarez who was appointed at the board meeting held on September 1, 2003 in replacement of José María Hidalgo Martín-Mateos who presented his resignation as a director on that same date.

Board Members' Remuneration

In accordance with Law 18,046, the ordinary shareholders' meeting held on March 31, 2003 agreed the remuneration of the board for the year 2003.

The board of Endesa Chile incurred no advisory expenses during the year 2003.

Board Members' Remuneration Received During 2003 (Thousands of Pesos)

BOARD MEMBER	PER DIEM ENDESA CHILE	PER DIEM SUBSIDIARIES	BOARD MEMBER'S COMMITTEE	PARTICIPATION	TOTAL
Luis Rivera Novo	43,005	-	7,302	-	50,307
Antonio Pareja Molina	29,518	-	-	-	29,518
Jaime Bauzá Bauzá	21,503	-	7,302	-	28,805
Ignacio Blanco Fernández	20,285	6,538	-	-	26,823
Enrique García Álvarez	6,764	-	-	-	6,764
Carlos Torres Vila	19,678	-	-	-	19,678
Andrés Regué Godall	20,893	7,719	-	-	28,613
Antonio Tuset Jorratt	21,503	-	7,302	-	28,805
Leonidas Vial Echeverría	20,285	-	-	-	20,285
José María Hidalgo Martín-Mateos (1)	14,130	-	-	-	14,130
Emilio García Díez (2)	1,540	-	-	-	1,540
Rodolfo Martín Villa (2)	931	-	-	-	931

(1) José María Hidalgo Martín-Mateos was a director of Endesa Chile until September 1, 2003.

(2) Emilio García Díez and Rodolfo Martín Villa were directors of Endesa Chile until January 28, 2003.

Management Remuneration

The total remuneration received by the managers of Endesa Chile during 2003 amounts to Ch\$ 1,538,986,153. This sum includes the remuneration of managers at December 31, 2003 plus those who have left during the year.

Incentive Plans

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

Severance Indemnities

No severance indemnities were paid in 2003 to the company's senior executives.

Corporate Governance

Endesa Chile is managed by its executive officers under the direction of its board of directors which, in accordance with the estatutos, or articles of incorporation and bylaws, of Endesa Chile, consists of nine directors who are elected at the annual regular shareholders meeting. Each director serves for a three year term and the term of each of the nine directors expires on the same day. Staggered terms are not permitted under Chilean law.

If a vacancy occurs on the board during the three year term, the board of directors may appoint a temporary director to fill the vacancy until a permanent replacement is elected at the next general shareholders meeting. The current board of directors was elected in March 2004 and their terms expire in March 2007. The members of the board of directors do not have service contracts with Endesa Chile or any of its affiliates that provide benefits upon termination of employment.

Chilean corporate law provides that a company’s board of directors is responsible for the management, administration and representation of a company in all matters concerning its corporate purpose, subject to the provisions of the company’s estatutos and the stockholders’ resolutions. In addition to the estatutos, the Board of Directors of Endesa Chile has adopted regulations and policies that guide our corporate governance principles. The most important of these regulations and policies are the following:

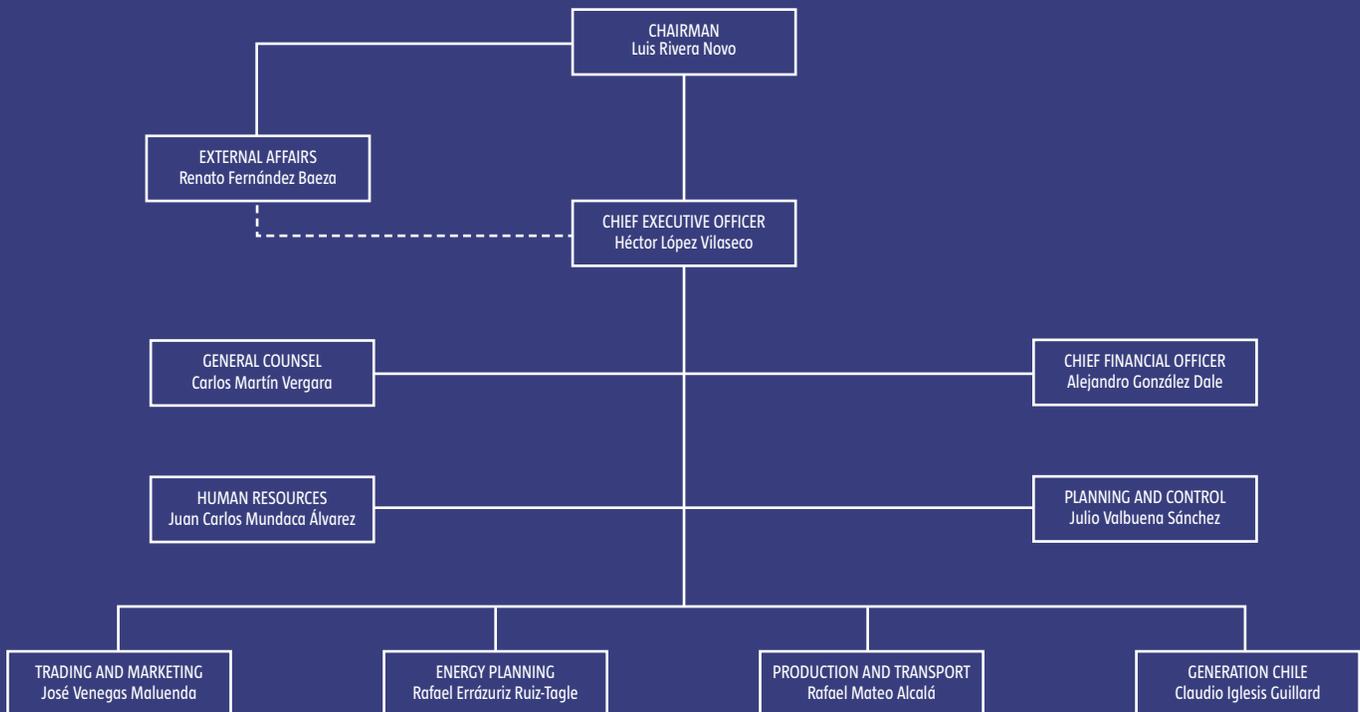
The Internal Regulations on Conduct in Securities Markets, approved by the Board on June 2002, which determine the rules of conduct that must be followed by members of the Board of Directors, senior management

and other managers and employees who, due to the nature of their job responsibilities, may have access to sensitive or confidential information, with a view to contributing to transparency and to the protection of investors. These regulations are based on the principles of impartiality, good faith, placing the company’s interests before one’s own, and care and diligence in using information and acting in the securities markets.

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

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

Organization Structure



Compliance with NYSE Listing Standards on Corporate Governance

Following is a summary of the significant differences between our corporate governance practices and those applicable to domestic issuers under the corporate governance rules of the New York Stock Exchange. Because we are a “controlled company” under the NYSE rules (a company of which more than 50% of the voting power is held by an individual, a group or another company), we would not, were we a domestic U.S. company, be subject to the requirement that we have a majority of independent directors, and nomination and compensation committees.

Independence and functions of the Audit Committee

Under the NYSE corporate governance rules, all members of the audit committee must be independent. We will be subject to this requirement effective July 31, 2005. As required by Chilean Law, Endesa Chile has a Board Members’ Committee composed of three directors. Although Chilean Law requires that a majority of the Board Members’ Committee (two out of three members) must be composed of directors who were not nominated by the controlling shareholder and did not seek votes from the controlling shareholder (a “non-control director”), it permits the Board Members’ Committee to be composed of a majority or even a unanimity of controlled directors, if there are not sufficient non-control directors on the board to serve on the committee. Currently, our Board Members’ Committee is composed by a majority of non-control directors. Our Board Members’ Committee does not currently meet the independence requirements to which the audit committee of Endesa Chile, whether the Board Members’ Committee or a different committee, will become subject on July 31, 2005, or the additional independence requirements to which the audit committees of U.S. companies are subject.

Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions enumerated in NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 beginning July 31, 2005 but are not at any time required to comply with Rule 303A.07. We do not currently comply with these rules, but we expect that, when we become subject to

Rule 303A.06, we will comply with both the independence and the function requirements of the rule.

Separate Meetings for Non-management Directors

In accordance with the NYSE corporate governance rules, those directors who are not officers of the company must meet periodically outside of the presence of the executive directors. Under Chilean law, this practice is not contemplated.

Corporate Governance Guidelines

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

The Board Members’ Committee

The Board Members’ Committee is composed of three members who are simultaneously directors of the Company. It performs the following functions:

- examination of Annual Report, Financial Statements and the Reports of the External Auditors and Inspectors of the Accounts;
- formulation of the proposal to the Board of Directors for the selection of external auditors and private rating agencies;
- examination of information related to operations by the Company with related parties and/or related to operations in which the Company board members or relevant executive officers may have personal interest;
- examination of the remuneration framework and compensation plans for managers and executive officers; and
- any other function mandated to the committee by the estatutos, the board of directors or the shareholders of the company.

The members of this Committee are Luis Rivera Novo, Jaime Bauzá Bauzá, and Antonio Tuset Jorrat. Luis Rivera Novo has served as chairman of this committee since July 25, 2002.

Principal Executives



Chief Executive Officer
Héctor López Vilaseco
 Degree In Law and
 Economics
 ICADE, Madrid
 Tax No.: 14.738.725-3



External Affairs
Renato Fernández Baeza
 Journalist and Degree in
 Social Sciences
 Universidad Gabriela Mistral
 Tax No.: 10.871.675-4



General Counsel
Carlos Martín Vergara
 Lawyer
 Universidad Católica de
 Valparaíso
 Tax No.: 6.479.975-4



Chief Financial Officer
Alejandro González Dale
 Commercial Engineer
 Universidad de Chile
 R.U.T.: 10.054.917-4



Human Resources
Juan Carlos Mundaca Álvarez
 Commercial Engineer
 Universidad de Santiago
 Tax No.: 7160.389-K



Planning and Control
Julio Valbuena Sánchez
 Engineer in Roads, Canals and
 Ports
 Universidad Politécnica de
 Madrid
 Tax No.: 21.188.517-3



Trading and Marketing
José Venegas Maluenda
 Civil Industrial Engineer
 Pontificia Universidad Católica
 de Chile
 Tax No.: 7.893.919-2



Energy Planning
Rafael Errázuriz Ruiz-Tagle
 Civil Engineer
 Universidad de Santiago
 Tax No.: 7.003.379-8



Production and Transport
Rafael Mateo Alcalá
 Industrial Engineer
 Escuela Técnica Superior
 de Ingenieros Industriales de
 Zaragoza
 Tax No.: 14.709.515-5



Generation Chile
Claudio Iglesias Guillard
 Civil Electrical Engineer
 Universidad de Chile
 Tax No.: 7.289.154-6

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Management of the Principal Subsidiaries

Generation Argentina

Miguel Ortiz Fuentes
 Naval Mechanical Engineer
 Escuela Naval de Chile
 Tax No.: 5.249.741-8

Generation Brazil

Francisco Bugallo Sánchez
 Electrical Engineer
 Universidad de Cartagena
 Spanish passport: 33224179 - N

Generation Colombia

Lucio Rubio Díaz
 Degree in Economic and Business Sciences
 Universidad Santiago de Compostela
 Spanish passport: 32642408-A

Generation Peru

José Griso Gines
 Merchant Marine Captain
 Sub Secretaría de Marina Mercante
 Spanish passport: 32401928-B

Ingendesa

Juan Benabarre Benaiges
 Civil Engineer
 Universidad de Chile
 Tax No.: 5.899.848-6

Severance Indemnities

No severance indemnities were paid in 2003 to the executives of the company's principal subsidiaries.

key data on the Endesa Chile group

	At December 31 each year				
	1999	2000	2001	2002	2003
In Argentina					
Number of Employees	430	287	285	284	283
Number of Generating Plants	5	5	5	5	5
Installed Capacity (MW)	3,622	3,622	3,622	3,622	3,622
Energy Generated (GWh) (1)	9,150	10,129	9,948	7,291	8,128
Energy Sales (GWh)	14,643	15,549	12,988	7,897	9,259
In Brazil					
Number of Employees	81	45	47	52	53
Number of Generating Plants	1	1	1	1	1
Installed Capacity (MW)	658	658	658	658	658
Energy Generated (GWh)	3,222	3,406	2,256	2,467	3,024
Energy Sales (GWh)	3,754	3,887	3,743	3,591	3,770
In Chile					
Number of Employees	1,383	888	870	818	708
Number of Generating Plants	23	21	20	20	19
Installed Capacity (MW)	4,130	4,035	3,935	3,935	3,763
Energy Generated (GWh)	13,672	15,346	15,741	16,286	16,524
Energy Sales (GWh)	15,949	20,086	18,673	18,344	18,681
In Colombia					
Number of Employees	454	377	386	315	319
Number of Generating Plants	10	10	10	8	9
Installed Capacity (MW)	3,035	3,035	3,035	2,735	2,589
Energy Generated (GWh) (1)	10,898	9,618	10,106	10,699	10,794
Energy Sales (GWh)	13,467	13,356	14,591	14,639	14,900
In Peru					
Number of Employees	178	167	164	154	152
Number of Generating Plants	6	8	8	8	8
Installed Capacity (MW)	806	997	1,003	1,003	967
Energy Generated (GWh)	2,950	3,623	4,176	4,279	4,458
Energy Sales (GWh)	2,999	3,604	4,239	4,158	4,443
(Millions of pesos at December 31, 2003)					
Total Assets	6,461,820	6,076,734	6,425,187	6,589,443	5,465,336
Total Liabilities	3,829,782	3,366,669	3,517,266	3,631,288	2,754,924
Minority Interest	1,358,145	1,319,399	1,446,906	1,513,214	1,217,743
Shareholders' Equity	1,273,893	1,390,666	1,461,015	1,444,942	1,492,669
Sales	966,892	947,027	1,055,732	947,480	920,281
Cost of Sales	(729,036)	(643,669)	(669,234)	(561,142)	(550,447)
Operating Income	187,799	269,598	351,455	349,687	338,511
Non-Operating Result	(354,134)	(36,437)	(250,276)	(316,559)	(179,005)
Net Income	(198,464)	116,075	72,882	(9,412)	78,131
Current Ratio	0.55	0.56	0.46	0.48	0.84
Debt Ratio (2)	1.46	1.24	1.21	1.23	1.02

(1) The figures of electricity generated in Argentina and Colombia in 2002 were corrected in order to reflect gross generation for all countries, and not the net generation.

(2) Total liabilities / shareholders' equity plus minority interest.

the company

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BASIC IDENTIFICATION Name ■ Empresa Nacional de

Electricidad S.A. ■ Kind of Entity: Open corporation

■ Tax No.:91.081.000-6 ■ Address: Avenida Santa Rosa 76

833-0099 SANTIAGO ■ Telephone: (562) 6309000 ■ Fax:

(562) 6354720 (562) 6353938 ■ P.O.Box: 1392, Santiago

■ Web Site: www.endesa.cl ■ Telephone Investor Relations:

(562) 6342329 ■ Fax Investor Relations: (562) 6354980

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

Empresa Nacional de Electricidad S.A. was constituted under public deed dated December 1, 1943 before the Santiago notary, Luciano Hiriart Corvalán ■ Ministry of Finance Decree No. 97 of January 3, 1944 authorized its existence and approved its bylaws. These stated that the objects of the company were to exploit the production, transport and distribution of electric energy and in particular carry out a country electrification plan as approved by the council of Corfo at its meeting No.215 of March 24, 1943 ■ The extract of the deed and the decree mentioned were published together in the Official Gazette of January 13, 1944 and were inscribed in the Santiago Trade Register (folio 61 N° 62 and folio. 65 N° 63 respectively) on January 17, 1944 ■ Its legal constitution was declared by Ministry of Finance Decree No.1,226 of February 26, 1945, Publisher in the Official Gazette on March 6, 1945 and inscribed in the Santiago Trade Register (folio 727 N° 532) on March 16 that year ■ The bylaws of the company have suffered numerous modifications among which was that of 1980 which eliminated its objectives of carrying out the country's electrification plan, which responsibility the law assigned to the National Energy Commission; that of 1982, which adapted the bylaws to Law 18,046, the new Corporations Law; that of 1987, which adapted the bylaws to the terms of Decree Law 3,500 of 1980, thereby permitting the resources of the pension funds to be invested in the company's shares; and that of 1988 which expanded the

company's objects to include the provision of consultancy services ■ The modification of 1992 should also be mentioned which again expanded the objects, expressly permitting the company to make investments in financial assets, develop projects and carry out activities in the energy field and others in which electricity is essential and to participate in public works infrastructure concessions in the civil or hydraulic areas, either directly or through subsidiary or associate companies, in both Chile and abroad; also that of 1994 which added to its bylaws the short name of Endesa, increased its capital so that part of this could be placed in the international markets through the ADR mechanism in any of its forms, and adapted the bylaws to the new provisions introduced by Law 19,301 to Decree Law 3,500 of 1980 which permitted, among other things, an increase in the maximum percentage of share concentration to 26 %; that of 1995 which modified the arbitration system, allowing difficulties between shareholders or among these and the company or its managers to be alternatively settled by arbitration or the ordinary courts of justice; that of 1999 which permitted an increase in the maximum percentage of share concentration to 65 % of the capital with voting rights of the company; and finally that of 2000 which permitted a reduction from 1 to 0.6 in the minimum level of the Adjusted Accounting Assets Factor ■



Rapel Plant, Chile

historical summary

Empresa Nacional de Electricidad S.A. (Endesa Chile) was created on December 1, 1943 as a subsidiary company of the fiscal entity Corporación de Fomento de la Producción (Corfo) in order to carry out the country's electrification plan, including the generation, transport, production and distribution of electricity.

For 42 years, Endesa Chile belonged to the state of Chile and achieved a preponderant role in the sector, becoming one of the country's largest companies and the basis of the nation's electricity development. Investments were substantial and important engineering, electrification and irrigation works were carried out.

In the mid 1980s, as a result of the privatization policy imposed by the Chilean government at that time, Endesa Chile was instructed to prepare itself for its privatization for which it was separated from its distribution activities, and was adapted so that the pension funds and individuals could become shareholders in the company.

The privatization process was carried out starting in 1987 with a series of public offers. Given the size of the company for the domestic market, the process was only completed in 1989. Following its privatization, there were important changes in the organization which was restructured as a holding company with subsidiaries, to constantly control the different businesses of the company.

In May 1992, the company's internationalization was begun with the acquisition through consortia of Central Costanera S.A. and later, in August 1993, of Hidroeléctrica El Chocón S.A., both in Argentina. In October 1995, Edegel S.A.A. was acquired in Peru. In December 1996, Central Hidroeléctrica de Betania S.A. E.S.P. was acquired and later, in September 1997, in association with Endesa Spain, Emgesa S.A. E.S.P., both in Colombia. Lastly, in September 1997, Centrais Elétricas Cachoeira Dourada S.A., Brazil was acquired.

In May 1999, Enersis S.A., a subsidiary of Endesa Spain, which at that time held 25.3 % of Endesa Chile's share capital, acquired on the Santiago Stock Exchange and in the US markets, through a tender process, an additional 34.7 % of the company, thus giving it control of the company.

Endesa Chile does not now participate in the electricity transmission sector in Chile. On October 23, 2000, the company closed the sale of all the shares in Compañía Nacional de Transmisión Eléctrica S.A. (Transelec), for US\$ 1,076 million. The divestment of this transmission subsidiary, contemplated in the Genesis Project for reducing costs, was carried out by a public and open tender offer, with the Canadian group, Hydro Québec International Inc., winning the bid.

As a result of the revision process begun with the Genesis Project, Endesa Chile decided to detain its future participation in infrastructure projects, including the sale of the subsidiary Infraestructura Dos Mil S.A. Endesa Chile has also been implementing a Financial and Economic Strengthening Plan since October 2002 which includes the divestment of those assets identified as suitable for sale, in order to reduce the company's debt. The sale of the Canutillar plant, the transmission lines on the Northern Grid System (SING) and the subsidiary Infraestructura Dos Mil S.A. form part of the Financial and Economic Strengthening Plan.

On March 27, 2003, the board of Endesa Chile accepted the offer of Hidroeléctrica Guardia Vieja S.A. of US\$ 174 million to purchase the Canutillar reservoir hydroelectric plant, of 172 MW. The extraordinary shareholders' meeting of March 31, 2003 approved this sale for which Endesa Chile received full payment on April 30, 2003.

Endesa Chile reached an agreement with HQI Transelec S.A. for the sale of its transmission assets on the SING for US\$ 110 million. This transaction, which was closed on May 30, 2003, included the sale of 285 km of 220 kV line circuits for an approximate total of US\$ 32 million through Celta S.A., a subsidiary of Endesa Chile, and the sale of 673 km of 220 kV line circuits for an approximate total of US\$ 78 million through GasAtacama Generación Limitada in which Endesa Chile has a holding of 50 %. In both cases, the transaction included the transfer of the respective substations.

On June 23, 2003, Endesa Chile closed the sale of Infraestructura Dos Mil S.A. with the Spanish company OHL Concesiones, S.L., a subsidiary of the Spanish company Obrascón Huarte Lain S.A., for a total of UF 2,305,507 (approximately US\$ 55 million). This transaction also allowed the deconsolidation of UF 9,011,000 (approximately US\$ 220 million) of debts which Infraestructura Dos Mil S.A. had with third parties.

On October 3, 2003, Endesa Chile increased to 64.26 % its shareholding in Central Costanera S.A., the largest electricity generating company in Argentina, by acquiring from KLT Power an additional 12.33 % shareholding.

Endesa Chile has pursued its investment plan to cater for the growth in demand and properly meet its contracts. In this respect, at December 31, 2003, the Ralco hydroelectric plant was 95.7% advanced in its construction. This important investment, which it is intended to start up during the second half of 2004, represents an increase in Endesa Chile's installed capacity on the Central Grid System (SIC) of around 16 %.

corporate structure

Subsidiaries							
Electricity					Engineering	Infrastructure (1)	Associates
Argentina	Brazil	Chile	Colombia	Peru			
Central Costanera S.A. 64.26%	Cachoeira Dourada 92.51%	Pehuenche S.A. 92.65%	Emgesa 22.36%	Edegel 37.90%	Ingendesa 97.64%	Túnel El Melón 99.95%	CEMSA 45.00%
Hidroeléctrica El Chocón S.A. 47.44%		Pangue S.A. 94.98% (2)	Betania 85.62%				CTM 45.00%
		Celta S.A. 100.00%					TESA 45.00%
		San Isidro S.A. 75.00%					CIEN 45.00%
							Electrogas S.A. 42.50%
							Transquillota 37.50%
							Gasoducto Atacama Chile 50.00%
							GasAtacama Generación 50.00%
							Gasoducto Atacama Argentina 50.00%
							Gasoducto Taltal Ltda. 50.00%

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(1) On June 23, 2003, Endesa Chile closed the sale of Infraestructura Dos Mil S.A. with the Spanish company OHL Concesiones, S.L., subsidiary of the Spanish company Obrascón Huarte Lain S.A. Through Infraestructura Dos Mil S.A., Endesa had a 60.04 % shareholding in Sociedad Concesionaria Autopista del Sol S.A. and a 58.36 % shareholding in Sociedad Concesionaria Autopista Los libertadores S.A.

(2) Endesa Internacional S.A., subsidiary of Endesa Spain, has a 5.01 % shareholding in Pangue S.A.

holdings in subsidiary and associate companies

ASSOCIATE COMPANIES	% HOLDING	
	2002	2003
IN ARGENTINA		
COMERCIALIZADORA DE ENERGÍA DEL MERCOSUR S.A. (CEMSA)	45.00	45.00
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR S.A. (CTM)	45.00	45.00
TRANSPORTADORA DE ENERGÍA S.A. (TESA)	45.00	45.00
IN BRASIL		
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA S.A. (CIEN)	45.00	45.00
IN CHILE		
ELECTROGAS S.A.	42.50	42.50
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA. (TRANQUILLOTA)	37.50	37.50
INVERSIONES GASATACAMA HOLDING LIMITADA	-	50.00
GASATACAMA S.A. (GASATACAMA)	50.00	50.00
GASODUCTO ATACAMA CHILE S.A. (GASODUCTO ATACAMA CHILE)	50.00	50.00
GASATACAMA GENERACIÓN S.A. (GASATACAMA GENERACIÓN)	50.00	50.00
GASODUCTO ATACAMA ARGENTINA S.A. (GASODUCTO ATACAMA ARGENTINA)	50.00	50.00
INVERSIONES ELECTROGAS S.A.	42.50	42.50
GASODUCTO TALTAL LTDA.	50.00	50.00
CONSORCIO INGENDESA-MINMETAL LTDA.	48.82	48.82
IN CAYMAN ISLANDS		
ENERGEX CO.	50.00	50.00
ATACAMA FINANCE CO.	50.00	50.00

SUBSIDIARY COMPANIES	% HOLDING	
	2002	2003
IN ARGENTINA		
CENTRAL COSTANERA S.A.	51.93	64.26
HIDROELÉCTRICA EL CHOCÓN S.A.	47.44	47.44
ENDESA ARGENTINA S.A.	99.99	99.99
HIDROINVEST S.A.	69.92	69.92
IN BRAZIL		
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	92.50	92.51
ENDESA BRASIL PARTICIPACOES LTDA.	100.00	100.00
INGENDESA DO BRASIL LTDA.	97.66	97.66
IN CHILE		
EMPRESA ELÉCTRICA PEHUENCHE S.A. (PEHUENCHE S.A.)	92.65	92.65
EMPRESA ELÉCTRICA PANGUE S.A. (PANGUE S.A.)	94.99	94.98
COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA S.A.)	100.00	100.00
COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A. (SAN ISIDRO S.A.)	75.00	75.00
INVERSIONES ELÉCTRICAS QUILLOTA S.A.	50.00	50.00
EMPRESA DE INGENIERÍA INGENDESA S.A. (INGENDESA)	97.64	97.64
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.	99.95	99.95
ENDESA INVERSIONES GENERALES S.A. (ENIGESA)	99.96	99.96
INVERSIONES ENDESA NORTE S.A.	100.00	100.00
IN COLOMBIA		
EMGESA S.A. E.S.P. (EMGESA)	22.36	22.36
CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	85.62	85.62
ENDESA DE COLOMBIA S.A.	100.00	100.00
CAPITAL ENERGÍA S.A.	43.58	43.58
IN PERU		
EDEGEL S.A.A. (EDEGEL)	37.90	37.90
GENERANDES PERÚ S.A.	59.63	59.63
IN PANAMA, BAHAMAS AND CAYMAN ISLANDS		
COMPAÑÍA ELÉCTRICA CONO SUR S.A.	100.00	100.00
LAJAS INVERSORA S.A.	92.88	92.88
ENDESA CHILE INTERNACIONAL	100.00	100.00



human resources

As has been a constant in the company, labor relations have been handled in full harmony with the representatives of the workers through direct and constant dialogue.

Personnel

The following table shows the personnel employed by Endesa Chile and its subsidiaries at December 31, 2003:

COMPANY	SENIOR EXECUTIVES	PROFESSIONALS & TECHNICIANS	OTHER EMPLOYEES	TOTAL
IN ARGENTINA				
CENTRAL COSTANERA S.A.	5	213	15	233
HIDROELÉCTRICA EL CHOCÓN S.A.	1	43	6	50
TOTAL EMPLOYED IN ARGENTINA	6	256	21	283
IN BRAZIL				
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	2	47	4	53
TOTAL EMPLOYED IN BRAZIL	2	47	4	53
IN CHILE				
ENDESA CHILE	28	400	38	466
PEHUENCHE S.A.	0	3	0	3
PANGUE S.A.				
SAN ISIDRO S.A.	0	2	0	2
CELTA S.A.	1	0	0	1
INGENDESA	3	183	25	211
TÚNEL EL MELÓN S.A.	1	22	2	25
TOTAL EMPLOYED IN CHILE	33	610	65	708
IN COLOMBIA				
EMGESA S.A.	7	250	28	285
CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P.	1	32	1	34
TOTAL EMPLOYED IN COLOMBIA	8	282	29	319
IN PERU				
EDEGEL S.A.A.	5	128	19	152
TOTAL EMPLOYED IN PERU	5	128	19	152
TOTAL EMPLOYED BY ENDESA CHILE AND SUBSIDIARIES	54	1,323	138	1,515

Human Resources Activities

Training

The objectives of the training plan for 2003 included the development in its people of a new style of work by acquiring skills to develop their entrepreneurial abilities and their creativity and innovation, as well as new skills in the technical-professional field linked to the needs of the electricity business.

In 2003, courses were given to plant personnel following the curricular technical matrix of the business, courses like Introduction to Plants, Foundations of Thermodynamics, Hydraulics and Electricity, which covered a total of 217 participations. Plant workers could also participate in the training program "Leadership, Communication and Work Motivation" which involved all plant personnel throughout the country, totaling 465 participations. This is why 2/3 of training in terms of budget and hours is directed to this objective group, for preserving and increasing their knowledge of the electricity business.

Another program we can mention is the start of training by e-learning, through Campus Endesa, in which courses are given oriented to performance and management such as negotiating, leadership, processes and strategy.

The training plan contemplated the development of innovative management programs, a program for the commercial management in communications and assertiveness, a program for secretaries, a transversal program of risk prevention, a computer and language program and a program for redesigning processes.

The total number of employees trained in 2003 was 445, implying a 94.1 % coverage in participations making a total of 1,348. Total training hours in the year were 28,085, 21.9 % more than in 2002. This produces a training rate of 2.46 % (hours of training / hours worked). The training index was 59.3 hours per person (training hours / average personnel numbers).

Risk Prevention

In 2003, Endesa Chile officially launched its Safety and Occupational Health Management System, OHSAS 18,001. Its purpose is to facilitate the management of risk prevention and occupational health related to the business, in order to control risks effectively.

According to the set timetable, the San Isidro combined-cycle plant was certified in 2003 and it is planned to certify the Maule hydroelectric plant and the Bocamina thermal plant in 2004. For 2005, the Antuco, El Toro, Abanico, Rapel, Sauzal and Sauzalito hydroelectric plants will be prepared for certification, and finally, in 2006, the thermal plants of Tarapacá, Taltal and Huasco and the Ralco and Pangué hydroelectric plants.

An important characteristic of this management system is the active incorporation of personnel of contractor firms.

The system has also begun to be implemented in the subsidiaries Edegel in Peru, and Emgesa in Colombia. In 2004, a start will be made at the Costanera and El Chocón plants in Argentina and, in 2005, at Cachoeira Dourada in Brazil.

The personnel of the Risk Prevention Area in 2003 also increased their involvement in major maintenance works, actively collaborating in the identification of operating dangers. The Social Report on Human Resources and Risk Prevention was also published and a leaflet was produced containing the up-dated version of the prevention program and accidental losses control.

Finally, it is important to note that the frequency of accidents in Endesa Chile was 2.6, meaning that for every million man-hours worked in the company, just 2.6 accidents occurred. This represented a 23% drop compared to the previous year.

At the Latin American level, the frequency rate was 4.2, representing a 14% increase over 2002.

Human Resources Management

The following matters of the Human Resources Management Unit can be mentioned as being relevant in 2003:

Renewal of the health benefits agreement with BanMédica S.A. whereby the latter institution commits to grant to Endesa Chile employees and their respective family dependents, the medical and dental benefits set out in the document called Group Health Contract.

Invitation for bids for the Complementary Health Insurance, which contract was awarded to Compañía Vidasecurity. This covers 80% of the part of hospitalization costs not reimbursed, for employees and their family dependents.

Activities for company workers and their families included cultural workshops and artistic competitions in disciplines such as stories, poetry, painting and photography.

Visits to establishments on site for gatherings of employees to discuss matters related to remunerations, human resources management, welfare, etc.

Human Resources Development

The following activities were carried out in 2003 within the Human Resources Plan:

Up-dating of the descriptions of positions within the company and the management positions of the subsidiaries according to the HAY methodology, to evaluate the internal consistency of the different positions.

The program of innovation and creativity was continued to motivate personnel to generate new ideas for introducing continued improvements to the procedures, management techniques and growth and organizational development proposals. 78 innovation proposals were received, a 24% increase over the year before.

Labor Relations

As has been a constant in the company, labor relations have been handled in full harmony with the representatives of the workers through direct and constant dialogue.

In December 2003, a new collective agreement was signed with the Endesa Chile's National Union of Engineers and University Professionals and with the Endesa Chile Group's National Union of Execution Engineers and University Professionals, for a term until December 31, 2006. Meanwhile, the previously signed collective agreements remain in force.



San Isidro Plant, Chile

the environment and sustainable development

16 plants (12 hydroelectric and 4 thermal) have been certified under the ISO 14,001 international standard.

In January 2003, the second Strategic Plan for the Environment was prepared for the period 2003-2004, following the successful completion of the previous biannual plan. In April, Endesa Chile published and distributed its first public report on sustainability which was sent to personalities in government, academics and business people.

Also in April, the board approved the creation of the Environment and Sustainable Development Committee (COMADES), chaired by the general manager and composed of the company's other managers. This falls within the great structural jump taken by Endesa Chile, consisting of passing environmental management to the Business Sustainable Development (DSE) which also incorporates the economic and social dimensions.

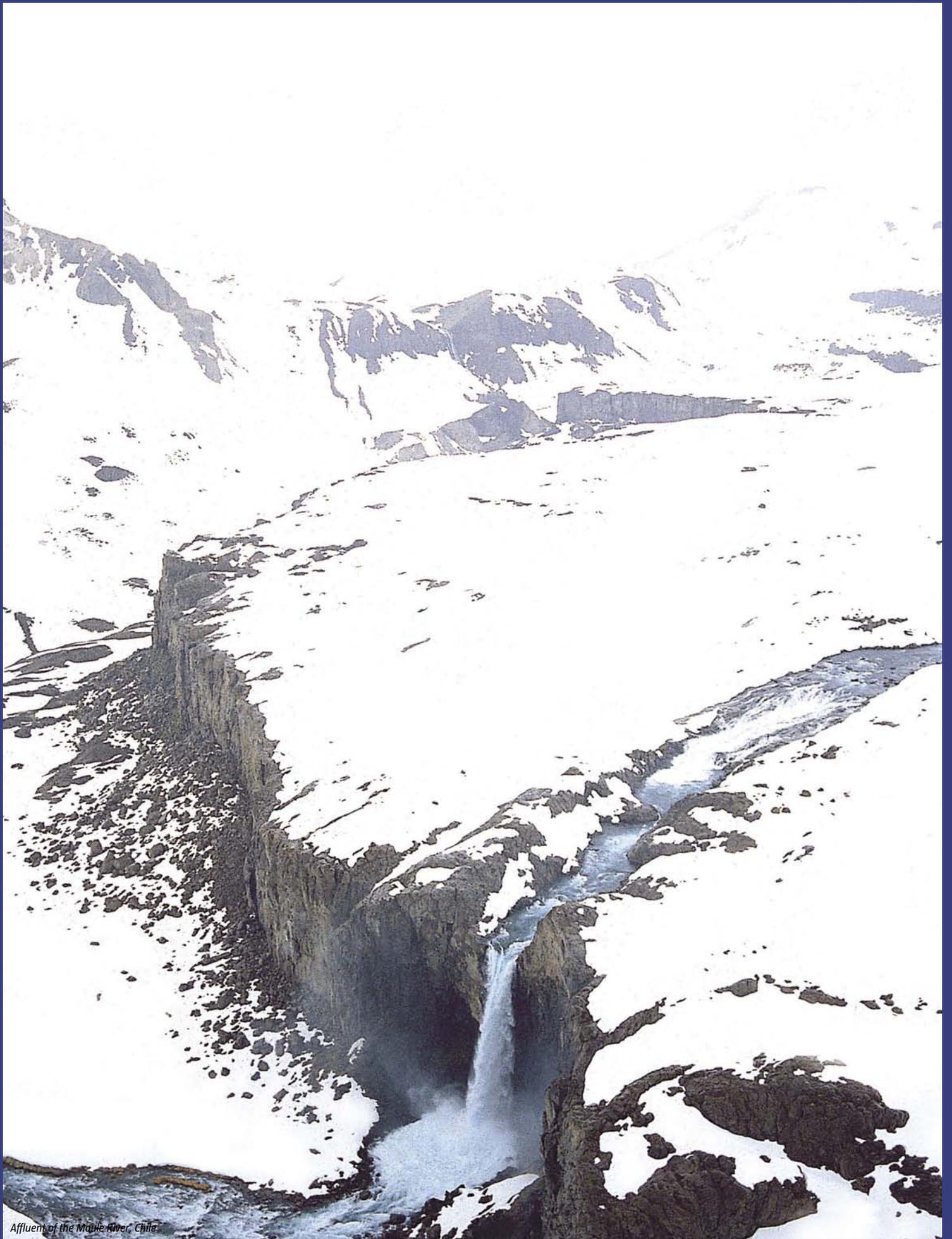
Since mid 2003, we have been publishing periodically on the company's web page (www.endesa.cl) information on the gaseous emissions of the San Isidro thermal plant and the monitoring of the biota and water quality of the River Bío-Bío and the reservoir of the Pangué hydroelectric

plant. Any interested parties can therefore inform themselves about these parameters.

In November 2003, the Business Sustainability Operating Plan was presented to COMADES and is now in full operation.

The success achieved by the company in introducing the Environmental Management Systems (SGA) has led to the certification of 16 plants (12 hydroelectric and 4 thermal) under the ISO 14,001 international standard. At December 31, 2003, these installations had a certified installed capacity of 7,259 MW, representing 63 % of the total installed capacity of the generating park.

For those installations not having the SGA, environmental inspections have been made in order to evaluate the management and compliance with the environmental regulations applicable to 26 installations in Brazil, Chile, Colombia and Peru.



Affluent of the Maipo River, Chile

ownership of the company

At December 31, 2003, the share capital of the company amounted to 8,201,754,580 subscribed and paid shares distributed among 27,334 shareholders.

Twelve Largest Shareholders

NAME	AT DECEMBER 31, 2003	
	NUMBER OF SHARES	% SHAREHOLDING
ENERSIS S.A. (1)	4,919,488,794	59.98%
AFP PROVIDA S.A. PARA FONDO DE PENSIONES	499,538,524	6.09%
CITIBANK N.A. (ADRs)	407,728,650	4.97%
AFP HABITAT S.A. PARA FONDO DE PENSIONES	367,916,263	4.49%
AFP CUPRUM S.A. PARA FONDO DE PENSIONES	274,826,990	3.35%
AFP SANTA MARIA S.A. PARA FONDO DE PENSIONES	224,487,477	2.74%
AFP SUMMABANSANDER S.A. PARA FONDO DE PENSIONES	213,296,204	2.60%
BANCHILE CORREDORES DE BOLSA S.A.	51,707,668	0.63%
AFP PLANVITAL S.A. PARA FONDO DE PENSIONES	44,727,341	0.55%
CIA. DE SEG. DE VIDA CONSORCIO NACIONAL DE SEGUROS	37,208,931	0.45%
COINDUSTRIA LTDA.	33,834,298	0.41%
FORESTAL CONST. Y COM. DEL PACÍFICO SUR S.A.	26,860,311	0.33%
TOTAL	7,101,621,451	86.59%

(1) Enersis S.A. is a subsidiary of Endesa Spain.

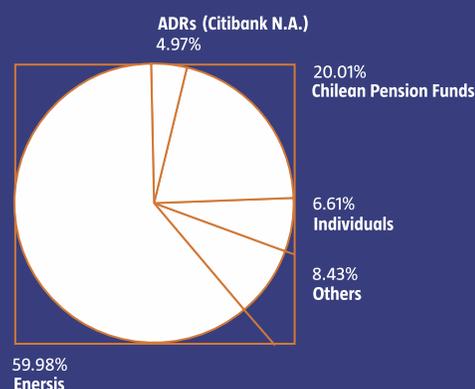
Enersis S.A. is the controller of Endesa Chile, with a direct 59.98% shareholding. Enersis S.A. has no agreement to act together.

There were no share transactions in 2003 between the company's majority shareholders.

Transactions of Endesa Chile Shares Made by its Directors and Senior Managers

During 2003, there were no transactions of Endesa Chile shares made by directors or senior managers of the company.

Ownership Distribution



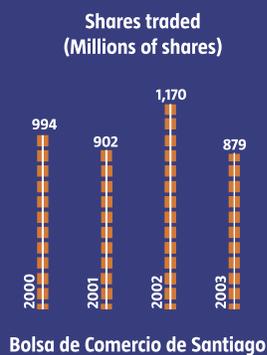


stock transactions

Share Transactions on Chilean Stock Exchanges

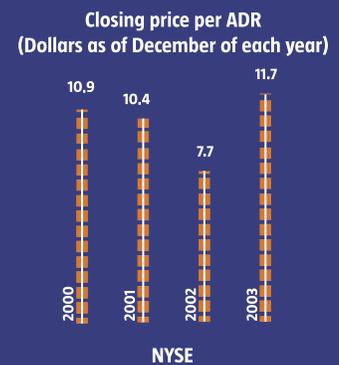
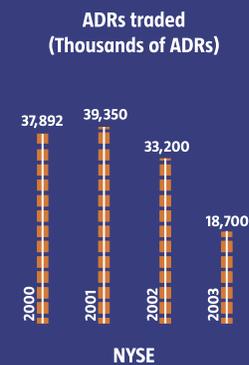
During 2003, 879.3 million Endesa Chile shares were traded on the Santiago Stock Exchange, the equivalent of Ch\$ 186,835 million. A further 257 million Endesa Chile shares were traded on the Chilean Electronic Exchange, the equivalent of Ch\$ 55,110 million, and 4.4 million shares on the Valparaíso Stock Exchange, equivalent to Ch\$ 882.5 million.

The Endesa Chile share price ended the year at Ch\$ 233 on each of these exchanges.



Share Transactions on the New York Stock Exchange (NYSE)

18.7 million Endesa Chile ADRs were traded in the United States, the equivalent of US\$ 176.73 million. An ADR represents 30 Endesa Chile shares. The price of the Endesa Chile ADR at the end of the year was US\$ 11.70.



Transactions on the Madrid Stock Exchange (Latibex)

As from December 17, 2001, Endesa Chile shares have been traded on the Latin American Securities Market of the Madrid Stock Exchange (Latibex). The trading unit, called a block, is of 30 shares. 2,604,845 blocks of Endesa Chile shares were traded in Spain in 2003, the equivalent of Th€ 20,307. The block price at the year-end was € 9.45.

investments and financing policies

Investment Policy

During 2004, the company will make investments as set out in its bylaws in the following investment areas, each limited by amount.

1. Electricity generation.

The maximum limit shall be considered as the investment necessary for the company to meet its main objects (the production, transport, distribution and supply of electricity) with a limit equivalent to 10% of the shareholders' equity plus minority interest of Endesa Chile consolidated.

2. Capital contributions to subsidiary and associate companies:

2.1 Contributions will be made to the subsidiaries Pangué S.A., Pehuenche S.A., San Isidro S.A. and Celta S.A., and the associates Electrogas S.A., Gasoducto Atacama Chile Limitada, Gasoducto Taltal Ltda., Gasoducto Atacama Argentina Limitada and GasAtacama Generación Limitada, for them to carry out their projects and make those investments necessary for meeting their respective corporate objects.

2.2 Contributions will be made to the subsidiaries Enigesa and Ingendesa so that they can meet their corporate objects. The maximum investment in these subsidiaries in 2004 shall be the equivalent of 0.5% of the shareholders' equity plus minority interest of Endesa Chile consolidated.

2.3 Contributions will be made to the subsidiary Túnel El Melón S.A. for carrying out development projects or those it decides to make to meet its objects. The maximum investment in this subsidiary in 2004 shall be the equivalent of 3% of the shareholders' equity plus minority interest of Endesa Chile consolidated.

2.4 The global maximum investment limit in all the Chilean this subsidiary for 2004 shall be the equivalent of 10 % of the shareholders' equity plus minority interest of Endesa Chile consolidated.

3. Financial assets, titles, rights, securities, real estate and investments in companies, as set out in the bylaws, for making investments in the electricity sector. The maximum investment limit shall be that necessary for taking advantage of business opportunities, with a maximum of 15 % of the shareholders' equity plus minority interest of Endesa Chile consolidated.

4. Financial assets, titles, rights, securities, real estate and investments in companies, as set out in the bylaws, for developing projects and operations or activities in industrial processes related to obtaining energy sources and in those where electricity is an essential and determinant element and is intensively used in the process. The maximum investment limit shall not exceed 5% of the shareholders' equity plus minority interest of the Endesa Chile consolidated group.
5. Endesa Chile will invest in marketable securities in accordance with portfolio selection and diversification criteria defined by the company's management, in order to optimize the return on its cash surpluses.
6. Within the framework approved by the shareholders, the board should agree the specific investments in works and studies to be carried out by the company, both as to the amount and their methods of financing, and will adopt the measures for controlling such investments.

Financing Policy

The company's financing policy considers that the level of debt, defined as the ratio of total liabilities to shareholders' equity plus minority interest in the consolidated balance sheet, should not exceed 1.50:1. Funding will come from the following sources:

- Own resources
- Supplier credits
- Loans from banks and institutions
- Placement of securities in the domestic and international market
- Proceeds of assets sales and/or services provided by Endesa Chile

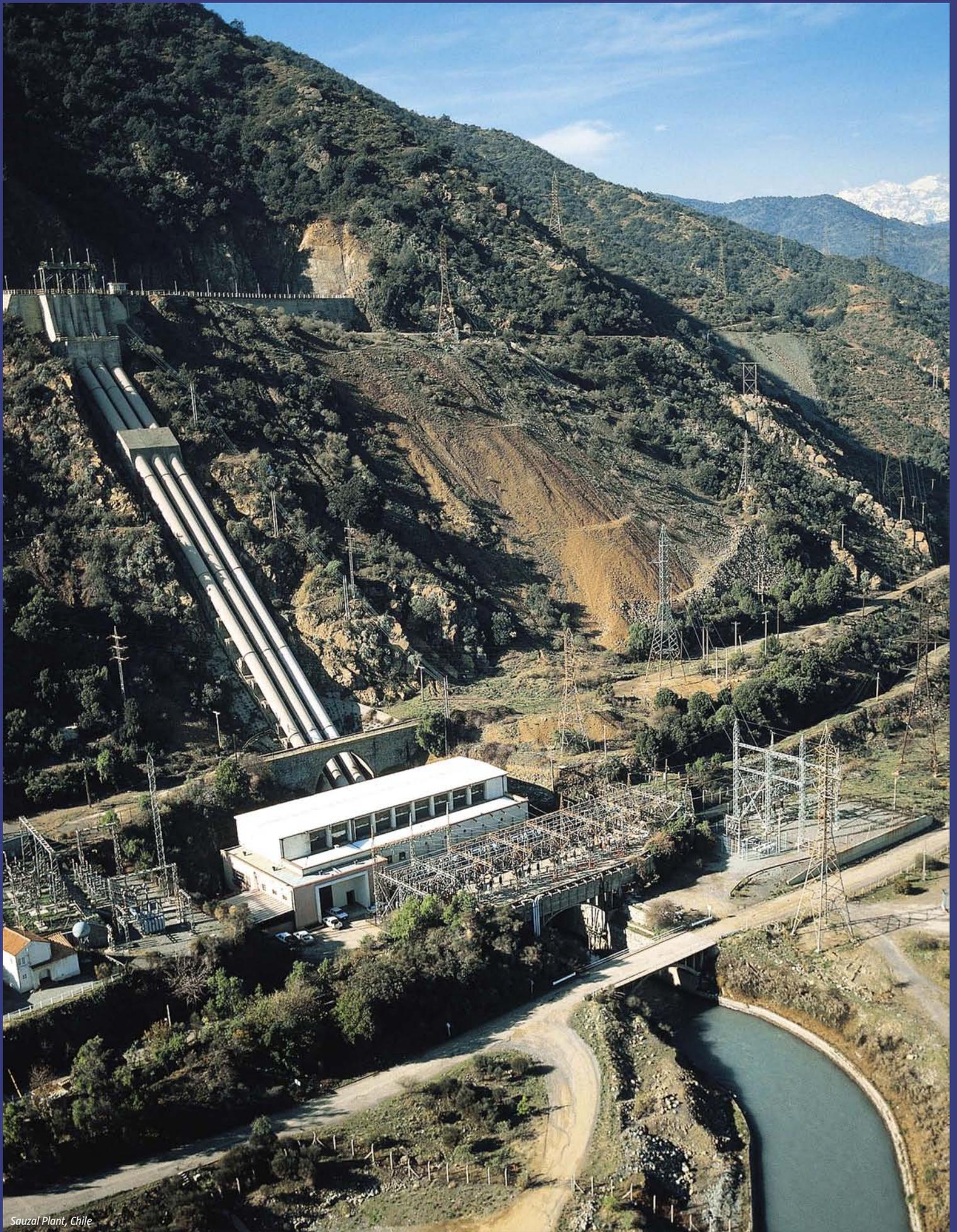
Other Matters

In order to carry out the investment and financing policies, the company's management shall have sufficient powers for signing and amending purchase, sale or rental agreements of goods and services needed for the development of the company's business, within the applicable legal framework, observing the corresponding market conditions in each case for goods or services of the same kind, quality and characteristics. The management shall also be authorized to settle the obligations arising from those agreements according to the law when deemed convenient for corporate interests.

Under the provisions of Clause 120 of Decree Law 3,500, the disposal of assets or rights that are declared in these policies as essential for the company's functioning, and the granting of guarantees over them, should be resolved by an extraordinary shareholders' meeting. In compliance with Clause 119 of that law, the following assets are therefore declared as essential for the functioning of the company:

- the generating plants and emergency and reserve units with a capacity of over 50,000 kW, in operation or under construction, owned by the parent or subsidiaries;
- the shares held by Endesa Chile in Empresa Eléctrica Pehuenche S.A., Empresa Eléctrica Pangué S.A., Endesa Argentina S.A., San Isidro S.A., Celta S.A. and Compañía Eléctrica Conosur S.A., meaning maintaining a holding of 50.1 % of the subscribed and paid shares of those companies.

An extraordinary shareholders' meeting should also approve the granting of security or guarantees to cover third-party obligations, except when such obligations are assumed by subsidiaries, in which case the approval of the board is sufficient.



Sauzal Plant, Chile

operating summary of Endesa Chile and subsidiaries

The principal activities of Endesa Chile and its subsidiaries are related to the generation and trading of electric energy and also the sale of consultancy and engineering services of all kinds.

In Argentina, through Central Costanera S.A. and Hidroeléctrica El Chocón S.A., it operates a total of 3,622 MW capacity which represents 16 % of the total on the Argentine Grid System.

In Brazil, through Centrais Elétricas Cachoeira Dourada S.A., it operates a total of 658 MW of capacity, representing approximately 1% of that country's installed capacity. In addition, through the interconnection with Argentina operated by CIEN, a further 2,000 MW is added to that market, which energy and power is backed up by the Argentine subsidiary Central Costanera S.A.

Endesa Chile is the principal electricity generator in Chile and one of the country's largest companies. It operates a total of 3,762.8 MW of capacity, representing 34.8 % of the country's installed capacity. 72.5 % of the installed capacity of Endesa Chile and its Chilean subsidiaries is hydroelectric and the rest thermal. Endesa Chile participates in the Central Grid System (SIC), Chile's main interconnected system covering some 93 % of the population. Endesa Chile and its Chilean subsidiaries have an installed capacity of 3,581.0 MW on this grid, representing approximately 50 % of the SIC. The company also participates in the Northern Grid System (SING) through its subsidiary Celta S.A. and indirectly through Gasoducto Atacama Chile Limitada and GasAtacama Generación Limitada, supplying various mining companies and with sales on the spot market. The installed capacity of Celta S.A. on the SING is 181.8 MW, representing 5 % of that grid. With

the inclusion of GasAtacama Generación, in which Endesa Chile has a 50 % holding, the installed capacity on the SING is 26.5 %.

In Colombia, through Central Hidroeléctrica de Betania S.A. E.S.P. and Emgesa, it operates a total of 2,589.2 MW of capacity, representing 19.5 % of Colombia's installed capacity.

In Peru, through Edegel, it operates a total of 967.1 MW of capacity, representing 22.1 % of the Peruvian system.

Installed Capacity, Generation and Energy Sales of Endesa Chile and Subsidiaries

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INSTALLED CAPACITY (MW) (1)	2002	2003
IN ARGENTINA	3,622	3,622
IN BRAZIL	658	658
IN CHILE (2)	3,935	3,763
IN COLOMBIA (3)	2,735	2,589
IN PERU (4)	1,003	967
ELECTRICITY GENERATION (GWh) (5)	2002	2003
IN ARGENTINA	7,291	8,128
IN BRAZIL	2,467	3,024
IN CHILE	16,286	16,524
IN COLOMBIA	10,699	10,794
IN PERU	4,279	4,458
ELECTRICITY SALES (GWh)	2002	2003
IN ARGENTINA	7,897	9,259
IN BRAZIL	3,591	3,770
IN CHILE	18,344	18,681
IN COLOMBIA	14,639	14,900
IN PERU	4,158	4,443

(1) Relates to the maximum operating capacity of each plant advised to the CDECs.

(2) On April 30, 2003, the Canutillar hydroelectric plant (172 MW) was sold.

(3) In 2003, the Cadena Vieja (Cadena Casalaco) was finally closed, the Nacional Grid System was advised of the increase of 20 MW on the Cadena Pagua (Cadena Nueva), and 4 minor plants were registered with a total capacity of 76.2 MW.

(4) On July 31, 2003, the Santa Rosa plant (35.9 MW) was withdrawn from the system, leaving a capacity of 227.7 MW.

(5) The generation figures for Argentina and Colombia for 2002 were corrected in order to reflect the gross generation (rather than net) for all the countries.

Description of the Industrial Sector

Endesa Chile takes part in the generation and sale of electricity in five countries, each of which has a regulatory framework, energy matrixes, a number of participants in the sector, growth patterns and different consumption levels. The following is a summary, for each country in which Endesa Chile operates, of the principal laws that regulate the business, the size of the market and the principal players.

Argentina

Law 24,065 of January 1992, the Argentine Electricity Law, divides the electricity industry into three sectors: generation, transmission and distribution. The generation sector is organized on the basis of independent producers which compete in selling their production on the Wholesale Electricity Market (MEM) or under private contracts with other parties. The transmission sector is made up of companies that transmit the electricity from the points of generation to those of the consumers on the basis of a free-access system. The distribution companies can buy electricity under contracts or on the MEM.

The Argentine dispatch system is similar to the Chilean model, with Dispatch Control Organism (OED) which coordinates the most economic operation of the system. The National Electricity Regulating Entity (ENRE) is responsible for controlling and checking compliance with the regulations by the sector. The Secretary of Energy and Ports is the entity responsible for setting policies, rules and procedures governing the energy sector, especially electricity.

Generating companies sell their production to distribution companies and other large customers through the wholesale market under contracts or at the spot prices set by Cammesa (Compañía Administradora del Mercado Mayorista Eléctrico). There are three kinds of price: contractual, seasonal and spot. Contractual prices are freely agreed between the parties which include export contracts to Brazil. Seasonal prices are calculated by Cammesa every six months and are those that distribution companies should pay when buying in the wholesale market. Finally, the spot price is used to price transactions between generators for supplying their generation surpluses or deficits with respect to their contractual commitments.

Apart from the remuneration from sales of energy, generating companies receive a payment for power based on the power made available to the system at certain hours during the day and the base power calculated by Cammesa for each annual period (May-April).

Following the "pesification" (the forced conversion of dollar values to Argentine pesos), some changes have been introduced to the regulatory system in order to maintain the viability of the investments and avoid short-term supply problems and those for the following years. In November 2003, the Argentine government announced that it was studying the authorization of a 10% increase in electricity and gas tariffs for large customers.

The installed capacity of the MEM at December 2003 was 22,501 MW, of which 60 % was thermal. Peak demand in 2003 was 14,259 MW and the annual consumption was 77,738 GWh. During 2003, demand increased by 7.8 % over the year before.

Apart from the MEM, there is a small sub-system called MEMSP that serves the Patagonian System and has an installed capacity of 778 MW at December 2003, equivalent to 3 % of Argentina's total capacity.

Endesa Chile, through its subsidiaries Central Costanera S.A. and Hidroeléctrica El Chocón S.A., is one of the principal operators in generation in Argentina, with 16 % of total installed capacity and 12 % in terms of energy sales in 2003. To these are added CTM and TESA, transmission companies owning the interconnection lines with Brazil; and CEMSA, a trading company that has export contracts to that country through the related Brazilian company CIEN. CIEN is largely supplied by Central Costanera S.A. which has committed 962 MW to the Brazilian market. Other important operators in this market are AES, Pluspetrol, Pérez Companc and TotalFinaElf.

Brazil

Under the present regulatory structure, the electricity industry in Brazil is extensively regulated by the federal government, through the Ministry of Mines and Energy (MME).

The regulatory policies are implemented by the National Electricity Agency (ANEEL) which is responsible for i) granting and supervising

concessions for electricity generation, ii) supervising and auditing the concession-holding companies, iii) publishing regulations for the sector; and iv) planning and carrying out hydric studies.

The concession regulations were promulgated in 1995 by means of the concession laws 8,987 and 9,074. The principal object of these laws is to establish the bases for the new market model, promoting competition in generation, giving free access to the transmission system, defining a timetable for reducing the minimum size of free customers to 10 MW, etc.

Brazil has privatized generating plants in recent years, granted permits for the construction of thermal plants, granted concessions for new hydroelectric plants and authorized the import of energy from Venezuela and Argentina. From Argentina, Endesa Chile, through its associate CIEN, participates in the interconnection business with 2,000 MW.

The law also introduced the concept of Independent Power Producer (IPP). The regulation establishes that an independent producer may obtain a concession following a competitive offer process, if related to a hydroelectric project of a certain size, or simply obtaining the corresponding authorizations, if related to a thermal project. The concessions or authorizations have a term of between 30 and 35 years with the possibility of extension. As a manner to eliminate monopolies, the law permits that once the concession is received, the producer has access to the transmission and distribution systems, provided the related costs are reimbursed.

The National System Operator (ONS) is an independent organism responsible for making the economic dispatch of the system on an hourly basis. The price for spot transactions is determined by the Energy Assignor Market (MAE), which is controlled by the government. This spot price is calculated weekly in advance, representing a payment for energy. There is currently no remuneration for the power provided by each generator.

The government assigned contracts to the generating companies on the opening of the market. These initial contracts are on a diminishing basis in order to gradually free up the market.

What is called guaranteed energy is calculated for each generator, consisting of a level of generation that may be reached with a high probability. This value constitutes a limit for the contracting of each

generator and is also used in a process called Mechanism for Reassigning Energy (MRE). This process distributes the actual generation of the system as a function of the guaranteed energy of each plant, considerably reducing exposure to the spot rate and the variability of generators' revenues.

Following the rationing, the authority decided to restudy the economic operating rules of the Grid System. At present, there are six working groups in which the different sector players participate for defining a new operative framework. On December 11, 2003, the Brazilian government announced the principal characteristics of the new model for the electricity sector. This includes the creation of a regulated market where energy would be sold to regulated customers (distributors) and a free market where energy would be sold to non-regulated customers. A new organism is formed, the Energy Trading Chamber (CCEE), responsible for the functioning of both markets whose operating rules would be fixed by the MME. Two kinds of contract would exist, one for the sale of energy and the other for the sale of power. The spot price would be determined by market forces and not the MAE as at present. The new model also incorporates the concept of reserve capacity and reserve tariff. The Brazilian Electricity Trader (CBEE) would be responsible for contracting back-up capacity for the complete system on a permanent basis, with a tariff for the concept of back-up charged to consumers monthly. It should be pointed out that there are still obstacles to the implementation of the new model. Specifically, there are many details in the new model that are undefined and there are political and legal doubts about some aspects.

The Brazilian electricity sector consists of four interconnected sub-systems: South, Southeast-Centerwest, North and Northeast. The Southeast-Centerwest system has about 63 % of total demand, the South and Northeast systems about 30% and the North 7%.

The installed capacity at December 2003 was 85,301 MW of which 84 % corresponds to hydroelectric capacity and 16 % to thermal capacity. Peak demand in 2003 was 55,962 MW and energy sales were 307,609 GWh, representing an increase of 5.7 % over the previous year.

Endesa Chile has a small share of this market through its subsidiary Centrais Eléctricas Cachoeira Dourada S.A. on the Southeast-Centerwest system, with 1% of national installed capacity and 1% of energy sales in 2003. It currently participates in the trading market with its related company

CIEN which has 2,000 MW available, with 1,600 MW contracted between the distributors Furnas, Gerasul, Copel and CERJ and which supply the Southeast-Centerwest system. Other important private operators in this market, in addition to the state-owned Eletrobrás, are Tractebel and AES.

Chile

The electricity sector in Chile is regulated by the General Electricity Services Law contained in Ministry of Mining Decree Law No.1 of 1982 and its corresponding regulations contained in Decree 327 of 1998. Three government entities are responsible for the application and compliance with the law: the National Energy Commission (CNE) has the authority to propose the regulated tariffs (node prices) and to prepare indicative plans for the construction of new generating units; the Superintendency of Electricity and Fuels (SEC) regulates and checks compliance with the laws, regulations and technical standards for electricity generation, transmission and distribution, liquid fuels and gas; and lastly, the Ministry of the Economy revises and approves the tariffs proposed by the CNE and regulates the granting of concessions to generating, transmission and distribution companies based on a report from the SEC.

The law defines three kinds of activity: generation, transmission and distribution. The generating sector is made up of companies that generate electricity from hydroelectric and/or thermal sources. The transmission sector comprises companies that transmit the electricity produced by the generating companies at high voltage, and sell this energy to different kinds of customers. Finally, the distribution sector comprises companies that buy the energy and then distribute it to the public.

According to the electricity law, the companies involved in generation should coordinate their operations through the Economic Load Dispatch Center (CDEC) in order to operate the system at minimum cost while preserving service safety. The CDEC therefore plans and operates the system, including the calculation of marginal cost, the price at which transfers of energy between generators are valued.

The generating decision of each company is therefore dependent on CDEC's operating plan. Each company in turn can freely take the decision to sell this energy to regulated or non-regulated customers. Any surplus

or deficit between their sales to customers and their generation is sold or bought to/from other generators at the marginal cost.

A generating company may have the following kinds of customers:

- (i) Regulated customers: relate to residential consumers, offices, small and medium-sized industries with a maximum consumption capacity equal to or less than 0.5 MW (reduced from 2 MW to 500 kW as of March 2004 with the approval of the short law) and which are located within the concession area of the distribution company. The transfer price between the generating and distribution companies has a maximum value called the node price, this being regulated by the Ministry of the Economy. Node prices are set every six months (April and October) based on a report by the CNE, itself based on projections of expected marginal costs of the system over the following 48 months.
- (ii) Unregulated customers: The electricity law distinguishes between regulated and unregulated prices for electricity supply. Electricity supply prices are unregulated for: (1) final customers with a connected capacity equal to or greater than 500 KW (recently reduced from 2 MW with approval of short law), commonly known as large customers; (2) temporary customers; and (3) customers with special quality requirements.
- (iii) Spot market: relates to energy and power transactions between generating companies that result from the coordination made by the CDEC for achieving the economic operation of the system and the surpluses (deficits) of their production compared to their commercial commitments are transferred via sales (purchases) to the other generating members of the CDEC. In the case of energy, this is valued every hour at the marginal cost of the system's economic operation. For power, the transfers are valued at the corresponding node price fixed semi-annually by the authority.

Payment for the power of each generator in Chile is based on a calculation made centrally by the CDEC, from which the firm capacity of each plant is obtained. This value is independent of its dispatch.

The main objectives of the “Short Law” comprise an increase in the level of competition and guaranteeing service reliability, safety and quality to end consumers. The most important amendments include sharing the transmission costs between customers and the generators and reducing the node price band from the present 10 % to 5 %. This focus on sharing transmission costs and reducing the node price band implies prices closer to those of free customers, which should benefit the company.

From a physical point of view, the Chilean electricity sector is divided into four electrical systems: SIC (Central Grid System); SING (Northern Grid System); and two minor isolated systems (Aysén and Magallanes).

The SIC, the principal system, has a length of 2,400 km., linking Taltal in the north with Quellón, on Chiloé Island, in the south. With an installed capacity at December 2003 of 7,168 MW, it is mainly based on hydroelectric plants; 57 % corresponds to hydroelectric and 43 % to thermal capacity. Peak demand on the SIC in 2003 was 5,162 MW and gross generation was 33,697 GWh, representing an increase of 5.4 %.

Endesa Chile, acting directly and through its subsidiaries Pehuenche S.A., Pangué S.A. and San Isidro S.A., is the principal operator on this system, with 50 % of the total installed capacity and 55 % of energy sales in 2003. Other important operators in this market are AES Gener S.A. and Colbún S.A.

Endesa Chile, through its subsidiary San Isidro S.A., owns one of the three natural gas combined-cycle plants operating in Chile. This source of generation has allowed it to reduce its dependence on rain and its revenue volatility. Another significant change in the structure of the sector could result from the interconnection of the SIC and SING in Chile or of the SIC with the Argentine Grid System (SADI). However, market forces that grant a certain viability to these structural changes are considered as transitory and are thus assigned a low probability of occurring.

The SING covers the north of the country, from Arica to Coloso in the south, some 700 km. in all. The SING, with an installed capacity at December 2003 of 3,634 MW, is predominantly thermal generated (99.6 % of total installed capacity). Peak demand on the SING in 2003 was 1,467 MW and gross generation reached 11,422 GWh, representing an increase of 10 % compared to the previous year.

Endesa Chile, acting through its subsidiary Celta S.A. and its associate GasAtacama Generación Limitada, is an important operator on the SING, with 26.5 % of the total installed capacity and 36 % in terms of energy sales in 2003. Other important operators in this market are Electroandina S.A., Norgener S.A. and Edelnor S.A.

Colombia

Two pieces of legislation regulate the electricity business in Colombia: Law 142 of 1994 sets the regulatory framework for the supply of public residential services including electricity, and Law 143 of 1994 (the Colombian Electricity Law) which established a regulatory framework for the generation, commercialization, transmission and distribution of electricity.

Under the Colombian Electricity Law, the Electricity and Gas Regulation Commission (CREG) is authorized to i) establish the conditions for a gradual deregulation of the market, ii) approve charges for the use of transmission networks, iii) establish the methodology for the calculation and publishing of the maximum tariffs for regulated customers, iv) establish the regulations for the planning and coordination of the Colombian interconnected system, v) establish the technical requirements of quality, reliability and safety of supplies, and vi) protect the rights of consumers.

The generation sector is organized on a competition model where the generators sell their production on an Energy Exchange at spot prices or under contracts freely negotiated with other Exchange participants and non-regulated customers. The purchase and sale of electricity may be done between generators, distributors, traders, and non-regulated customers. There are no restrictions on entry into the market provided the regulations are complied with. Generators also receive a charge for power which does not depend on actual dispatch but on the estimated generation of each plant in critical hydrological conditions. This calculation is made by the authority once a year and represents the cost of capital of a gas thermal unit.

The National Dispatch Center (CND) receives daily price offers from the generators participating on the Exchange. These offers indicate the daily prices at which each generator is prepared to supply energy and the volume available. Based on these offers, the CND determines the real dispatch, incorporating the un-merited generation required for safety reasons and/or

limitations on the transmission networks. The surcharges for un-merited generation are paid by consumers through the trading companies at a price that is independent of the offers made by the plants involved. On the other hand, the Administrator of the Trading Exchange System (ASIC) makes an ideal economic dispatch of the units and determines the Exchange Price that is equal to the price offered by the most expensive unit required to supply demand.

The trading activity established in the regulations allows players that bought energy on the Exchange to resell it to end users. Prices with non-regulated customers are agreed freely between the parties. Trading with regulated customers is subject to maximum charge regulations established by the CREG for each trader. The unit cost of providing the service to the regulated end user is calculated taking into account the high-tension transmission charges, distribution charges, trading charges and generation charges.

In 2003, Short-Term International Electricity Transactions were regulated by Resolution CREG 004 of 2003. This resolution came into effect from March 2003, allowing exchanges of energy with Ecuador by the Jamondino and Panamericana links, for a total of 1,129.3 GWh of exported energy and 67.2 GWh of imported energy.

Installed capacity at December 2003 was 13,266 MW of which 67 % corresponds to hydroelectric generation and the rest to thermal capacity. Peak demand in 2003 was 8,257 MW and total demand reached 46,098 GWh. During 2003, consumption grew by 2.9 % over the year before.

Endesa Chile, through its subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa, had a market share of 20 % in terms of installed capacity and 22 % in terms of energy sales in 2003. Other important operators are AES and Unión Fenosa.

Peru

The regulatory framework of the Peruvian electricity industry is similar to the Chilean, which served as a basis for its preparation. In Peru, the Ministry of Energy and Mines defines the policies for this sector, preparing projections for the installation of new generating capacity.

The Tariff Regulation Management (formerly Executive Secretary of the Energy Tariffs Commission) is the executive arm of the Energy Investment Supervisory Organism (OSINERG), responsible for proposing to the Directive Council of OSINERG the tariffs for electricity, liquid hydrocarbon pipeline transportation, natural gas pipeline transportation and natural gas pipeline distribution, in accordance with the criteria set out in the Electricity Concessions Law and the regulations applicable to the hydrocarbons sub-sector.

The System Economic Operation Committee (COES) coordinates and operates the electricity system in a very similar way to the CDEC in Chile. A relevant difference between the Chilean and Peruvian pricing systems is that in Peru, non-regulated customers are those with capacity of over 1,000 kW.

Another difference is in the payment for power, which is covered by Decree 004-99-EM (20/03/99) and which provides for a remuneration dependent on the dispatch (which increases to 30% for payments for capacity in 2005) and another guaranteed (which reduces to 70% in 2005).

From a physical point of view, the Peruvian electricity sector comprises the National Grid System (SINAC) and a series of small systems that supply remote rural sectors.

The installed capacity of the SINAC at December 2003 was 4,385 MW of which 60 % is hydroelectricity. Peak demand in 2003 was 2,965 MW. Gross generation in 2003 reached 20,690 GWh, representing growth of 5.3 % over 2002.

Endesa Chile, through its subsidiary Edegel S.A.A., had a market share of 22 % in 2003 in terms of installed capacity and 21 % in terms of energy sales. Other important operators in this market are Electroperú, Egenor, Enersur, Eepsa and Etevensa.

Endesa Chile is an electricity generator that provides a primary-need service and is subject to regulations and controls in different aspects of its business.

Electricity Law

The Chilean Electricity Law dates from 1982 and sets the procedures for setting the tariffs for regulated customers and establishes the different mechanisms for regulating the sector. In May 1999, this law was amended. The changes were basically related to the payment of compensations in the event of rationing due to unfavorable hydrological events, and higher fines that the Superintendency of Electricity and Fuels could apply to the companies. Both these provisions have affected the contractual conditions of companies subject to tariff regulation. In mid 2002, the government sent to Congress a bill for reforming the sector's regulatory framework, called the "Short Law". This was approved by the Chilean parliament on January 23, 2004 and became effective as of March 2004. Its basic objectives include a new regulation of the electricity transportation systems, regulation of a distribution toll system, modification of the regulation of revenues from capacity and the formalization of a market in complementary services in order to provide greater reliability to the electricity systems.

Of the other countries where the company operates, in Argentina there is an electricity law that dates from 1992, in Peru from 1993, in Colombia from 1994 and in Brazil from 1997. All this legislation regulates the electricity sector of each country and imposes obligatory rules.

Brazil, while having numerous rules and regulations that partially cover the electricity sector and its operation, has no integral legislation and the business is based on contracts in local currency. During 2001 and 2002, as a result of the deep supply crisis in the country due to a drought, an Energy Revitalization Committee was formed which presented a project that included a series of reforms that covered, among other things, the form in which spot market prices are set and the form in which market prices are defined for the customers of distributors under the latter's supply contracts; this project is still being discussed. On December 11, 2003, the

Brazilian government announced the principal features of the new model for the electricity sector but there are many details to be defined and political and legal doubts about several aspects. While therefore there is information about the implications of the new model, the timing of its implementation is unknown.

Water Rights

Approximately 72 % of the installed capacity of Endesa Chile and its Chilean subsidiaries is hydroelectric. The company owns water rights conceded by the water authority over the rivers and lakes that supply its generators. Under the present law, water rights are of unlimited duration and are absolute and unconditional property rights not susceptible to any change. The Chilean congress is currently considering a proposal to amend the Waters Code and, among the matters being revised is the establishment of a fee for not using water rights.

Environmental Factors

The sector is subject to extensive environmental regulations requiring environmental impact studies to be made for future projects for their approval, and also of the plants that are operating in order to minimize their contamination effects.

The most important investment being carried out is the Ralco plant. This has complied with the respective environmental regulations. In addition, on December 19, 2003, the company presented to the Regional Environmental Commission, Corema, the environmental impact study for the expansion of its San Isidro plant. Regarding the existing plants, the companies in 2003 have continued to make a great effort for successfully obtaining the ISO 14,001 certification for their generating plant environmental management systems.

Endesa Chile and its subsidiaries have always adapted their projects and operations to the environmental regulations of the different jurisdictions in which they are located, and complied with these.

Hydrology

A substantial part of the company's operations are hydroelectric which means that it has a certain dependence on rainfall conditions in the zones and countries where it operates. In order to reduce the risk related to extreme drought situations, the company has been adapting its commercial policy, accepting sale commitments in line with the firm energy of its generating plants in a dry year and giving preference to its better contracts and customers.

Fluctuations in exchange and interest rates

The company's revenues in Chile and Peru are to a large degree indexed to the US dollar. It is therefore the policy of these companies to have a high proportion of their financial debt denominated in dollars. The Brazilian and Colombian markets show a lesser indexation to the dollar so the local subsidiaries there have a larger proportion of debt in local currency. In the case of Argentina, a large part of the proceeds of energy exports to Brazil are dollar indexed and so reduce the exchange risk exposure in that country.

While the recent economic crisis in Argentina has meant no formal change to the regulatory framework of the electricity sector, it did affect the setting of contracted prices. On January 6, 2002, the Argentine congress approved the Public Emergency Law and Reform of the Exchange Regulations Law 25.561 ("Economic Emergency Law"). The Economic Emergency Law amended the law that had pegged the Argentine peso to the US dollar since April 1991. The law gave the Federal Executive the power to implement, among other things, additional monetary, financial and exchange regulations for overcoming the economic crisis in the medium term, with the creation of a system for determining the exchange rate of the

Argentine peso against other currencies. This law imposed the conversion of obligations denominated in dollars to Argentine pesos at a rate of AR\$ 1 per US\$ 1 and authorized the forced renegotiation of public service contracts and annulled the following:

- (a) The previous Convertibility Law which set the parity of the Argentine peso to the US dollar at 1 to 1 and which now allows the Ar\$ to devalue against the US\$;
- (b) The same 1:1 parity in relation to any public-utility service tariff that requires an exchange adjustment;
- (c) Recognition of indexation mechanisms of other countries and any other indexation mechanism to be applied to public-utility tariffs.

The Argentine authorities have shown their intention of maintaining the viability of electricity investments in Argentina and avoiding supply problems, the "pesification" continues and there therefore persists a factor to be reckoned with in analyzing the company's exchange risk.

In Brazil, there was severe volatility in the exchange rate in 2002 which led to great uncertainty about the cash flows of group companies. This was essentially caused by legal restrictions on the indexation of contracts in Brazil (only one adjustment per year and, for electricity supply contracts with distribution companies, just a percentage of this may relate to the exchange rate). The theme of the adjustability of the contracts is not mentioned in the announcement on the new model for the electricity sector made by the government on December 11. Consequently, it is currently reasonable to assume that there will be no changes in this connection and that an exchange risk will continue to exist with respect to our contacts in reales.

In 2003, there was a significant revaluation of the Argentine peso, Brazilian real and Chilean peso, translating the portion of un-covered revenues in local currency into positive values, compared to the year 2002.

By having a large proportion of debt denominated in dollars and the exchange rate for that currency suffering wide fluctuations, the company has continued with its policy of partially hedging its dollar liabilities in order to attenuate the fluctuations caused to the results. It is the company's policy to maintain a level of dollar-peso cover at between 70 % and 85 % of the accounting mismatch in the consolidated balance sheet.

At December 31, 2003, the company, in consolidated terms, has covered in Chile, through dollar-peso forward contracts, an amount of US\$ 53 million, compared to US\$ 331 million at the end of 2002. The change is because the accounting mismatch reduced mainly because of the reduction in dollar debt.

With respect to interest rate risks, the company has a fixed to variable interest rate ratio of approximately 95:5 at December 31, 2003. The percentage at fixed rates has increased compared to the ratio of 72: 28 at the end of 2002 as a result of the low market interest rates allowing the fixing of the debt at more attractive interest rates.

State intervention in Latin American economies

It has been noted that the state authorities of Latin American countries often change their monetary, credit and tariff policies, among others, in order to influence the direction of their economies. Any state action for controlling inflation and influencing other policies often brings wage, tariff and price controls as well as other interventionist measures. Changes made to these policies with respect to tariffs, exchange controls, regulations and impositions can have an adverse effect on the commercial activity and operating results of Endesa Chile, in the same way as inflation, devaluation, social instability and other political, economic or diplomatic developments including the government's reaction to such circumstances.

Latin American economic environment

All Endesa Chile's operations are located in Latin America. Today, approximately 46 % of its consolidated operating income comes from Chile and the remaining 54 % from outside Chile. Its results are therefore very sensitive to the performance of the Latin American economy as a whole. The macroeconomic environment in Latin America has been favorable for Endesa Chile in 2003, with positive and growing growth rates in all the countries where it operates.



Arroyito Plant, Argentina

operations in Argentina

Generating Plants

The generating plants of the subsidiaries of Endesa Chile in Argentina and their respective installed capacities is as follows:

INSTALLED CAPACITY (MW)	2002	2003
COSTANERA		
COSTANERA (STEAM TURBINE)	1,131.0	1,131.0
COSTANERA (COMBINED CYCLE)	851.0	851.0
CBA (COMBINED CYCLE)	320.0	320.0
EL CHOCÓN		
EL CHOCÓN (HYDROELECTRIC)	1,200.0	1,200.0
ARROYITO (HYDROELECTRIC)	120.0	120.0
TOTAL CAPACITY IN ARGENTINA	3,622.0	3,622.0

Energy Generation and Sales

ELECTRICITY GENERATION (GWh) (1)	2002	2003
COSTANERA	3,609	4,090
EL CHOCÓN	3,682	4,038
TOTAL GENERATION IN ARGENTINA	7,291	8,128

(1) Electricity generation figures for 2002 were corrected to reflect gross rather than net generation.

ELECTRICITY SALES (GWh)	2002	2003
COSTANERA	4,178	4,583
EL CHOCÓN	3,719	4,676
TOTAL SALES IN ARGENTINA	7,897	9,259

Activities and Projects

Central Costanera S.A.

While Argentina continues to be immersed in a delicate economic situation, the scenario during 2003 reflected the consolidation of the inflation-containment process which at the retail level was 3.7 % at the end of the year, a substantial recovery of bank deposits, good tax collection results, the appreciation of the peso against the dollar, and an important improvement in activity. Demand for electricity showed an increase of around 8 % over the year before, thus recovering a large part of the previous years' contraction.

The year produced less rains than the previous year which, together with the increase in demand, led to a greater utilization of the thermal units of the National Grid System (SIN).

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It is worth mentioning the major inspection of the Combined Cycle II made between March 29 and May 10, 2003. This generating group, composed of two Mitsubishi 701F gas turbines and a MHI TC2F 40.5 of 322 MW steam turbine, has shown itself to be one of the most efficient and reliable on the Argentine Grid, whether operating with natural gas or with its alternative diesel oil fuel, becoming the largest generator with this fuel in the whole system.

As a result of the high hydroelectric production in south-east Brazil, there was no demand under the energy export contract during 2003. Since the start of exports, Central Costanera S.A. has become the principal back-up for these contracts of Argentina, with a total of 750 MW committed to

the First International Interconnection and 212 MW to the Second. Even though there was no call for the export of energy, Central Costanera S.A. has benefited from payments for having capacity available for that market.

The provisions of the Economic Emergency Law 25,561 severely altered the application of the rules covering the Wholesale Electricity Market (MEM). The "pesification" of all prices, both the spot market and contracts, considerably modified the revenues of all parties to the MEM.

As a result of the non-approval of a seasonal energy price sufficient to meet production costs, there has been a gradual under-financing of the wholesale market because of the over-use of the Compensation Fund.

The authority therefore issued Resolution 240/03 that modified the price-setting mechanism for energy on the MEM, mainly establishing a maximum level for the energy spot price recognized for approving prices relates to the Variable Cost of Thermal Production using natural gas, plus maintenance and non-fuel costs. This resolution was issued in August but its application was later suspended in October.

The Secretary of Energy has also established, by Resolution 406/03, a transitory mechanism for the assignment of the insufficient resources for covering the credits of the members of the MEM because of the deficit of the Fund mentioned above.

From a financial point of view, the company in 2003 has successfully rescheduled its debts amounting to approximately US\$ 300 million and covered all its financial expenses. It also began to repay principal as part of the timetable established in each rescheduling.

Hidroeléctrica El Chocón S.A.

The growth in demand for electricity in 2003 was 8%, mainly the result of the increase in economic activity.

Major maintenance was carried out during the year on Units Nos.3 and 5 of the plant. A special mention should be made of the fact that, even with two major maintenance works, the accumulated availability for the year of the El Chocón and Arroyito complex reached 97.3 %, a level higher than the objective annual availability set at the beginning of the year.

Another aspect is the Prize for Operative Excellence awarded by Endesa Chile to the Arroyito plant for its performance in 2002. This distinction was granted to the group's best hydroelectric plant in Latin America during the year.

On a regulatory matter, on producing the exhaustion of the Stabilization Fund as a result of the non-approval of a seasonal price of energy sufficient to cover production costs, the authority intervened in the Spot Price Formation Market through the issue of Resolution 240/03 in August 2003, and suspended in the following October. According to its provisions, the differences of each spot period between the approved spot price transferred to each bar of generation and the Water Value used for the dispatch at plants with reservoir capacity is not recovered, so the company has seen its energy sale revenues diminished on the spot market. It should be stated that the maximum water value price, which is much lower than production using liquid fuels, causes the shortage of gas generation in winter to be replaced by an excessive use of hydroelectric generation without the concession-holder being able to avoid it.

El Chocón's reservoir is currently with 55 % of energy reserves compared to its maximum water level. Therefore, in the face of a year with poor prospects in terms of contribution, the commercial strategy has been

focused on recovering the reservoir's water level, giving priority to ensuring compliance with the water supply commitments of the River Limay, defined by the Basins Interjurisdictional Authority (AIC).

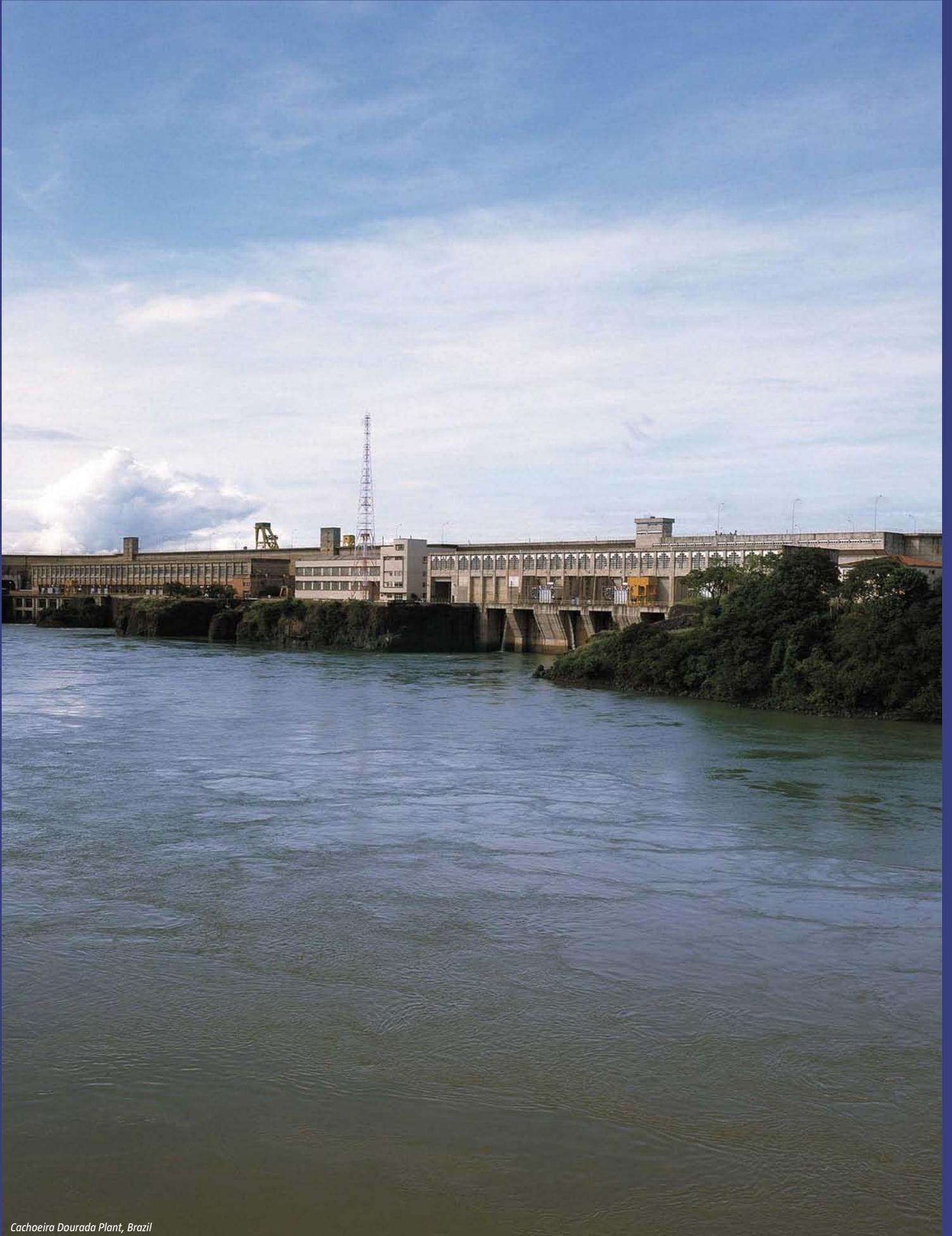
Last September, aware of this problem, the authority issued Resolution 406/03 which gave priority to the payment of creditor members in the light of the insufficient resources while the seasonal price remains not approved at an equilibrium value. As a result, the company partially received payment of its monthly credits, the rest being computed as debt to be reintegrated when market conditions allow.

The company therefore redefined its commercial policy through an adaptation of the sector, avoiding wherever possible transferring to other parties the economic effects mentioned.

In the financial area, Hidroeléctrica El Chocón S.A. gave priority to optimizing the managing of the funding required for the plant's operation and rescheduling its debt. In December 2003, the board of Hidroeléctrica El Chocón S.A. decided to begin the rescheduling of negotiable obligations totaling US\$ 140 million. The rescheduling would contemplate, among other aspects, the extension of the term for repayments of principal.

Regarding the project for expanding the transmission capacity of the stations Choele Choe and Olavarría, the contract was signed during the year between GEEAC (Comahue Electricity Generators) and ABB for expanding the capacity of the Comahue-Buenos Aires line by 300 MW which will result in a greater market access by the company.

GEEAC has proposed to the Secretary for Energy the construction of the 5th Comahue-Cuyo line with Salex contributions of the Comahue-Buenos Aires and Centro-Cuyo lines. If carried out, it will initially imply a greater transmission from Comahue of about 400 MW.



Cachoeira Dourada Plant, Brazil

operations in Brazil

Generating Plants

INSTALLED CAPACITY (MW)	2002	2003
CACHOEIRA DOURADA (HYDROELECTRIC)	658	658
TOTAL CAPACITY IN BRAZIL	658	658

Energy Generation and Sales

ELECTRICITY GENERATION (GWh)	2002	2003
CACHOEIRA DOURADA	2,467	3,024
TOTAL GENERATION IN BRAZIL	2,467	3,024

ELECTRICITY SALES (GWh)	2002	2003
CACHOEIRA DOURADA	3,591	3,770
TOTAL SALES IN BRAZIL	3,591	3,770

Activities and Projects

Centrais Elébricas Cachoeira Dourada S.A.

Endesa Chile has a presence in the Brazilian electricity generation market through its subsidiary Centrais Elébricas Cachoeira Dourada S.A. which operates a pass-through hydroelectric plant of 658 MW in the state of Goiás to the south of Brasília.

Cachoeira Dourada sells firm energy under a 15-year contract signed in September 1997 with Companhia Elétrica de Estado de Goiás S.A. (CELG), a distribution company owned by the regional government. During the first five years of the contract, CELG takes the whole contracted capacity of Cachoeira Dourada. The volume is reduced by 10 % annually starting in the sixth year and becomes available for sale under new contracts or on the spot market.

During 2003, the principal customer of Cachoeira Dourada, the distributor CELG, unilaterally decided to renegotiate the contract on conditions unacceptable to the company. The court decisions favored Cachoeira Dourada, obliging the distributor to pay part of the values contracted at the start; and then, by a resolution dated December 19, 2003, the court required CELG to deposit in court the amounts corresponding to the difference between the tariff currently being paid to Cachoeira Dourada and that which should be payable under the contract.

CIEN

The position of CIEN in the balance payable in the Energy Assignment Market was creditor for around 16 million reales which was fully paid in January and July 2003.

CIEN is fully operative and its contracts are as follows: 300 MW with Tractebel, 700 MW with Furnas, 400 MW with Copel (previously 800 MW which were renegotiated for the present 400 MW) and 200 MW with CERJ. With energy bought from Petrobrás and Doña Francisca, the company was supplying Coelce with 106 MW in 2003 and 54 MW as from 2004. In addition, the sale to CERJ will be increased by 84 MW as from December 31, 2003.

The contract between the associate CIEN and Copel was successfully renegotiated during 2003, relating to the second interconnection line between Argentina and Brazil. The final agreement under the approval of the ANEEL, combined with adaptations made to the contracts with the Argentine generators backing up the renegotiation, meant a balance of margins similar to the previous one for CIEN, and also offers advantages of a reduced risk exposure through a better diversification of sales and associated energy purchases. The consequent modifications made in Argentina have only affected Costanera to a small degree, as its principal participation in the Brazilian export business is in the first interconnection line and not the second one which was the subject of the changes. Even so, in the contracts associated with the second interconnection line, Costanera maintains a capacity of close to 200 MW in the short term and close to 300 MW in the long term, at price levels and conditions that represent a very attractive alternative for it compared to the Argentine internal market, plus achieving greater flexibility compared to the previous situation.



Melado Reservoir, Chile

operations in Chile

Endesa Chile and its Chilean subsidiaries have a generating park comprising eighteen plants throughout the Central Grid System (SIC) and one plant on the Northern Grid System (SING).

Generating Plants of Endesa Chile and Subsidiaries

NAME	TYPE	SYSTEM	INSTALLED CAPACITY (MW) (1) (2)
HYDROELECTRIC			2,727.0
RAPEL	RESERVOIR	SIC	377.0
CIPRESES	RESERVOIR	SIC	106.0
EL TORO	RESERVOIR	SIC	450.0
PEHUENCHE	RESERVOIR	SIC	566.0
PANGUE	RESERVOIR	SIC	467.0
LOS MOLLES	PASS THROUGH	SIC	18.0
SAUZAL- SAUZALITO	PASS THROUGH	SIC	90.0
ISLA	PASS THROUGH	SIC	68.0
ANTUCO	PASS THROUGH	SIC	320.0
ABANICO	PASS THROUGH	SIC	136.0
CURILLINQUE	PASS THROUGH	SIC	89.0
LOMA ALTA	PASS THROUGH	SIC	40.0
THERMAL			1,035.8
HUASCO	STEAM COAL	SIC	16.0
BOCAMINA	STEAM COAL	SIC	128.0
TARAPACÁ	STEAM COAL PLUS TG	SING	181.8
DIEGO DE ALMAGRO	GAS TURBINE	SIC	23.8
HUASCO	GAS TURBINE	SIC	64.2
SAN ISIDRO	NATURAL GAS	SIC	379.0
TALTAL	NATURAL GAS	SIC	243.0
TOTAL CAPACITY			3,762.8

(1) Relates to maximum operating capacity of each plant as informed to the CDEC.

(2) On April 30, 2003, the Canutillar hydroelectric plant of 172 MW was sold.

The generating capacity of Endesa Chile and its Chilean subsidiaries represents 50 % of the total installed capacity for public use on the SIC and 5 % on the SING (if including the associate GasAtacama Generación installed capacity on the SING rises to 26.5 %).

Contracts and Customers

The company is concentrated on meeting the supply requirements of electricity for regulated and non-regulated customers on the Central Grid System (SIC) and the Northern Grid System (SING). The electricity market on these grids has shown annual growth rates which in the last six years have been 6.2 % and 10.7 % respectively.

During 2003, Endesa Chile signed energy purchase and sale contracts with Petropower Energía Limitada by which surpluses are acquired from this self-producer and supplied to meet its uncovered needs for energy and power. An energy purchase contract was also signed for energy (720 GWh annually) and power (114 MW) with Cenelec S.A. (the company that acquired the Canutillar plant). This contract began as from the sale of the Canutillar plant on May 1, 2003 and lasts until December 31, 2007.

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Regarding new customer supplies for 2004, Endesa Chile was awarded the supply contract with Chilectra S.A. (494 GWh annually), and the contracts with the Curicó (10 MW) and Los Ángeles (10.2 MW) cooperatives were extended to June 30, 2004.

Regarding contracts with subsidiaries, Endesa Chile signed an energy purchase contract in 2003 with the subsidiary Empresa Eléctrica Pangué (1,200 GWh annually) and continued to buy energy from its subsidiaries Empresa Eléctrica Pehuenche S.A. (1,900 GWh annually) and Compañía Eléctrica San Isidro S.A. (1,735 GWh annually) under supply contracts whose amount is adjusted to their respective commercial policies in order for them to maintain a balanced sales portfolio.

Market Share

Sales of electricity by Endesa Chile and its subsidiaries to customers on the SIC reached 14,796.6 GWh in 2003, increasing by 4.7 % over 2002; this volume represents 46.1 % of total SIC sales. Sales to regulated customers represented 56.4 %, to non-regulated customers 27.1 % and 16.5 % were sent on the spot market.

Energy sales by the subsidiary Celta S.A. to customers on the SING were 963.2 GWh in 2003, representing a 9.2 % share of total SING sales.

Installed Capacity, Generation and Energy Sales of Endesa Chile and Chilean Subsidiaries

INSTALLED CAPACITY (MW)	2002	2003
ENDESA CHILE (1)	2,212.0	2,040.0
PEHUENCHE S.A.	695.0	695.0
PANGUE S.A.	467.0	467.0
SAN ISIDRO S.A.	379.0	379.0
CELTA S.A.	181.8	181.8
TOTAL	3,934.8	3,762.8

(1) The Canutillar hydroelectric plant (172 MW) was sold on April 30, 2003.

ELECTRICITY GENERATION (GWh)	2002	2003
ENDESA CHILE	8,153	8,466
PEHUENCHE S.A.	3,963	3,679
PANGUE S.A.	1,977	1,681
SAN ISIDRO S.A.	1,590	2,264
CELTA S.A.	602	434
TOTAL	16,286	16,524

ELECTRICITY SALES (GWh)	2002	2003
SALES TO END CUSTOMERS:		
ENDESA CHILE	11,793	12,913
PEHUENCHE S.A.	200	176
PANGUE S.A.	1,242	1,012
SAN ISIDRO S.A.	904	699
CELTA S.A.	936	961
SALES OF ENDESA CHILE & SUBS. TO THE CDEC	3,269	2,920
TOTAL ENDESA CHILE CONSOLIDATED SALES	18,344	18,681

Electricity Activities and Projects

The principal activities and projects carried out during 2003 were:

Ralco Plant

The Ralco plant is located on the higher Biobío, approximately 120 km to the southeast of the city of Los Angeles and some 30 km upstream from the Pangue plant. The project contemplates the construction of various works that will make up the plant whose nominal capacity will be 570 MW and provide an annual contribution to the Central Grid System of an average generation of 3,100 GWh and whose start-up is planned for 2004. At December 31, 2003, the construction works are 95.7% advanced.

The placing of the concrete for the construction of the dam, which rises above the waters of the River Biobío, ended in October, involving a total of approximately 1.6 million m³. Water-proofing injections were finalized and work is taking place on concreting the spillway and its sluice-gate structure; at December 31, an accumulated volume of 38,500 m³ of concrete had been used out of a total of 39,800 m³.

6,990 m of the adduction tunnel have been excavated out of a total of 7,185 m, and 5,100 m have been concreted. The works are being carried out on the underground excavation fronts using special injection and micro-pilot methods. The concreting works also continue to be with articulated casts.

The machinery is assembled in the cavern and all the hydro-mechanical, electrical and auxiliary service equipment has been dry-tested. Pending is just the testing with water, following which the first synchronization and tests with load are made, all once the reservoir is filled and the adduction tunnel finished.

By the end of 2003, the construction of the replacement of roads was completed in the Contraco zone, whose works included a 180 m long bridge.

With respect to the environmental aspects of the project, Endesa Chile in 2003 has continued to successfully develop all the plans and programs promised, which have been certified by the independent auditors reporting to the environmental authority, both with respect to ecological aspects and to social and cultural matters. For the carrying out of the programs and activities of each of these aspects, the project has an organization and professional team comprising different disciplines and with a presence both on site and in Santiago.

During 2003, time has been devoted to acquiring the area destined to be a Biological Reserve that Endesa Chile is required to form as compensation for the lost habitats. It has continued to work on clearing the area of the reservoir, 300 hectares have been reforested to compensate the felling of forest in the area of the project's works (roads, deposits, works installations, etc.) and, through an agreement signed with Conaf, it is reforesting an area in compensation of lands that will be flooded.

On the other hand, the promised scientific studies are being prepared covering the species of native flora and the design has been completed of littoral pools as required by Conama, the volcanic monitoring system for the higher Biobío was awarded to the University of Concepción, and excavation work was completed on the 19 archeological sites, leaving just one site pending, corresponding to Panteón Quepuca, on which work will start as soon as the authorization is obtained from the National Monuments Council.

Compliance continues with the commitments set out in the Indirect Affected People Agreement, completing the electrification work in the higher Bío-Bío together with the regional government and providing funds for the construction of the Professional Technical School and housing subsidies.

Implementation also continued with the Continuity Assistance Plan with its productive (agricultural, livestock and forestry), social, cultural and tourism programs, with a successful participation of the relocated families and their directive organizations, having delivered in May the tourist infrastructure of the Ayin Mapu community.

Regarding the relocated families, the exchanges have been agreed with all the 77 cases whose conditions have been approved by Conadi. At December 31, 2003, 73 cases have already been relocated in the new communities or their balances of land.

Ralco Plant – SIC Connection Project

The project was completed on June 27, 2003 of the construction of the 140 km 2x220 kV transmission line linking the Ralco hydroelectric plant with Charrúa substation, at which point the energy is delivered to the Central Grid System.

This project was carried out by Abengoa Chile S.A. whereby Endesa Chile pays the annual toll for 20 years after which it becomes its owner.

Expansion of San Isidro Plant (Second Unit)

On December 10, 2003, Endesa Chile submitted the San Isidro Plant Expansion (Second Unit) Project to its environmental impact evaluation by presenting the respective study to Chile's 5th Region Environmental Regional Commission.

The purpose of the project is to ensure a reduction in the dependence on hydroelectric plants in the south of the country and to meet future energy demand on the Central Grid System (SIC). Endesa Chile needs to increase the generating capacity of its San Isidro combined-cycle thermal plant owned by the subsidiary Compañía Eléctrica San Isidro S.A.

The project consists of the construction and start-up of an expansion of the second unit of this combined-cycle plant, i.e. natural gas - steam, of 370 MW, increasing the generating capacity by 100 %. An annual generation of 2,500 GWh is planned and its connection with the SIC will be via a 220 kV tension line between the plant (high-tension yard) to the Quillota substation of HQT Transelec Chile S.A. Its characteristics would be similar to the present San Isidro plant and the investment involved is estimated at US\$ 190 million.

Plant Remote Controls

Remote control systems for the Taltal and Huasco plants, in Chile's 2nd and 3rd Regions respectively, were introduced during 2003. This has permitted the formation of the San Isidro Operating Center in the 5th region which now controls the Taltal, Huasco and San Isidro plants together.

Asset Divestments

Assets sales were successfully completed during 2003 within the company's Financial Strengthening and Divestment plan.

The Canutillar plant, with a capacity of 172 MW, was sold on April 30, 2003 to Cenelca S.A., a subsidiary of Minera Valparaíso S.A.

On May 30, 2003, the transmission assets of the subsidiary Compañía Eléctrica Tarapacá S.A., Celta S.A., were sold to HQT Transelec Norte S.A., a subsidiary of HQT Transelec Chile S.A. These assets comprise the transmission lines Tarapacá-Lagunas, Crucero-Lagunas N° 2 and their respective substations.

Divestment of Emergency Equipment

In order to face the supply crisis on the SIC produced by the droughts of 1998 and 1999, the company installed a total of 651 MW of emergency thermal capacity.

Once the crisis was passed and in view of the absence of a suitable return on these back-up investments, added to the need to strengthen its financial situation and improve the efficiency and profitability of its assets, the company decided to withdraw this equipment for its later sale, completing the withdrawal in December 2002.

During 2003, 50 MW from the Antilhue plant withdrawn equipment was sold for a total of US\$ 8.5 million; this had been stored in the Zofri (free zone) since March 2002.

ISO 14,001 Certification

The ISO 14,001 certification was granted in December 2003 for the environmental management system of the Pehuenche, Curillín and Loma Alta plants belonging to the subsidiary Pehuenche S.A., of the Cipreses, Isla and Rapel plants of Endesa Chile and the Tarapacá thermal plant of the subsidiary Celta S.A. 67% of the generating plants of Endesa Chile and its Chilean subsidiaries have now been certified, thus maintaining their commitment to attain both plant energetic efficiency and develop their operations in a way that respects the environment.

OHSAS 18,001 Certification

The OHSAS 18,001 certification was granted in December 2003 for the Safety and Occupational Health Management System of the San Isidro plant belonging to the subsidiary San Isidro S.A., this being the first Endesa Chile plant to achieve this recognition. Endesa Chile and its subsidiaries thus maintain their leadership in introducing these systems as a way of guaranteeing the safety and occupational health of its employees.



Termozipa Plant, Colombia

operations in Colombia

Generating Plants

The generating plants of Endesa Chile's subsidiaries in Colombia and their installed capacity are as follows:

INSTALLED CAPACITY (MW)	2002	2003
EMGESA		
GUAVIO (HYDROELECTRIC)	1,150.0	1,150.0
CADENA VIEJA (HYDROELECTRIC) (1)	241.0	-
CADENA NUEVA (HYDROELECTRIC) (2)	580.5	600.0
TERMOZIPA (THERMAL)	223.0	223.0
MINOR PLANTS (HYDROELECTRIC) (3)	-	76.2
BETANIA		
BETANIA (HYDROELECTRIC)	540.0	540.0
TOTAL CAPACITY IN COLOMBIA	2,734.5	2,589.2

(1) The Cadena Vieja (Cadena Casalaco) was finally closed on October 10, 2003.

(2) On October 25, 2003, the National Grid was advised of the 20 MW increase on the Cadena Pagua (Cadena Nueva), making a new capacity of 600 MW.

(3) 4 minor plants were also registered in 2003, with a total capacity of 76.2 MW.

Energy Generation and Sales

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ELECTRICITY GENERATION (GWh) (1)	2002	2003
EMGESA	8,870	9,205
BETANIA	1,829	1,589
TOTAL GENERATION IN COLOMBIA	10,699	10,794

(1) The generation figures for 2002 were corrected in order to show gross rather than net generation.

ELECTRICITY SALES (GWh)	2002	2003
EMGESA	12,002	12,302
BETANIA	2,637	2,598
TOTAL SALES IN COLOMBIA	14,639	14,900

Activities and Projects

Emgesa S.A. E.S.P.

Within the Cadena Casalaco (Cadena Vieja) Action Plan, the conversion to minor plants was carried out with the registration of the Charquito (old Canoas plant) and San Antonio (old unit 2, Salto II plant) plants on September 2, 2003, and La Tinta (old unit 5, Darío Valencia plant) and Limonar (old unit 2, Laguneta plant) plants on December 1, 2003. The requirement is to have less than 20 MW capacity with which a decentralized operation can be had giving plenty of flexibility in dispatch. The conversion to minor plants of some of the Cadena Casalaco plants could be done after having these units outside the system for more than a year.

The National Grid System was informed on October 25, 2003 of the 20 MW increase of the Cadena Pagua (Cadena Nueva), making a total capacity of 600 MW and increasing the remuneration for power by 18 MW with a benefit of US\$ 1.1 million annually.

In July 2003, the environmental management system ISO 14,001 certification was obtained for the Cadena Paraíso-Guaca, thus giving it one of the most demanding international management systems.

The carrying out of the plugs of the environmental management plan continued for the activities set out in the alternative chosen for handling the tails of the Muña Reservoir and the morphological recovery of the northern zone of the Cantera Muña was completed. In addition, the proposal was presented in September of the Popular Action Compliance Pact 2001-479 for mitigating the environmental impacts of the Muña Reservoir.

In March 2003, international energy transactions began with the Ecuador-Colombia interconnection. This has generated exports from Colombia to Ecuador of the order of 4 GWh per day on average. The price difference between the countries gives rise to congestion rates which, in the case of Colombia, translate into revenue for the demand. These congestion rates include a difference relating to the charge for power in both countries which Emgesa has discussed with the regulator in order for this value to be given to the generators. For energy sales and the increase in the spot price, margins of over US\$ 2.5 million were achieved for the year.

Within the process for applying the resources of MDL, Emgesa, concerned about the environment and generating employment, presented to the Colombian Office for the Mitigation of Climatic Change a project called "sunshade of GEI emissions reduction through hydroelectric generation on the River Bogotá". The viability of the project requires alternative resources like the sale of greenhouse effect gas emission certificates.

In the presence of the Niño phenomenon of moderate intensity in the period 2002-2003, the operation of the Guavio Reservoir, with its water level at a record low in April, was 21.5 %.

Emgesa actively worked on the presentation of technical proposals to the regulator for equitably distributing the load by power to take effect from December 1, 2006.

In February 2003, the company placed in the financial market a second block of the second bond issue for a total value of US\$ 17 million. The offer was oversubscribed by almost seven times and the cut-off allowed the finding to be made at very competitive rates.

During 2003, the whole financial strategy was advanced for preparing the company to reduce its capital. On October 31, 2003, a limited revision of the financial statements confirmed that the company had all the resources necessary for formally requesting the Superintendency of Corporations the approval of a capital reduction. In November 2003, a shareholders' meeting approved this reduction and formally presented it to the Superintendency of Corporations. The management believes it will obtain the authorization of the Superintendency during 2004 in order to be able to return capital to the shareholders. The capital will be reduced by approximately US\$ 140 million.

Regarding the solvency of Emgesa, the credit-rating agency BRC Investor Services S.A. carried out its annual revision in October 2003 of the rating for the bonds issued by Emgesa S.A. E.S.P. and confirmed the AAA rating, including in its evaluation the effects of the eventual capital reduction.

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

The environmental management plan was published in 2003 as required by the Ministry of the Environment, Housing and Territorial Development. The waste-waters treatment system was built for the Seboruco installations where the military base will be installed for protecting the Betania hydroelectric plant. The permission was obtained for the discharge of domestic waters and waters concession for domestic use at the Seboruco installations. Finally, in December 2003, the Betania hydroelectric plant received its ISO 14,001 certification for its environmental management system.

With respect to energy market operations, the commercial management in 2003 was able to produce an optimum management of the water resources of the Betania reservoir despite the low water levels.

In March 2003, international energy transactions began with the Ecuador-Colombia interconnection. Colombian exports to Ecuador via this connection were around 4 GWh per day on average. The price difference between the countries led to congestion rates which, in the case of Colombia, translate into revenue for the demand. These congestion rates include a difference relating to the charge for power in both countries which Betania has discussed with the regulator so that this value is given to the generators. For energy sales and the increase in the spot price, margins of over US\$ 0.6 million were achieved for the year.

Betania actively worked on the presentation of technical proposals to the regulator for equitably distributing the load by power to take effect from December 1, 2006.

Around the middle of the year, the management managed to settle with the tax authority some demands that implied a risk for the company of around US\$ 100 million. The settlement concluded with a payment of tax amounting to US\$ 4.9 million. The tax authority also closed all outstanding claims against the company for the years 1997, 1998 and 1999.



Ventanilla Plant, Peru

operations in Peru

Generating Plants

The generating plants of the Endesa Chile subsidiary in Peru and its installed capacity are as follows:

INSTALLED CAPACITY (MW) (1)	2002	2003
EDEGEL		
HUINCO (HYDROELECTRIC)	247.3	247.3
MATUCANA (HYDROELECTRIC)	128.6	128.6
CALLAHUANCA (HYDROELECTRIC)	75.1	75.1
MOYOPAMPA (HYDROELECTRIC)	64.7	64.7
HUAMPANI (HYDROELECTRIC)	30.2	30.2
YANANGO (HYDROELECTRIC)	42.6	42.6
CHIMAY (HYDROELECTRIC)	150.9	150.9
SANTA ROSA (THERMAL) (2)	263.6	227.7
TOTAL CAPACITY IN PERU	1,003.0	967.1

(1) The installed capacity figures relate to the recognition of effective capacity, up-dated and approved by the COES, Peru.

(2) On July 31, 2003, 35.9 MW of the Santa Rosa plant were withdrawn, leaving a capacity of 227.7 MW.

Electricity Generation and Sales

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ELECTRICITY GENERATION (GWh)	2002	2003
EDEGEL	4,279	4,458
TOTAL GENERATION IN PERU	4,279	4,458
ELECTRICITY SALES (GWh)	2002	2003
EDEGEL	4,158	4,443
TOTAL SALES IN PERU	4,158	4,443

Activities and Projects

EDEGEL S.A.A.

Within the Second Corporate Bonds Program amounting up to US\$ 150 million, Edegel placed during 2003 three issues in nuevos soles for the equivalent of US\$ 72 million at an average fixed rate of 5.15 % and with maturities of between two and three years. The proceeds were used to refinance debt.

Edegel made capital reductions for US\$ 23 million in 2003. This was approved by the shareholders' meeting held on October 11, 2002. On the other hand, the shareholders' meeting of September 19, 2003 approved a new capital reduction program for the equivalent of US\$ 28.6 million to be carried out within 18 months. A capital reduction of US\$ 14.3 million was made in December 2003 as part of this new program. These reductions were financed from the cash surpluses generated by the company and therefore did not imply any increase in debt.

2003 was a positive year for Edegel in achieving its objectives for introducing a system for managing quality, environmental and safety measures in a joint and coordinated way. Slopes were stabilized in January over the machinery room of the Yanango station. In February, the environmental library was introduced into the intranet of Enersis. In March, a contract was signed with Siemens for the introduction of fire detection and extinguishing systems at Edegel's installations. In April, the Merit Prize and Competition Prize 2002 were awarded by the Inter-American Safety Council for having reduced the Disabling Accident

Frequency Index by more than 25 % compared to the previous 2-year average and compared to other Latin American companies. In May, as part of the Tulumayo reservoir clearing program and in order to mitigate impacts on populations downstream, water capture systems were built in the villages of Pacaybamba and Yanayacu so that the people there can use spring water rather than river water.

A board meeting held on September 17, 2003 approved the Callahuanca plant rehabilitation project. The final offer of Voith Siemens Hydro is awaited and the technical administrative information is starting to be revised in order to be able to give the order to proceed.

On November 21, an electricity supply contract was signed with Compañía Minera Ares S.A.C., a company belonging to the Hochschild group, for 12 MW of capacity and associated energy. The contract is effective from January 2004 and has a term of 5 years. Ares is a mining company that exploits minerals (gold and silver) for the mining units of Caylloma (2 MW), Ares (5 MW) and Arcata (5 MW). With this contract, Edegel for the first time is serving a company in the south of the country and is now consolidated as a generator with a presence in the country's zones of greatest loads.

During 2003, Edegel fully and successfully met a rigorous maintenance program for guaranteeing the full operations and reliability of its production centers.

Ingendesa

During 2003, Ingendesa participated in important investment projects in Chile and Latin America, particularly in energy, infrastructure, mining, public works and telecommunications, through services for group companies and for un-related customers.

Among the principal services provided for related companies were:

- Design of details and technical inspection of the construction of the Ralco hydroelectric plant, for Endesa Chile.
- Design of the corporate remote control system of Endesa Chile's hydroelectric plants in Chile, Peru, Colombia and Brazil.
- Support services in the administration of the construction of the works in Agreement 3, for Autopista del Sol.
- Advice in the design and introduction of the environmental management system for the Rapel plant.
- Technical audit of the Quillota-Los Piuquenes transmission line.
- Design of the 220 kV Ralco-Charrúa transmission line.
- Up-dating of hydroelectric plant project studies.
- Advice for the international certification of sustainability, according to the DJSI index.
- Alto Jahuel, Cerro Navia and Polpaico transmission system reinforcement study, for Endesa Chile.
- Study of automatic disconnection of generation and load, for Endesa Chile.
- Technical inspection of renovation of corporate building offices, for Endesa Chile.

- Design of remote control system for the Taltal and Huasco plants from the San Isidro plant.
- Detailed design of the El Salto substation.
- Preparation of the 220 kV Polpaico-El Salto transmission line emergency manual.
- Design of reinforcement of the 110 kV Buin-Chena line.
- Design services for the expansion of distribution substations, for Chilectra.
- Environmental advisory services for line and substation projects, for Chilectra.
- Environmental impact study for the 220 kV line between substations Encuentro and Collahuasi, for GasAtacama Generación.
- Preliminary road project and environmental impact study for the Vespuccio-El Salto-Kennedy highway, for Infraestructura Dos Mil.

The following services were also provided to un-related companies:

- Counterparty engineering and technical inspection of the expansion of substations Charrua, Ancoa and Alto Jahuel in 500 and 220 kV, for HQI Transelec Chile S.A.
- Design and technical inspection of the transformation to 500 KV of the Charrua- Ancoa 3, Charrua-Chillán and Ancoa-Itahue lines, for HQI Transelec Chile S.A.
- Detailed design of Tobalaba station on the La Cisterna-Vicuña Mackenna and Vicente Valdés-Las Mercedes sections of the Metro's line 4 project.
- Detailed design of the Cementerios-Dorsal section of the northern extension of the Metro's line 2.

- Technical inspection of the western extension works of line 5 and Puente Alto workshops and sidings, for the Santiago Metro.
 - Feasibility study for the supply of high-tension electricity for sulfurous project and detailed design for 69 kV line and main substation for the Escondida North Project, for Compañía Minera Escondida.
 - Detailed design of the tunnel beneath the River Mapocho on the Bellavista-Purísima section, for the Costanera Norte concession-holder.
 - Access and fume extraction projects for the Costanera Norte concession-holder.
 - Technical inspection of concentrator expansion works, for Codelco's Chuquicamata Division.
 - Design of Paipote-Alcaparrosa fresh-water piping system, for Compañía Minera Candelaria.
 - Basic design for signaling, communications and electrification system for Santiago-Temuco section, for Ferrocarriles del Estado.
 - Specialist services in project management, for Codelco's Andina Division.
 - Detailed design of Santa Fe substation, for CMPC.
 - Preparation of master plan for the evacuation of rain waters in the city of Los Angeles, for the Ministry of Public Works.
 - Detailed design of the new feeder of the Pencahue canal, for the Ministry of Public Works.
 - Engineering revision service for the concession holder of the El Bato reservoir.
 - Feasibility study for reservoirs in the valleys of Lluta and Azapa, for the Ministry of Public Works.
 - Supervisory services of the inspection of the La Farfana plant, for Aguas Andina.
 - Counterpart engineering of the Ciruelos substation for feeding the Valdivia pulp mill, for HQI Transelec Chile S.A.
 - Study of coordination of protection adjustments for Compañía Minera Zaldívar.
 - Feasibility study for improving Route 41, Agua Negra international tunnel, for the Chilean and Argentine ministries of public works.
 - Technical inspection of civil works in sections B and C of the Viña-Valparaíso road connection, for Merval.
 - Environmental monitoring plan for the Lago Atravesado plant, for Edelaysen.
- The following services were provided in the international area during 2003:
- Owner engineering and technical inspection for the construction of the combined-cycle plant of the Endesa Fortaleza plant, together with personnel of the subsidiary of Ingendesa Do Brasil.
 - Consultancy for the general technical support coordination for the network owner of the Siepac Project in Central America.
 - Specialized advisory services for evaluating EPC contracts in Peru and Costa Rica, for third parties (contracts where the owner contracts with just one party the services of engineering, acquisitions and construction).
 - Studies for the conversion to natural gas of the Ventanilla plant in Peru, for Etevensa.

Sociedad Concesionaria Túnel El Melón S.A.

The El Melón tunnel concession began in June 1993 with the building of the tunnel and its accesses. The final operation of this public work commenced in September 1995 and the term of the concession is until May 2016.

During 2003, a total of 1,218,248 vehicles used the tunnel of which 64 % were light vehicles, 14 % buses and 22 % simple and heavy trucks. Over the same period, the traffic using the tunnel-hill-road system numbered 2,349,931 vehicles, implying that 51.8% of these preferred the toll-based tunnel. Compared with the year before, the vehicle flow using the system and the tunnel decreased by 1 % and 0.5 % respectively.

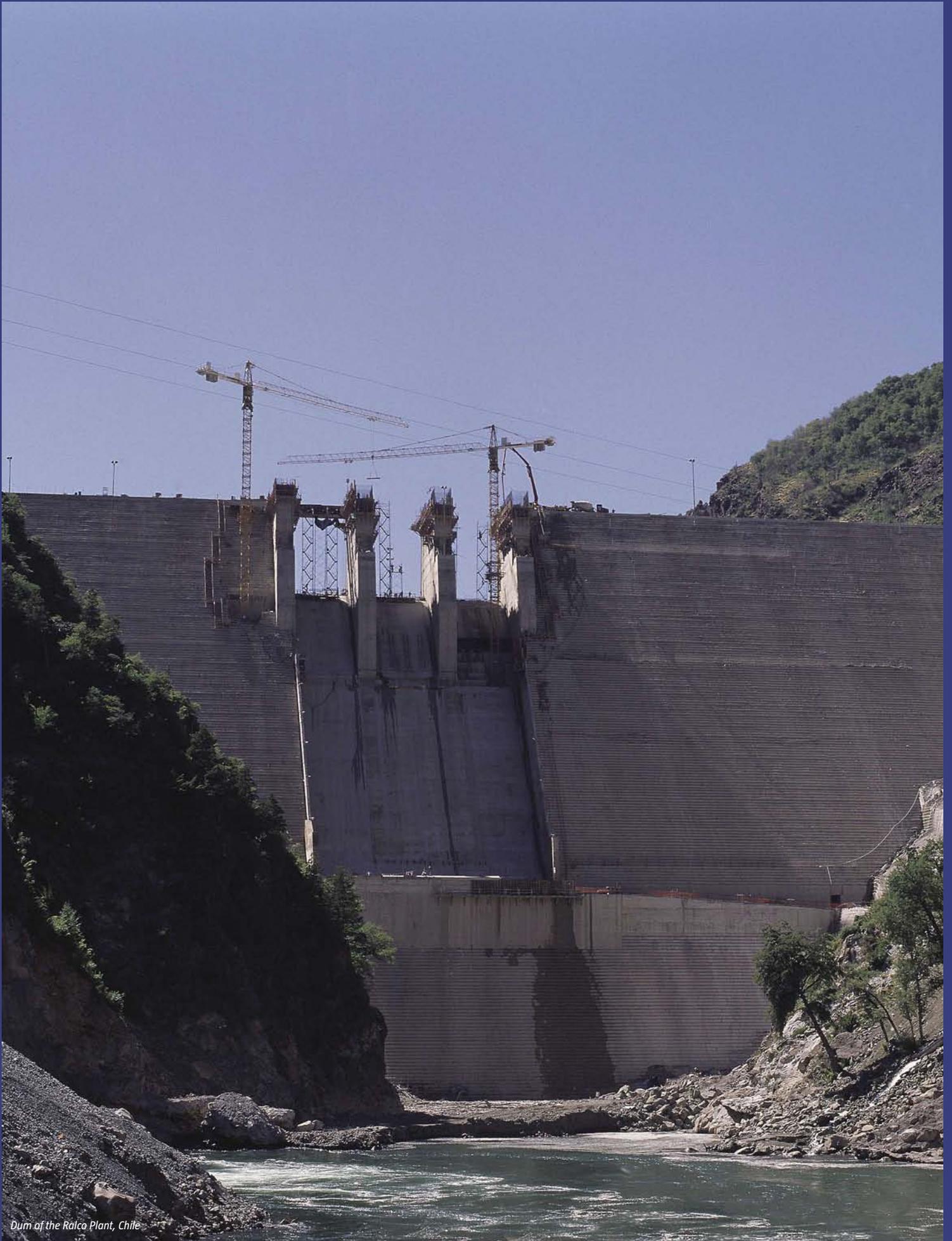
The company generated sales of ThCh\$ 2,997,606 in 2003, a decline of 0.1% in nominal terms compared to 2002. After deducting the cost of sales and administrative expenses, and before the payment of the annual charge to the Ministry of Public Works and depreciation, it can be concluded that operating income of ThCh\$ 2,464,029 fell by 2.3 % compared to 2002, a figure largely affected by the increased cost of insurance. However, the high financial expenses and the annual payment to the Treasury offset this positive operating result to leave a net loss for the year of ThCh\$ 2,266,301 which was at least 22.3% below that of the year before.

During November 2003, and at the express request of the Ministry of Public Works, the inside lining of the tunnel was brushed to restore it to the standards set out in the concession contract. As in previous years, no accidents of importance occurred in the normal operation and user claims were practically non-existent.

Sale of Infraestructura Dos Mil S.A.

As a result of the revisions made under the Genesis Project, Endesa Chile decided to detain its future expansion in shareholdings in infrastructure projects and to sell the subsidiary Infraestructura Dos Mil S.A. Endesa Chile has also been carrying out its Financial and Economic Strengthening Plan since October 2002, which includes the divestment of assets, among which was Infraestructura Dos Mil S.A.

On June 23, 2003, Endesa Chile closed the sale of Infraestructura Dos Mil S.A. with the Spanish company OHL Concesiones, S.L., a subsidiary of the Spanish company Obrascón Huarte Lain S.A., for a total of UF 2,305,507 (approximately US\$ 55 million). This transaction also enabled the deconsolidation of UF 9,011,000 (approximately US\$ 220 million) in debts that Infraestructura Dos Mil S.A. had with third parties.



Dam of the Ralco Plant, Chile

investments

During 2003, Endesa Chile and its Chilean and foreign subsidiaries invested a total equivalent to US\$ 224.93 million, as follows:

COMPANY	INVESTMENT (MILLIONS OF DOLLARS)
IN ARGENTINA	
CENTRAL COSTANERA S.A.	8.22
HIDROELÉCTRICA EL CHOCÓN S.A.	0.24
TOTAL INVESTMENT IN ARGENTINA	8.46
IN BRAZIL	
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	1.63
TOTAL INVESTMENT IN BRAZIL	1.63
IN CHILE	
ENDESA CHILE	185.03
PEHUENCHE S.A.	0.37
PANGUE S.A.	0.25
CELTA S.A.	4.67
SAN ISIDRO S.A.	10.30
INGENDESA	0.29
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.	0.0
TOTAL INVESTMENT IN CHILE	200.91
IN COLOMBIA	
EMGESA S.A.	4.91
CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	0.44
TOTAL INVESTMENT IN COLOMBIA	5.34
IN PERU	
EDEGEL S.A.A.	4.51
TOTAL INVESTMENT IN PERU	4.51
TOTAL MATERIAL INVESTMET IN COMPANIES	220.85
TOTAL FINANCIAL INVESTMENT	4.08
TOTAL INVESTMENT	224.93

Analysis of the Consolidated Financial Statements 2003

The net income of Endesa Chile for the year 2003 was ThCh\$ 78,130,912 which compares favorably with a net loss of ThCh\$ 9,412,247 in 2002.

Funds generated by the company in 2003 amounted to US\$ 943 million which includes both operating cash flows and asset sales. These flows were used approximately in the following way: 38 % in debt repayment, 34 % in net financial expenses, 21 % in investments and 7 % for dividend payments and capital reductions.

Some of the more important aspects of 2003 were:

- An operating income of ThCh\$ 338,510,897, representing a slight decline of 3.2 % compared to the previous year. However, the results for 2003 are affected by the 17.4 % revaluation of the Chilean peso against the dollar which, in accounting terms, affects the operating flows from our foreign subsidiaries. Also, 2002 included the cash flows of Infraestructura Dos Mil S.A. and the Canutillar plant, assets that were sold during 2003 and deducted from the results for this year. If we compare the operating flows of our foreign subsidiaries in dollars of December 2002, their operating income would be 17.3 % higher, which more than offsets the reduced flows from asset sales in Chile.
- The rescheduling of all Endesa Chile's short-term debt, implying an improvement in the average life of the debt and providing a profile more in accord with the company's cash flows.
- A reduction in financial debt compared to December 2002 of ThCh\$ 781,653,427, the equivalent of US\$ 1,316 million, and lower financial expenses of ThCh\$ 16,192,420, basically the result of less debt.
- Confirmation of our asset quality, both nationally and internationally, by the successful sale of the Canutillar plant, the subsidiary Infraestructura Dos Mil S.A. and transmission lines at prices similar to those prior to the last regional crisis. In particular, the sale price of Canutillar, of US\$ 1,000 per installed KW, sends an important message about the value of the 7,814 MW of hydroelectric plants installed in the region. The company

has also been successfully reinserted in the domestic and internal financial markets through its bond placements and loan drawings.

- Successful handling of the Latin American crisis, confirmed by the results in Argentina, Brazil, Peru and Colombia, and the rescheduling of debts in those countries.
- An improvement of ThCh\$ 8,713,510 in the net results of investments in related companies due fundamentally to the improvement in the results of CIEN, the company that exports energy from Argentina to Brazil and in which Endesa Chile has a 45% holding, and GasAtacama.

The consolidated income in 2003 amounted to ThCh\$ 338,510,897, 3.2 % below the level of the previous year. This reduction is mainly explained by the method of accounting for the results of our foreign subsidiaries, in part offset by good performances in Argentina and Colombia. There was also the positive effect on energy sales in the region of the favorable demand conditions (high growth) and the good water levels in Argentina and firmer prices in Colombia. Also notable was the 14.5 % reduction in administrative and selling expenses to ThCh\$ 31,323,805 in 2003, ThCh\$ 5,327,850 less than in 2002.

In Argentina, operating income in 2003 was ThCh\$ 32,313,222, an increase of 154 % over 2002 when it was ThCh\$ 12,724,632. The improvement is due to both the performance of El Chocón and of Costanera whose operating income increased by ThCh\$ 12,567,936 and ThCh\$ 7,020,654 respectively. The improved result of El Chocón comes from higher energy production due to greater water availability, and the higher sale prices on the spot market. The increase at Costanera is mainly explained by higher revenues from power payments under contracts for the second interconnection line with Brazil which began in May 2002. The positive effect should also be mentioned of the income resulting from the 12.2 % appreciation of the Argentine peso against the dollar which offset partially the negative effect of the accounting in Chilean pesos.

In Brazil, the operating income of Cachoeira Dourada S.A. declined by 78.7 % to ThCh\$ 3,657,213 mainly due to the effects of the devaluation of the dollar against the Chilean peso and Brazilian real and reduced revenues from energy sales as a result of the lower average spot market price and

also the contractually set reduction of 10 % with the distributor CELG as from September 2002 and an additional 10 % from September 2003. The fall in operating income in local currency terms was 30.3 %.

The contract between our associate CIEN with COPEL was successfully renegotiated during 2003, related to the second interconnection line between Argentina and Brazil. The final agreement, approved by ANEEL, combined with negotiations of the contracts with the Argentine suppliers backing this contract, provided a balance of margins similar to the previous ones for CIEN and also advantages in a reduced risk exposure by further diversifying sales and purchases of the associated energy. On the other hand, the consequent modifications made in Argentina have only affected Costanera in a small way. The latter's principal participation in the export business to Brazil is in the first interconnection line, and not the second which was the one modified. Even so, in the contracts related to this second interconnection, Costanera maintains its capacity of close to 200 MW in the short term and increases to 300 MW in the longer term at prices and conditions that represent for it a very attractive alternative compared to the domestic Argentine market.

In Chile, operating income in 2003 reached ThCh\$ 155,259,902, 10.0 % lower than in 2002. However, excluding from this comparison the effect of Infraestructura Dos Mil S.A., which was sold on June 23, 2003 and was deconsolidated as from January 1, 2003, and the sale of Canutillar plant, operating income in Chile would have increased by 3.2 %. On the other hand, energy sales rose by 5.0 % despite the sale of Canutillar in late April 2003, partially offset by the higher costs of energy purchases and of fuels related to greater thermal generation and increased toll expenses.

In Colombia, operating income in 2003 increased by 12.9 % in Chilean peso terms to ThCh\$ 85,984,023. However, in local currency terms, the increase was 47.4 %, being affected by the devaluation of the dollar against the Chilean peso. Sales volumes were slightly lower but compensated by firmer prices on the spot market due to low water levels affecting the country, a better sales mix and higher revenue from capacity.

In Peru, operating income for 2003 declined by 13.9 % to ThCh\$ 61,296,537. Energy sales fell despite the increase in energy volumes and the higher average price in dollar terms. This is explained by the appreciation of the Chilean peso against the dollar. If the comparison

were made in local currency or dollars, operating income would have increased by 2.7% even though there was a higher purchase cost of energy and transport due to the increase in sales volumes.

The non-operating result in 2003 improved by 43.5 % to a loss of ThCh\$ 179,005,009, compared to a loss of ThCh\$ 316,559,166 in 2002. This improvement is mainly due to ThCh\$ 108,104,214 of less amortization of goodwill as a result of an accounting adjustment of ThCh\$ 99,933,537 made in accordance with Chilean accounting rules covering investments abroad in 2002; to ThCh\$ 8,713,510 of greater net income on investments in related companies; to ThCh\$ 9,401,389 of improved results from exchange differences; and to ThCh\$ 16,192,420 of lower financial expenses. Offsetting these factors are ThCh\$ 1,259,140 of reduced net result of other non-operating income and expenses and ThCh\$ 3,461,518 of reduced gain from price-level restatements.

The improved result of investments in related companies of ThCh\$ 8,713,510 is basically due to the improvement of ThCh\$ 3,838,597 in the net accrued income from the associate CIEN, partly explained by the starting up of the second interconnection line with Argentina and ThCh\$ 4,842,896 of improved results from our associate Gasatacama Generación Limitada, mainly as a result of the premium received on the sale of transmission assets in April.

The lower financial expenses of ThCh\$ 16,192,420 are mainly due to the reduction in the debt level of the company of approximately US\$ 1,282 million.

The result of exchange differences was a positive ThCh\$ 8,955,964 compared to a negative ThCh\$ 445,425 in 2002, reflecting the 17.4 % appreciation of the Chilean peso against the dollar in 2003, compared to the depreciation of 9.7 % in 2002.

Regarding other non-operating income and expenses, important in 2003 were asset sale expenses and provisions for obsolescence of fixed assets. In 2002, there was a negative effect on results from the application of Technical Bulletin No.64 of the Chilean Institute of Accountants concerning the impact of the devaluation of the Argentine peso on our subsidiaries and related companies in that country.

Credit Rating

The credit rating of Endesa Chile's external debt is currently BBB-, with stable prospects, according to Standard & Poor's and Fitch, and Ba2 according to Moody's, with stable prospects.

The rating agencies have two fundamental concerns: the instability of the region, in particular, the situation in Argentina and Brazil; and the company's debt maturity profile. In an effort to improve this second factor, Endesa Chile on May 15, 2003 signed a loan agreement for approximately US\$ 743 million for a five-year term, with two and a half years grace. This loan rescheduled most the company's bank debt with maturities in 2003 and 2004. The loan agreement eliminated two aspects of the previous bank debt: obligatory prepayment depending on having an investment grade rating from Standard & Poor's, and amended the setting of interest margins by fixing them according to the credit rating granted by Standard & Poor's.

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In July 2003, the company successfully placed an issue of Yankee bonds on the American market for US\$ 600 million, with repayments between 10 and 12 years. The proceeds were used to repay € 400 million of European market bonds and the prepayment of US\$ 262 million of the loan agreement for US\$ 743 million signed in May 2003. In October, Endesa Chile made a domestic placement of bonds for UF 8,000,000, the proceeds of which were used to make an additional prepayment of US\$ 197 million and enabled an improvement in the maturities of the US\$ 743 million mentioned above, there remaining outstanding a balance of just US\$ 284 million at the end of December. These placements maintain the company's domestic and international credit ratings and achieved an improvement in the case of Moody's.

We are confident that with the Financial Strengthening Plan successfully carried out during 2003, rescheduling debt and selling assets, will enable our international ratings to improve as the results become clear.

Endesa Chile's domestic bonds are rated as A+ by Fitch Chile and Feller Rate, contrasting with the rating of Humphreys of BBB+, with stable trend.

Insurance

Operational

In December 2002, Endesa Chile and subsidiaries renewed the terms of their regional insurance program through its insurance broker which has a presence in all the countries where the company operates. The all-risks cover expired on December 31, 2002 and was renewed to December 31, 2003, while the civil liability cover expired on June 30, 2003 and was renewed until June 2004.

The characteristics of the current insurance cover for all the subsidiaries of Endesa Chile in Argentina, Brazil, Chile, Colombia and Peru are the following:

- All-Risks Physical Assets and Interruption of Business limited to US\$ 400 million, except for earthquake for which the limit is US\$ 150 million, for protecting the generating plants and principal transformer substations against the risks of earthquake, avalanches, fire, explosions and flooding.
- Insurer market restrictions relating to damage from terrorist acts have prevented the group from contracting this cover for the whole region.
- Machinery breakdowns loss of earnings up to US\$ 100 million to protect the principal plant production equipment and substations against the risks of operating faults, short circuits, breakage of pieces, material fatigue and mechanical failures in general.
- Extracontractual Civil Liability up to US\$ 150 million covering the company against physical damages that its business causes to third parties and which it is obliged to pay an indemnity.

The companies in the region also have maritime, air and land transport insurance for the movement of machinery, equipment and supplies, life cover for personnel traveling and for those risks that the law requires to be covered.

Works Insurance

Endesa Chile has current insurance cover for construction and start-up delays for all its Works and those of its associates in the region (Ralco and CIEN).

In the case of the Ralco plant, the arbitration case continues in its different stages. In order to suitably protect the company's equity, a new insurance cover has been contracted since October 2003 to cover these works regardless of the result of the arbitration against catastrophic events.

Regarding the damage to the cofferdam in May 2001, which affected the Ralco works, the liquidator assigned to the case determined the legitimacy of the claim and of losses of close to US\$ 16 million. The insurer has objected to this report, a situation that will force Endesa Chile to take legal actions for the payment of this sum.

The other works are continuing normally without any claims of importance.

Debt

At the end of 2002, Endesa Chile had short-term obligations of US\$ 98.6 million of which US\$ 56 million corresponded to a bullet loan and the rest to renewable short-term credit lines and normal repayments of long-term loans.

The subsidiary Endesa Chile Internacional had short-term obligations of US\$ 543.1 million relating to bonds issued on the European market (US\$ 382 million) and bank loans (US\$ 161.9 million). In addition, there was a syndicated loan for US\$ 500 million maturing in 2004.

As part of its Financial Strengthening, Endesa Chile, through its Cayman Island agency, signed a syndicated loan for US\$ 743 million in May 2003 at a five-year term, with six semi-annual repayments starting in November 2005. The proceeds of this loan were used to prepay part of the above obligations, as shown below:

Debtor	Creditor	Amount (Millions of US\$)
Endesa Chile Agency	San Paolo	56.0
Endesa Chile Internacional	BSCH	154.0
Endesa Chile Internacional	HSBC	7.9
Endesa Chile Internacional	Syndicated	500.0
Endesa Chile Internacional	Citibank N.A.	25.0 (1)

(1) Loan signed in early 2003.

The above assumes the assignment of debts from Endesa Chile Internacional to Endesa Chile Agency in the amounts stated, against the capitalization of that subsidiary.

Later, in July 2003, taking advantage of attractive market conditions, Endesa Chile Agency made a bond issue for US\$ 600 million that was registered with the United States Securities and Exchange Commission.

In addition, in October 2003, a bond issue was made on the domestic market for UF 8,000,000, the equivalent of US\$ 218.5 million.

Both issues, plus the proceeds of the sale of the Canutillar plant and the transmission lines on the SING during 2003, enabled the company to prepay US\$ 262 million first and then US\$ 196.9 million so that, by the end of the year, the balance outstanding of the loan amounts to US\$ 284 million.

For its part, the subsidiary Pehuenche S.A. had to meet the maturity of a Yankee bond issue for US\$ 170 million from its own resources and through a loan granted by the parent company.

In addition, there were disbursements of loans being drawn by Endesa Chile and its subsidiaries, in particular got the Ralco project, and various repayments.

As a result of all these operations, and the deconsolidation of the debt of Sociedad Concesionaria Autopista del Sol S.A. for approximately US\$ 129 million, the outstanding balance of consolidated debt reduced by US\$ 339 million, equivalent to a decrease of 7.7 % from US\$ 4,426 million at December 2002 to US\$ 4,087 million at December 2003.



Cavern of the Pangué Plant, Chile

Dividend Policy

For the year 2004, the board proposed to the shareholders' meeting the distribution of a dividend of an amount equivalent to 30% of the net income for the year.

For 2004, the board does not intend to distribute interim dividends against the net income for the year and intends to propose to the shareholders' meeting that the final dividend to be paid in 2005 be as indicated in the previous paragraph.

Meeting the above program will depend on the profits actually obtained and on the results indicated in the projections made periodically by the company and the application of the covenants agreed in the different agreements.

Dividends Distributed in Recent Years

Year	Dividend per Share (Pesos of each year)	Amount Restated at December 31, 2003
1997	11.74800	14.24738
1998	2.06200	2.3549
1999	-	-
2000	0.96000	1.02266
2001	0.94000	0.99338
2002	-	-

material information reported

As required by General Rule N° 30, the company has reported to the Superintendency of Securities and Insurance the following material information during the year 2003:

Endesa Chile

The board, on February 27, 2003, agreed to report as material information, when it occurs, having reached agreement with the banks indicated below for the refinancing of part of the bank debt of Empresa Nacional de Electricidad S.A. (Endesa Chile).

Today, Endesa Chile has reached agreement with BBVA S.A., Salomón Smith Barney Inc., Dresdner Kleinwort Wasserstein and Santander Central Hispano Investment Securities to begin a process for the refinancing of part of the company's bank debt amounting to approximately US\$ 0.7 billion. These banks represent approximately 45% of the above figure.

The terms of the transaction which involve the granting of certain additional guarantees compatible with the agreements supporting the rest of Endesa Chile's current debt, have already been agreed by the board of Endesa Chile and the four banks mentioned, and will be presented to the rest of the banks for their consideration and approval.

The proposed refinancing carries a new term to 2008 with semi-annual repayments starting 30 months from drawdown. The covenant allowing the debt to be payable in advance in the event of a deterioration in the credit rating will be replaced by a combination of new financial covenants and commitments in line with the company's business plan.

This refinancing process fits within the Financial Strengthening Plan adopted recently by the company whose main objective is to reduce the company's debt.

On March 27, 2003, it was reported that the board, at a special meeting that day, approved the purchase offer for the assets of the Canutillar plant for US\$ 174,000,000 made by Hidroeléctrica Guardia Vieja S.A., payable in cash on the signing of the respective sale contracts, all within the tender process for those generating assets managed by Banco Dresdner Kleinwort Wasserstein, as adviser to Endesa Chile. This award by the board is subject to the extraordinary shareholders' meeting of Endesa Chile, called for March 31, authorizing the disposal of this plant, in accordance with Clause 28 f) of the bylaws and the provisions of the company's Investment and Financing Policy.

The board also agreed, subject to the above condition, to grant the respective powers for signing all the acts, contracts and agreements related to the disposal of all the goods, assets, rights and concessions involved in the sale of this plant.

The disposal of the Canutillar plant fits within the Financial Strengthening Plan approved by the board in October 2002 which contemplates the divestment of those assets informed to the market. The proceeds of this transaction will be used to reduce the company's debt.

On March 31, 2003, the ordinary and extraordinary meetings of shareholders were held to resolve on the following matters:

Ordinary Meeting

- 1.- Approval of the annual report, balance sheet, financial statements, report of the external auditors and inspectors of accounts for the year ended December 31, 2002; and recording the result for the year in the equity accounts;
- 2.- Explanation of the company's dividend policy and information on the procedures for the distribution of dividends;
- 3.- Investment and financing policy proposed by the board;
- 4.- Election of the board of the company;
- 5.- Setting the directors' remuneration;
- 6.- Setting the remuneration of the directors' committee and determining its budget;
- 7.- Report of the directors' committee;
- 8.- Appointment of external auditors;
- 9.- Election of two inspectors of accounts and their alternates and approval of their remuneration;
- 10.- Other matters of corporate interest and of the competence of the meeting and information on operations referred to in clause 44 of Law 18,046.

Extraordinary Meeting

- 1.- Request, in accordance with clause 28 f) of the bylaws and the provisions of the company's Investment and Financing Policy, the approval of the extraordinary shareholders' meeting of the disposal of the Canutillar hydroelectric plant;
- 2.- Adopt all the agreements necessary for complying and making effective that approved in the above point.

As indicated in point 4. of the ordinary shareholders' meeting, the new board of the company was elected, consisting of the following members:

Jaime Bauzá Bauzá
Ignacio Blanco Fernández
José María Hidalgo Martín-Mateos
Antonio Pareja Molina
Luis Rivera Novo
Andrés Regué Godall
Carlos Torres Vila
Antonio Tuset Jorratt
Leonidas Vial Echeverría

An extraordinary board meeting held that day approved the appointment of Luis Rivera Novo as chairman of the board and of Antonio Pareja Molina as vice-chairman.

The same meeting appointed the members of the directors' committee, being Luis Rivera Novo, Jaime Bauzá Bauzá and Antonio Tuset Jorratt.

It was reported on April 1, 2003 that the extraordinary shareholders' meeting of Empresa Nacional de Electricidad S.A., held the day before, unanimously agreed to authorize the disposal of Endesa Chile's Canutillar hydroelectric plant.

The condition set by the board for the adjudication of this plant to Hidroeléctrica Guardia Vieja S.A. for US\$ 174,000,000 was therefore met, as agreed by the board at its meeting held on March 27 and reported as material information at that time.

On April 7, 2003, it was reported that on April 4, 2003, the conditions set for continuing the sale process with HQI Transelec S.A. had been met, covering the transmission assets owned by our subsidiary Compañía Eléctrica

Tarapacá S.A. (Celta) and our associate Gasatacama Generación Ltda. on the Northern Grid System (SING).

Having ratified the terms and conditions for the sale of the transmission lines and substations included in the transaction, the conditions precedent for the operation were met.

For our subsidiary Celta, the transaction covered the disposal of 285 Km. Of 220 KV. tension line circuits. In the case of our associate Gasatacama Generación Ltda., in which Endesa Chile holds 50%, the transfer covers 673 Km. of line circuits of the same tension. Both cases include the transfer of certain substations owned by both companies.

The total assets disposed of represent about 20% of the transmission assets of the SING.

The sale proceeds to be received by Celta are approximately US\$ 32 million and by Gasatacama Generación Ltda., approximately US\$ 78 million.

The estimate date for the signing of the contracts is May 30, 2003.

With respect to Endesa Chile, the disposal of the transmission assets falls within the Financial Strengthening Plan approved by the board in October 2002 which includes the divestment of those assets duly informed to the market.

On April 30, 2003, it was reported that on that day the disposal of the Canutillar hydroelectric plant to CENELCA S.A., subsidiary of Minera Valparaíso S.A., for US\$ 174,000,000 had been closed and the respective contracts signed.

The disposal of this 5th Region 172 MW plant was therefore completed, whose tender adjudication was reported on April 1, 2003.

This divestment falls within the Financial Strengthening Plan approved by the board which has been met in line with forecast.

On March 31, 2003, the company made a provision of ThCh\$ 5,032,803 to cover the estimated loss on this transaction.

On May 12, 2003, it was reported that Empresa Nacional de Electricidad S.A. and 24 banks led by BBVA S.A., Salomon Smith Barney Inc., Dresdner

Kleinwort Wasserstein and Santander Central Hispano Investment Securities had signed a syndicated loan for refinancing the company's bank debts, for US\$ 743 million. The preliminary agreement with the lead banks was reported to the market on March 11, 2003.

The completion of this transaction is subject to compliance with several conditions precedent which have to be met by May 15.

As a result of this rescheduling, Endesa Chile's debt maturing this and next year is extended to 2008, with semi-annual repayments starting in 2005.

This syndicated loan eliminates the event of default due to a fall in the company's credit rating to below investment grade.

The increased financial expenses involved in this transaction will be offset by the expected effect of compliance with all the financial obligations and the divestments included in the Financial Strengthening Plan.

This rescheduling covers most of Endesa Chile's bank debt and is a fundamental landmark in the Strengthening Plan approved by the company's board in October 2002, which is being met as forecast.

On May 15, 2003, it was reported (complementing the reports of March 11 and May 12 referring to the process of signing a syndicated loan for rescheduling bank debts for US\$ 743 million with 24 banks led by BBVA S.A., Salomon Smith Barney Inc., Dresdner Kleinwort Wasserstein and Santander Central Hispano Investment Securities) that all the conditions precedent had been met and the transaction closed.

Endesa Chile's obligations under this syndicated loan are jointly and severally guaranteed by its subsidiaries Empresa Eléctrica Pehuenche S.A., Empresa Eléctrica Panguel S.A., Compañía Eléctrica Tarapacá S.A. and Endesa Chile Internacional.

As the fundamental effect of this rescheduling, the company's obligations maturing in 2003 and 2004 now mature in 2008 with semi-annual repayments starting on the 30th month from signing, implying that repayments will begin on November 15, 2005. During this 30-month period, the company only has to pay interest on the new loan, thus allowing Endesa Chile to balance its cash flows with a proper debt servicing.

The annual interest rate on the loan is Libor + 300 basis points.

The default clause conditioned to a loss of an investment grade credit rating by Standard & Poor's, due to a potential deterioration in rating by the rating agencies and that linking the loan interest rate to the credit rating, were replaced by a combination of new financial covenants and commitments linked to the company's business plan.

In addition, the increased financial cost involved in this transaction will be offset by the expected effect of compliance with all the financial obligations and the divestments included in the Financial Strengthening Plan.

The rescheduling exercise concluded today is an important step within the Financial Strengthening Plan.

On June 23, 2003, it was reported that on that date the disposal of all the direct and indirect shareholdings of Empresa Nacional de Electricidad S.A. in Infraestructura Dos Mil S.A., Inecsa Dos Mil S.A., Sociedad Concesionaria Autopista del Sol S.A. and Sociedad Concesionaria Autopista Los Libertadores S.A. had been disposed of to the Spanish company OHL Concesiones, S.L., subsidiary of the Spanish company Obrascón Huarte Lain S.A., for UF 2,305,507, by having signed all the respective transfer contracts.

On July 23, 2003, it was reported that, in accordance with clauses 9 and 10, para. 2, of Law 18,045 and Circular 1072 of the Superintendency of Securities and Insurance, Empresa Nacional de Electricidad S.A., through its foreign agency, had today issued, under Rule 144-A of the Securities Act 1933 of the United States of America, an issue of two series of bonds on the international markets for a total of US\$ 600,000,000.

The purpose of the bond issue is to provide the company with funds to refinance the maturity of 3-year bonds, called European Floating Rate Notes ("FRNs"), issued by the subsidiary Endesa Chile Internacional for 400 million euros which mature on July 24, 2003. An E/US\$ swap agreement was signed to cover the payment of the FRNs so that the net payment obligation for the FRNs on maturity is US\$ 381 million. The remaining proceeds of the bond issue will be mainly used to prepay company bank debt.

The operation is structured in two tranches:

US\$ 400 million of unsecured bonds maturing in 2013 with an interest rate of 8.35%.

US\$ 200 million of unsecured bonds maturing in 2015 with an interest rate of 8.625%.

On August 1, 2003, it was reported that, in accordance with clauses 9 and 10, para. 2, of Law 18,045 and Circular 1072 of the Superintendency of Securities and Insurance, and complementing our report of July 23, on the previous day the bond issue in question was registered with the Securities and Exchange Commission.

On October 6, 2003, it was reported that during the night of October 3, 9 of the 10 turbines of the hydroelectric plant of our Brazilian subsidiary Cachoeira Dourada S.A. were stopped by order of the Environmental Agency of the Federal State of Goiás. Of the 658 MW of the plant's capacity therefore, only 1, with a capacity of 17 MW, was operating for technical reasons.

The alleged reasons for this measure were the lack of the respective environmental license that authorizes Cachoeira Dourada S.A. to operate its plant. The requirement to have an environmental license was imposed by law in Brazil in 1996.

Endesa Chile acquired ownership of Cachoeira Dourada S.A. during the privatization process organized by the State of Goiás and the Federal Union in 1997. At the time of the privatization, Cachoeira Dourada S.A. had no license to operate the plant, as was the case then and is now for all the hydroelectric plants operating in the State of Goiás.

During 1998, Cachoeira Dourada S.A. began the process for obtaining this license from the Federal Environmental Organism (IBAMA) which claimed for itself competence for granting environmental licenses for all hydroelectric plants using federal rivers, which is the case of our subsidiary Cachoeira Dourada S.A. The process of obtaining this license is currently in its normal administrative passage through the federal entity and it should be noted that Cachoeira Dourada S.A. is the company that is the most advanced in this process, compared to the rest of the electricity plants in the State of Goiás.

The measure taken by the Environmental Agency of the State of Goiás, without precedent in the Federal Republic of Brazil, is therefore arbitrary and discriminatory and we therefore relieve it should be lifted soon as it is evidence of a conflict of competences which should be resolved quickly.

In any event, the subsidiary Cachoeira Dourada S.A. will take all necessary administrative and legal actions.

As reported in our last consolidated financial statements, Cachoeira Dourada S.A. has just one customer, the state-owned distributor of the State of Goiás, CELG, which has a contentious lawsuit with our subsidiary, having obtained a court ruling to provisionally suspend the payment of its invoices from April this year with respect to the firm energy contract. Under a new court decision, this distributor now has to pay 50% of the contract.

On October 10, 2003, it was reported that, with respect to the stoppage of 9 of the 10 turbines of our subsidiary Cachoeira Dourada S.A., the competent court of the State of Goiás, Brazil, on that date ordered an injunction against further moves as requested by our subsidiary Cachoeira Dourada S.A. to suspend the stoppage measure decreed by the state agency of Goiás.

Notwithstanding the above, the Goiás State Environmental Agency cancelled its measure stopping the turbines, in compliance with an agreement signed the day before in Brasília between Cachoeira Dourada S.A. and the State Environmental Agency, under which the latter promised to set aside the administrative act that it had decreed.

As a result of the court order and the administrative act of the Goiás state environmental agency, the plant of Cachoeira Dourada S.A. immediately restarted its operations normally with all its turbines.

On October 24, 2003, it was reported that Empresa Nacional de Electricidad S.A. had placed a bond for U.F. 8,000,000 in the domestic market. This placement was made in two series, each for U.F. 4,000,000, the first being for seven years at an interest rate of 5.65% and the second for twenty-five years at an interest rate of 6.76%.

The proceeds of this transaction, that forms part of the Financial Strengthening Plan, is to refinance the company's liabilities.

principal subsidiaries and associated companies

Main Subsidiaries

Central Costanera S.A.

Costanera is an electricity generation company publicly traded in Argentina with 2,302 MW total installed capacity including a 1,451 MW capacity oil and gas-fired generation facility and a 851-MW capacity natural gas combined-cycle facility in Buenos Aires, that came into service in December 1998. The facility was acquired from the Argentine government following the privatization of Servicios Eléctricos del Gran Buenos Aires S.A. in 1992 when Endesa Chile acquired a 24% interest. Endesa Chile subsequently increased its interest reaching a total ownership share to date, through its subsidiary Endesa Argentina, of 64.26%. On November 19, 2001, the shareholders' meetings of Costanera and Central Termoeléctrica Buenos Aires S.A. ("CBA") approved the merger of CBA into Costanera. The merger was effective as of December 1, 2001, the date when the accounting books of CBA were incorporated in the accounting books of Costanera, and since such date it functioned as one company. Costanera is incorporated in Argentina.

Hidroeléctrica El Chocón S.A.

El Chocón is an electricity generation company, incorporated in Argentina, located between the Neuquén and Río Negro provinces in southern Argentina (the Comahue Zone). It has two hydroelectric power stations with an aggregate installed capacity of 1,320 MW. El Chocón is currently the second largest hydroelectric facility in Argentina. This 30-year concession was granted by the Argentine government to our subsidiary, Hidroinvest S.A., which bought 59.00% of the shares in July 1993 during the privatization process. Endesa Chile operates El Chocón for a fee pursuant to an operating agreement with a term equal to the duration of the concession. Endesa Chile has an indirect ownership of 47.44% and a 65.19% voting share in El Chocón.

Centrais Elétricas Cachoeira Dourada S.A.

Cachoeira Dourada, incorporated in Brazil, is located in Goiás state, south of Brasília. It owns a run-of-the-river hydroelectric plant with a total installed capacity of 658 MW.

In September 1997, a consortium comprised of Endesa Chile, with an 81.94% interest, and the Peruvian-associated Edegel, with an 18.06% was awarded 79.36% of the share capital of Cachoeira Dourada in a 30 year concession. In 1998 and 2001, Endesa Chile, through its subsidiary Lajas Inversora S.A. (formerly Lajas Holding Inc.), increased its indirect holding in Cachoeira Dourada and in 2003, Endesa Chile purchased an additional 384,508 shares of stock, increasing its share capital by 0.0131% for a total indirect ownership in Cachoeira Dourada of 92.51%, and a voting share of 99.61%.

Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)

Pehuenche S.A., a generation company connected to the SIC, owns three hydroelectric facilities south of Santiago in the high-rainfall hydrological basin of the Maule river with a total of 695 MW of installed capacity. Its 566 MW Pehuenche plant started operating in 1991, its 89 MW Curillínque plant started up in late 1993, and its 40 MW Loma Alta plant started operating in August 1997. Endesa Chile holds 92.65% of the share capital of Pehuenche S.A. as of December 31, 2003. Pehuenche S.A. is incorporated in Chile.

Empresa Eléctrica Pangue S.A. (Pangue S.A.)

Pangue S.A. was incorporated to build and operate the 467 MW installed capacity hydroelectric power station on the Bío-Bío river. The first unit commenced operations on October 31, 1996, while the second unit commenced operations on February 3, 1997. Endesa Chile holds 94.98% of the share capital of Pangue S.A. as of December 31, 2003. Pangue S.A. is incorporated in Chile.

Compañía Eléctrica Tarapacá S.A. (Celta S.A.)

Celta S.A. is incorporated in Chile and was formed in November 1995 to build and operate the 182 MW coal-fired thermal plant in the SING. Celta S.A. is a 100% owned subsidiary of Endesa Chile.

Compañía Eléctrica San Isidro S.A. (San Isidro S.A.)

San Isidro S.A. was incorporated in Chile in February 1996 to build and operate a 379 MW combined-cycle thermal plant in Quillota in the Fifth Region. The plant began commercial operations in October 1998. A 220 kV transmission line of 9 kilometers was built to connect this thermal plant to the SIC. This transmission system is owned by Transquillota Ltda., in which San Isidro S.A. has a 50% interest. Endesa Chile holds a 75% ownership share capital of San Isidro S.A. The remaining shares are held by Entergy.

Empresa de Ingeniería
Ingendesa S.A. (Ingendesa)

Ingendesa is a multi-disciplinary engineering company founded in late 1990. Its purpose is to provide engineering services, project management and related services in Chile and internationally. It therefore offers all the necessary specializations: civil, mechanical and electrical engineering, metallurgy, architectural and environmental services. Ingendesa is a 97.64% owned subsidiary of Endesa Chile and is incorporated in Chile.

Sociedad Concesionaria Túnel El
Melón S.A.

Sociedad Concesionaria Túnel El Melón S.A. was formed in July 1993 to construct and manage the public road tunnel called Túnel El Melón, under a 23-year concession. It includes 3.3 km of access roads and a tunnel approximately 2.5 km long. It is located 130 km north of Santiago and was the first infrastructure concession granted by the Chilean state. Commercial operation of the tunnel began in September 1995. Endesa Chile owns 99.95% of this company which is incorporated in Chile.

Emgesa S.A. E.S.P. (Emgesa)

On September 15, 1997, Central Hidroeléctrica de Betania, through its subsidiary Inversiones Betania S.A. and in association with Endesa Desarrollo S.A. of Spain, was awarded control of the generation company Emgesa, with 48.48% of the shares. As of December, 2003, Emgesa has a total installed generating capacity of 2,049 MW. As of December 31, 2003, Endesa Chile's indirect ownership in Emgesa was 22.36%. Emgesa was incorporated in Colombia.

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

Betania is a hydroelectric generation facility and is located at the intersection of the Magdalena and Yaguará rivers, in the southwest of Colombia. In December 1996, a consortium comprised of Endesa Chile, with a 75% interest and the Colombian company Corfivalle, with the remaining 25% interest, was awarded 99.9% of the share capital of Betania. In 1997, following a program of operating improvements, the capacity of the plant was increased from 510 to 540 MW. As of December 31, 2003, Endesa Chile owned 85.62% of Betania. Betania is incorporated in Colombia.

Edegel S.A.A. (Edegel)

Edegel is an electricity generation company, acquired by Endesa Chile in 1995. It currently owns seven hydroelectric plants (Huinco, Matucana, Callahuanca, Moyopampa, Huampani, Yanango and Chimay) and one thermal plant (Santa Rosa), with a combined installed capacity of 967 MW. In 2000, Edegel completed the construction of two hydroelectric plants, Yanango (43 MW) and Chimay (153 MW), and a 220 kV transmission line linking both plants to the Peruvian system. As of December 31, 2003, Endesa Chile had a 37.90% indirect ownership share in this subsidiary. Endesa Chile has a 63.56% voting share in Edegel through Generandes Perú S.A. Edegel is incorporated in Peru.

Main Related Companies

Comercializadora de Energía del
Mercosur S.A. (CEMSA)

CEMSA is responsible for trading electricity, including imports and exports of energy. As of the date of this report, Endesa Chile has an indirect ownership holding in CEMSA of 45%. CEMSA's other shareholder is Endesa-Spain. CEMSA is incorporated in Argentina.

Compañía de Transmisión del
Mercosur S.A. (CTM)

CTM is an electricity transmission company that owns the Argentine portion of an interconnection line joining the Brazilian and Argentina electricity markets. This company was incorporated in Argentina in July 1997. Endesa Chile has an indirect ownership holding in CTM of 45% through CIEN.

Transportadora de Energía del
Mercosur S.A. (TESA)

TESA is an electricity transmission company that owns the Argentine portion of an interconnection line joining the Brazilian and Argentine electricity markets. This company was incorporated in Argentina in January 2001 and Endesa Chile has an indirect ownership holding of 45% through CIEN.

Compañía de Interconexión
Energética S.A. (CIEN)

This Brazilian company is responsible for trading electricity in the Brazilian market. CIEN built two 500 kV transmission lines next to each other over a distance of approximately 500 km from Rincón, Argentina, to Itá in the State of Santa Catarina, Brazil. CIEN has received two twenty-year authorizations from ANEEL to operate the Brazilian side of the transmission lines, after which time the transmission lines and the converter stations will become the property of the Brazilian government. CIEN, through its subsidiaries CTM and TESA, owns and operates the Argentine side of both lines. Endesa Chile has a 45% indirect ownership share in this company and Endesa-Spain the remaining 55%. CIEN is incorporated in Brazil.

Gasoducto Atacama Chile S.A.
(Gasoducto Atacama Chile)

Gasoducto Atacama was formed under the laws of Chile, with the purpose of transporting natural gas both within Chile and abroad, including the construction and placement of pipelines and any other related activities. The company owns the Chilean side of a natural gas pipeline that can transport up to 8.5 million cubic meters of gas daily from northern Argentina to Mejillones in Chile which commenced supplying gas to the SING in July 1999 and also owns an extension of this pipeline from Mejillones to Tal Tal in Chile, which was added in 2000, allowing Endesa Chile's 240 MW Tal Tal thermal power plant to be put into service the same year, supplying electricity to the SIC.

GasAtacama Generación S.A.
(GasAtacama Generación)

The purpose of this company, incorporated in Chile, is to generate, transmit, purchase, distribute and sell electric energy in the SING. It owns and operates two combined cycle power plants, that together have 780 MW of installed generation capacity. The company Nor Oeste Pacifico Generación de Energía Limitada ("Nopel Ltda.") changed its name to GasAtacama Generación Limitada in October 2002, and changed again in December 2003 to GasAtacama Generación S.A. Endesa Chile has a 50% indirect ownership share in this company.

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Electrogas S.A.

Electrogas was incorporated in Chile, in late 1996. The objective of this company is to offer natural gas transportation services to the Fifth Region of Chile, especially to the San Isidro and Nehuenco combined-cycle plants at Quillota. Endesa Chile has an added direct and indirect ownership of 42.5% share in this company. The other shareholders are Colbún S.A. and Enap.

The company Gasoducto Atacama Compañía Limitada changed its name to Gasoducto Atacama Chile Limitada in October 2002, and changed again in December 2003 to Gasoducto Atacama Chile S.A. Endesa Chile has a 50% indirect ownership share in Gasoducto Atacama.

GasAtacama S.A. (GasAtacama)

Endesa Chile has a 50% total ownership interest in GasAtacama, a company incorporated in Chile. CMS Energy Corp. (CMS), a U.S. corporation, has the remaining 50% ownership interest. The purpose of this company is the administration of its subsidiaries, including Gasoducto Atacama Chile S.A., Gasoducto Atacama Argentina S.A. and GasAtacama Generación, which are involved in electricity generation and natural gas transportation.