

2004 ANNUAL REPORT / ENDESA CHILE





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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 2004.

Before entering into detail about the company's actions last year, allow me to comment on some of the highlights.

The year 2004 unfolded within a complex scenario marked by the crisis of the gas supply from Argentina. This led to a rising trend in market prices for electricity including the node price which, as from May, was adjusted to incorporate the higher cost of thermal generation. The Chileans also coined a new concept of "gas drought" which led the regulatory authority to redefine the energy matrix, seeking new alternatives and generating a debate in which Endesa Chile played an important role.

This discussion will continue throughout 2005, and you can be sure that our company will continue to contribute ideas and initiatives for making the Chilean electricity sector more robust, independent and reliable. We are a leading company in the market, and from that position, we will contribute, with responsibility as always, to ensure that the future of the industry and of society in general is more secure.

In this scenario of instability, Endesa Chile was able to make the Ralco hydroelectric plant available to the system. Its entry was applauded by all industry players because of the relief it brought to the Central Grid System. My most sincere congratulations go out to all those who worked tirelessly so that Ralco passed from being just a project to reality. This is a plant which is exemplary of the capacity of Chilean engineering and which uses as a fuel one of the elements that Chile should take advantage of: water.

FINANCIAL RIGOR

Endesa Chile produced a net income of ThCh\$ 83,788,756 in 2004, an improvement over 2003 when the result was ThCh\$ 80,084,185. This is despite making a provision of ThCh\$ 17,127,000 for the re-calculation of firm capacity for the period April 2000 - March 2004.

These figures were achieved in a year marked by the tonic of previous years: financial rigor, which has continued to be the maximum priority in the management of Endesa Chile. Having passed the tight moments we suffered in 2003, the company throughout 2004 continued to work constantly on reducing its debt and improving its useful life.

As a result of this rigor, Endesa Chile now has easy access to the financial markets which has enabled it to reduce net financial expenses by 7.7 % compared to the year before and increase the average maturity of the bank debt in Chile from 1.04 to 5.6 years.

Be assured that in the future, we will continue to look for opportunities for further improving our financial profile because I am convinced that this rigor is the angular stone for the best performance by a company such as ours.

OPERATING INCOME

Consolidated operating income in 2004 was ThCh\$ 369,025,170, equivalent to an increase of 6.4 % over 2003. This rise was obtained from improvements in the operating income of the subsidiaries in Colombia, Brazil and Argentina. Physical energy sales increased by 5.5 % and the average sales price also rose.

The cost of sales however suffered an increase of 11.5 %, basically as a result of higher fuel costs for thermal generation. However, electricity generation increased by 11.4 %, thus reducing energy purchases by 23 %.

Concerning Chile, operating income reached ThCh\$ 149,718,155, representing 40.6 % of the company's total operating income, but this was ThCh\$ 9,423,245 below the level of 2003, mainly because of higher variable operating costs.

In Argentina, operating income reached ThCh\$ 34,378,759 which represents 9.3 % of the total operating income of Endesa Chile for the year. Notable was the 30% increase in sales following a substantial rise in generation and the 6.8% increase in demand for electricity.

The Argentine authority also gave positive signs in terms of the process of restoring realistic prices for the electricity sector. These began in February with a first adjustment of the seasonal price for large users and commercial customers, followed by a second adjustment in November.

The operating income of the Brazilian subsidiary Cachoeira Dourada, was ThCh\$ 14,314,032, representing 3.9 % of Endesa Chile's consolidated operating income. This income was a 281 % improvement over 2003, evidencing the achievements made by the company with respect to its legal dispute with its principal customer, Celg, which was completely resolved in 2004. Cachoeira Dourada's physical generation was 7.9 % up on the previous year, basically the result of growing demand for energy and favorable hydrology.

Regarding Colombia, operating income was ThCh\$ 118,456,420 which contributed to 32.1 % of the company's total result. This figure shows an increase of 34.4 % over 2003 following a rise in sales of energy as a result of greater demand in the Colombian market, and good hydrology.

In Peru, the operating income of the subsidiary Edegel reached ThCh\$ 52,157,804, representing 14.1 % of the company's total. This is a reduction from the previous year basically because of low hydrology and the consequent fall in physical generation.

SHARE PRICE

The successful year enjoyed by Endesa Chile in 2004 was fully reflected in the prices of its shares traded on the Santiago Stock Exchange and of the ADR traded in the United States.

In the case of the shares, these rose by 43.8 %, from Ch\$233 to Ch\$335. The rise in the ADR price was even greater as this moved by 55.9 %, from US\$ 11.7 to US\$ 18.2.

I am convinced that these significant increases reflect the market's great confidence in Endesa Chile, and are recognition of the hard work performed by the management and of the responsibility involved in managing a company of the importance of ours.

INVESTMENT AND TARIFFS

Undoubtedly, the most outstanding event this year was the start-up of the Ralco hydroelectric plant, which entered the grid system on September 6. This represents the successful conclusion of the largest investment project of Endesa Chile in the last ten years.

As you know, although the construction of the works was not free of conflicts, the lessons learned, both by the country and the company, should be very much present when taking new investment decisions. Ralco arrived in time to provide a breather for the Chilean electricity system because of the Argentine gas supply crisis. This should be valued broadly both by the industry and by the authorities, with a view to the future.

The plant's installed capacity was finally greater than the 570 MW originally contemplated. On December 9, the National Environmental Commission (Conama) authorized Ralco to operate with a capacity of 690 MW, thus contributing an additional 120 MW to the grid and improving the distribution of the water, in order to satisfy peak-hour demand and marginally increase average annual generation.

Regarding tariffs in Chile, the node price set by the authority in April 2004 was 6.2 % higher in Chilean pesos than the previous level. The free price band operated in the price-setting of October 2004. Changes were also introduced to energy and power penalization factors, defining the prices in the grid's different nodes.

The effect of this last tariff-setting for Endesa Chile is a 6.5% rise in the average price for billing regulated customers, in peso terms, and 4.3 % in dollar terms.

SUSTAINABILITY

For a company like Endesa Chile, sustainable development is a fundamental factor in doing business. Both the board and the management of the company have accepted with full conviction the challenge of achieving excellence in this area.

An example of this was in July 2004 when Endesa Chile was chosen as the best Latin American company in the electric utilities category with respect to corporate governance practices. This award, given by the Institutional Investor Research Group, is an incentive to continue following the same path.

On September 13, 2004, the company committed itself to respecting and complying with the nine principles of the Global Compact, an action plan designed by the United Nations for promoting, through the ethical commitment that companies of all countries accept as an integral part of their strategy and operations, principles that lead to respect in terms of human rights, the environment and work.

Concerning its environmental efforts, Endesa Chile ended the year 2004 with 86.2 % of its installed capacity certified under the ISO 14,001 standard, comparing very favorably with 63 % the year before. This means that the company has 35 of its 46 plants certified, the equivalent of 10,634 MW. We are again the Latin American leaders in this area and please be assured that we will continue working so that the environment in which we work is more and more clean.



All the figures I have mentioned in this text are the reflection of the excellent year our company has had. However, I would not like to end without thanking those who worked hard in achieving these results. A first-class professional team works in Endesa Chile, which, under the supervision of the board which I am proud to preside, has enabled our company to look to the future with an air of genuine satisfaction. And be confident that the whole team will continue to work with commitment in strengthening the leadership we have achieved throughout our history.

A handwritten signature in blue ink, which appears to be 'Luis Rivera Novo'. The signature is written over a horizontal line.

Luis Rivera Novo

Chairman of the Board

NOTABLE EVENTS OF 2004



Successful renegotiation of loans and international credit rating

During 2004, Endesa Chile managed to renegotiate the conditions of a syndicated loan originally signed in May 2003. In a first negotiation in February 2004, at the same time as making a prepayment of US\$ 34 million of the US\$ 284 million amount of this loan, the company obtained a reduction in the interest margin of 185 basis points over Libor and obtained greater flexibility in the loan agreement's conditions, eliminating guarantees and other restrictions. In a second negotiation in November 2004, Endesa Chile again obtained improved conditions, ending the

year with a syndicated loan of US\$ 250 million with an interest rate of Libor plus a margin of 37.5 basis points, maturing in 2010 and permitting voluntary drawings and prepayments without additional cost for the company. In April 2004, Endesa Chile managed to reduce the interest margin on the syndicated loans by 185 basis points, prepaying this debt at December 31, 2004, which amounted to US\$ 54.4 million. These renegotiations, accompanied by the company's operating improvement, set the bases for an improvement in its international credit rating announced in early 2005.



Latin American company with the best corporate governance

On July 20, 2004, Endesa Chile was chosen by the Institutional Investor Research Group as the Latin American company with the best corporate governance among electricity companies in the region that trade their shares in the United States. Institutional Investor Research Group, a well-reputed entity worldwide, carried out a survey of the Latin American companies based on confidential polls of the most important players in the finance industry, including portfolio managers, investment banks and analysts. This recognition is in addition to that obtained in 2002 when it was chosen by the Institutional Investor Research Group, as the best company in Chile in investor relations.



Celebration of 10 years on the NYSE

On July 23, 2004, in a ceremony that took place in the New York Stock Exchange, NYSE, Endesa Chile celebrated a decade of presence in the world's principal stock market. The event was headed by the chairman of the company, Luis Rivera Novo, and the chief executive officer, Héctor López Vilaseco; present also were Catherine R. Kenney, Co-President and Chile Operating Officer of the NYSE, together with major company investors, directors and executives.



New corporate image

The company's new corporate image was presented on June 23, 2004. Its principal characteristic reflects the close relationship with the Spanish parent company, Endesa, S.A. This change is evidence of a new stage in the history of the company, in which it will face future challenges with a new corporate image that reflects concepts like support, technology and value.



Improved evaluation in business sustainability

Following the strategy outlined by its Spanish parent, Endesa Chile again made its own evaluation of business sustainability through the SAM agency for the Dow Jones Sustainability Index (DJSI), for which it now has the logo since September 2, 2004 for use as from January 1, 2005, and improved its evaluation by 2 points compared to the previous year.



Start-up of operations of the Ralco hydroelectric plant

On September 6, 2004, the Ralco hydroelectric plant was made available to the Load Economic Dispatch Center (CDEC-SIC), starting to operate commercially with the first unit and, on September 22, with the second. On 27th of that month, this plant on the Upper Bío-Bío was inaugurated, with an initial capacity of 570 MW.



Adhesion with the United Nations global compact

On September 13, 2004 Endesa Chile signed a letter of adhesion with the United Nations global compact, an international initiative for companies, international associations of workers, non-government organizations and other institutions and entities to commit to adopt, support and promulgate ten basic universal principles related to respect for human rights, labor regulations, the environment and the fight against corruption and bribery.



Record daily generation in Latin America

On November 23, 2004, a record daily generation was set on the assets managed by Endesa Chile in Latin America, of 204,115 MWh, 13 % higher than the previous daily record, with a load factor for that day of 58.1 %.



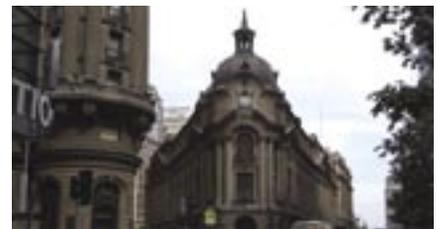
Approval of increased capacity of Ralco by CONAMA

On December 9, 2004, the National Environmental Commission (CONAMA) authorized the Ralco hydroelectric plant to operate with a capacity of 690 MW, implying the contribution of an additional 120 MW to the grid system and improving the distribution of the water, in order to cover demand at peak hours, marginally increasing average annual generation.



Achievements in ISO 14,001 environmental certifications

Endesa Chile achieved in 2004 the ISO 14,001 environmental certification for six of its plants in Chile, two in Colombia and eight in Peru, ending the year with 86.2 % of its Latin American installed capacity certified under this international standard. Of the total of 46 plants with a total 12,332.8 MW of capacity, Endesa Chile now has 35 installations certified, equivalent to 10,634.2 MW.



Important increases in share and ADR prices

The share price of Endesa Chile during 2004 saw a sharp rise of 43.8 %, taking it from Ch\$ 233 to Ch\$ 335. The rise in the ADR price was even greater as this increased by 55.9 % from US\$ 11.7 to US\$ 18.2 per ADR.

MANAGEMENT

BOARD OF DIRECTORS

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 26, 2004.



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
 University of Granada
 Spanish passport: 24280698-N



DIRECTOR
Jaime Bauzá Bauzá
 Civil Engineer
 Pontificia Universidad Católica de Chile
 Tax No.: 4.455.704-5



DIRECTOR
Ignacio Blanco Fernández
 Industrial Engineer
 Universidad Politécnica de Cataluña
 Economist
 University of Zaragoza
 Spanish passport: 39666793-G



DIRECTOR
Enrique García Álvarez
 Engineer in Roads, Canals and Ports
 Escuela Técnica Superior de ICCP de Madrid
 Spanish passport: 00368833-M



DIRECTOR
Carlos Torres Vila
 Electrical Engineer
 Massachusetts Institute of Technology - MIT
 Spanish passport: 50710025-Q



DIRECTOR
Andrés Regué Godall
 Industrial Engineer
 Escuela Técnica Superior
 de Ingenieros Industriales de Barcelona
 Spanish passport: 36885079-W



DIRECTOR
Antonio Tuset Jorratt
 Commercial Engineer
 University of Chile
 Tax No.: 4.566.169-5



DIRECTOR
Leonidas Vial Echeverría
 Vice Chairman of Santiago
 Stock Exchange
 Tax No.: 5.719.922-9

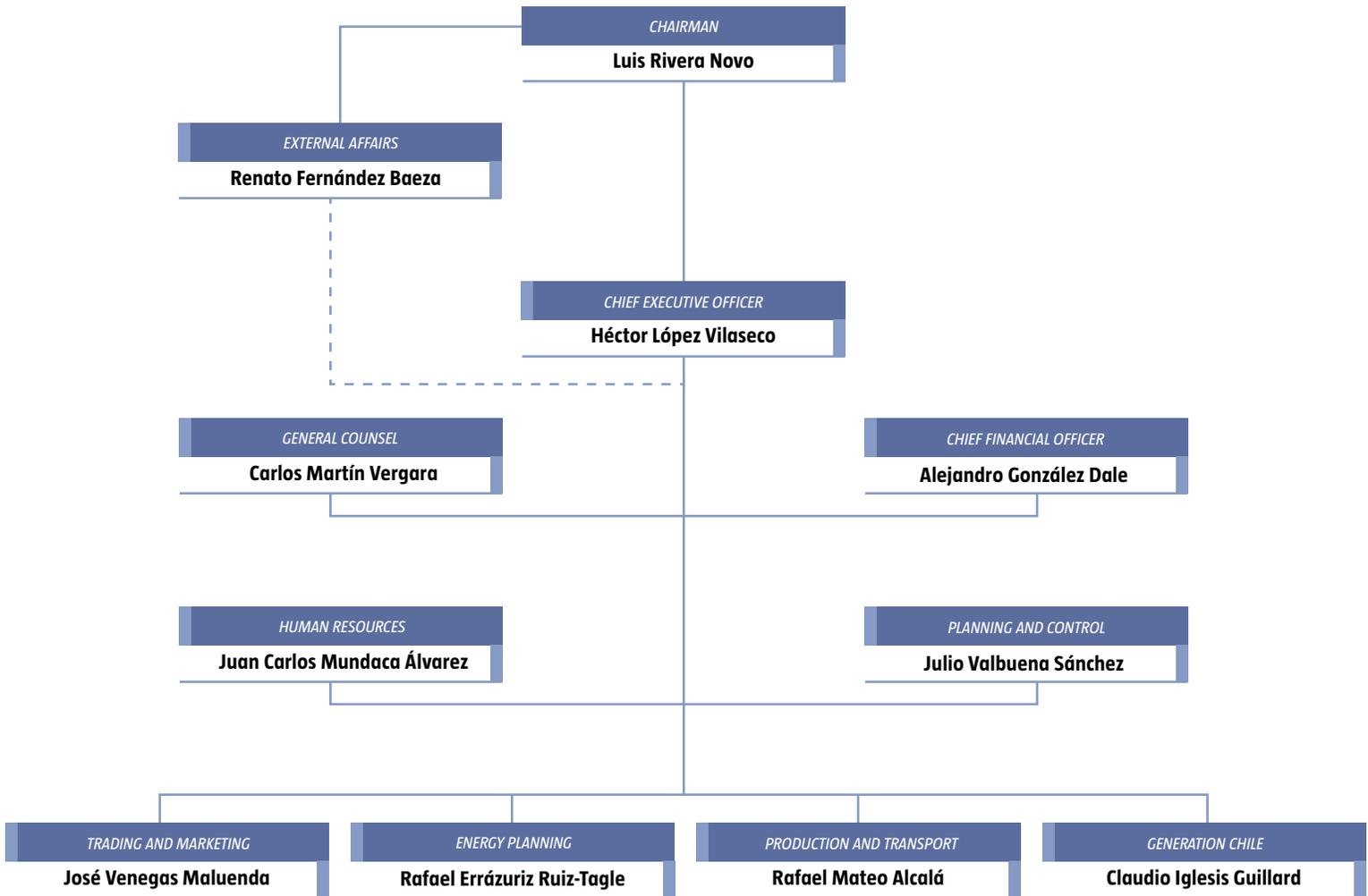
DIRECTORS' REMUNERATION

In accordance with clause 50 bis of the Corporations Law, the ordinary shareholders' meeting should determine the remuneration and expense budget of the members of the Directors' Committee.

DIRECTORS' REMUNERATION RECEIVED DURING 2004 (THOUSANDS OF PESOS)

DIRECTOR	PER DIEM ENDESA CHILE	PER DIEM SUBSIDIARIES	DIRECTORS' COMMITTEE	PARTICIPATION	TOTAL
Luis Rivera Novo	37,806	-	6,855	-	44,661
Antonio Pareja Molina	27,421	-	-	-	27,421
Jaime Bauzá Bauzá	19,525	-	7,478	-	27,003
Ignacio Blanco Fernández	19,525	3,942	-	-	23,467
Enrique García Álvarez	19,525	-	-	-	19,525
Carlos Torres Vila	18,280	-	-	-	18,280
Andrés Regué Godall	17,656	6,689	-	-	24,345
Antonio Tuset Jorratt	19,525	-	7,478	-	27,003
Leonidas Vial Echeverría	18,279	-	-	-	18,279
TOTAL	197,543	10,631	21,810	-	229,984

ORGANIZATION STRUCTURE



MANAGEMENT REMUNERATION

The total remuneration received by the managers of Endesa Chile during 2004 amounts to Ch\$ 2,001,522,396.

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 2004 to the company's senior executives.

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.: 7.160.389-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

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, Spain

Spanish passport: 33224179 - N

GENERATION COLOMBIA

Lucio Rubio Díaz

Degree in Economic and Business Sciences

University of 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 2004 to the executives of the company's principal subsidiaries.

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. In addition, the vacancy will trigger an election for every seat on the board of directors 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.

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.

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 Comité de Directores composed of three directors. Although Chilean Law requires that a majority of the Comité de Directores (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 Comité de Directores 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 Comité de Directores is composed by a majority of non-control directors.

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.

Corporate Governance Guidelines

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

COMMITTEES AND OTHER ADVISORY BODIES

The Comité de Directores

The Comité de Directores 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.

KEY DATA ON THE ENDESA CHILE GROUP

	At December 31 each year				
	2000	2001	2002	2003	2004
In Argentina					
Número de employees	287	285	284	283	311
Número de generating plants	5	5	5	5	5
Installed capacity (MW) (1)	3,622	3,622	3,622	3,622	3,623
Eléctricity generated (GWh) (2)	10,129	9,948	7,291	7,997	11,290
Energy sales (GWh)	15,549	12,988	7,897	9,259	11,604
In Brazil					
Número de employees	45	47	52	53	53
Número de generating plants	1	1	1	1	1
Installed capacity (mw) (1)	658	658	658	658	658
Eléctricity generated (GWh) (2)	3,406	2,256	2,467	3,024	3,262
Energy sales (GWh)	3,887	3,743	3,591	3,770	3,902
In Chile					
Número de employees	888	870	818	708	725
Número de generating plants	21	20	20	21	22
Installed capacity (MW) (1)	4,035	3,935	3,935	3,763	4,477
Eléctricity generated (GWh) (2)	15,346	15,741	16,286	16,524	16,797
Energy sales (GWh)	20,086	18,673	18,344	18,681	18,462
In Colombia					
Número de employees	377	386	315	319	319
Número de generating plants	10	10	8	9	10
Installed capacity (MW) (1)	3,035	3,035	2,735	2,589	2,609
Eléctricity generated (GWh) (2)	9,618	10,106	10,699	10,794	11,881
Energy sales (GWh) (3)	13,356	14,591	14,639	14,481	15,148
In Peru					
Número de employees	167	164	154	152	154
Número de generating plants	8	8	8	8	8
Installed capacity (MW) (1)	997	1,003	1,003	967	967
Eléctricity generated (GWh) (2)	3,623	4,176	4,279	4,287	4,136
Energy sales (GWh)	3,604	4,239	4,158	4,443	4,328
(millions of pesos at December 31, 2004)					
Total assets	6,228,652	6,585,817	6,754,179	5,601,969	5,317,659
Total liabilities	3,450,836	3,605,198	3,722,070	2,823,797	2,621,370
Minority interest	1,352,384	1,483,079	1,551,044	1,248,187	1,127,391
Shareholders' equity	1,425,433	1,497,540	1,481,066	1,529,986	1,568,898
Sales	970,703	1,082,125	971,167	943,288	1,032,662
Cost of sales	(659,761)	(685,965)	(575,171)	(564,208)	(629,191)
Operating income	276,338	360,241	358,429	346,974	369,025
Non-operating result	(37,348)	(256,533)	(324,473)	(183,480)	(165,109)
Net income (loss)	118,977	74,704	(9,647)	80,084	83,789
Current ratio					
	0.56	0.46	0.48	0.84	1.27
Debt ratio (4)					
	1.24	1.21	1.23	1.02	0.97

- (1) The installed capacity figures reflect the maximum electrical capacity according to the technical characteristics of each generating unit at the end of the year. With respect to Chile, the Ralco plant came into operation in 2004 with a capacity of 690 MW, and the installed capacity of the Diego de Almagro plant, the 23 MW turbine rented to Codelco, is included. With respect to Colombia, the small Tequendama plant, of 19.4 MW capacity, started operating in 2004.
- (2) The electricity generated figures for the years 2003 and 2004 refer to the total generation after deducting own consumption, which explains why they differ in some cases from previous reports when gross generation was shown.
- (3) The energy sales figures exclude inter-company sales so the 2003 figures were reduced with respect to Betania's sales to related companies, of 419.6 MW.
- (4) Total liabilities / shareholders' equity plus minority interest.



THE COMPANY

BASIC IDENTIFICATION

Name	:	Empresa Nacional de Electricidad S.A.
Kind of Entity	:	Open corporation
Tax No.	:	91081000-6
Address	:	Avenida Santa Rosa 76 833-0099 SANTIAGO
Telephone	:	(56-2) 6309000
Fax	:	(56-2) 6354720 (56-2) 6353938
P.O. Box	:	1392, Santiago
Web Site	:	www.endesachile.cl
Telephone Investor Relations	:	6342329
Fax Investor Relations	:	6354980
External Auditors	:	Ernst & Young Serv. Prof. de Auditoría Ltda.



Pangue Plant, Chile



CONSTITUTION DOCUMENTS: Empresa Nacional de Electricidad S.A. was constituted by public deed dated December 1, 1943 signed before the Santiago notary Luciano Hiriart Corvalán.

By Ministry of Finance Supreme Decree 97 of January 3, 1944, its existence was authorized and its bylaws approved which stated that the objects of the company were to exploit the production, transport and distribution of electricity and, in particular, to carry out the Country Electrification Plan approved by the council of Corfo at its meeting No.215 of March 24, 1943.

The extracts of the mentioned corporate deed and decree were published together in the Official Gazette of January 13, 1944 and inscribed in the Santiago Trade Register (folio 61 N° 62 and. 65 N° 63 respectively) on January 17, 1944.

It was declared legally installed by Ministry of Finance Supreme Decree 1,226 of February 23, 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

*Maule Lake, Chile*

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 abbreviated 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; and 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.





HISTORICAL SUMMARY

Empresa Nacional de Electricidad S.A. 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 followed by the Chilean government at that time, Endesa Chile was instructed to prepare itself for 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 process was begun with the acquisition through consortia of Central Costanera

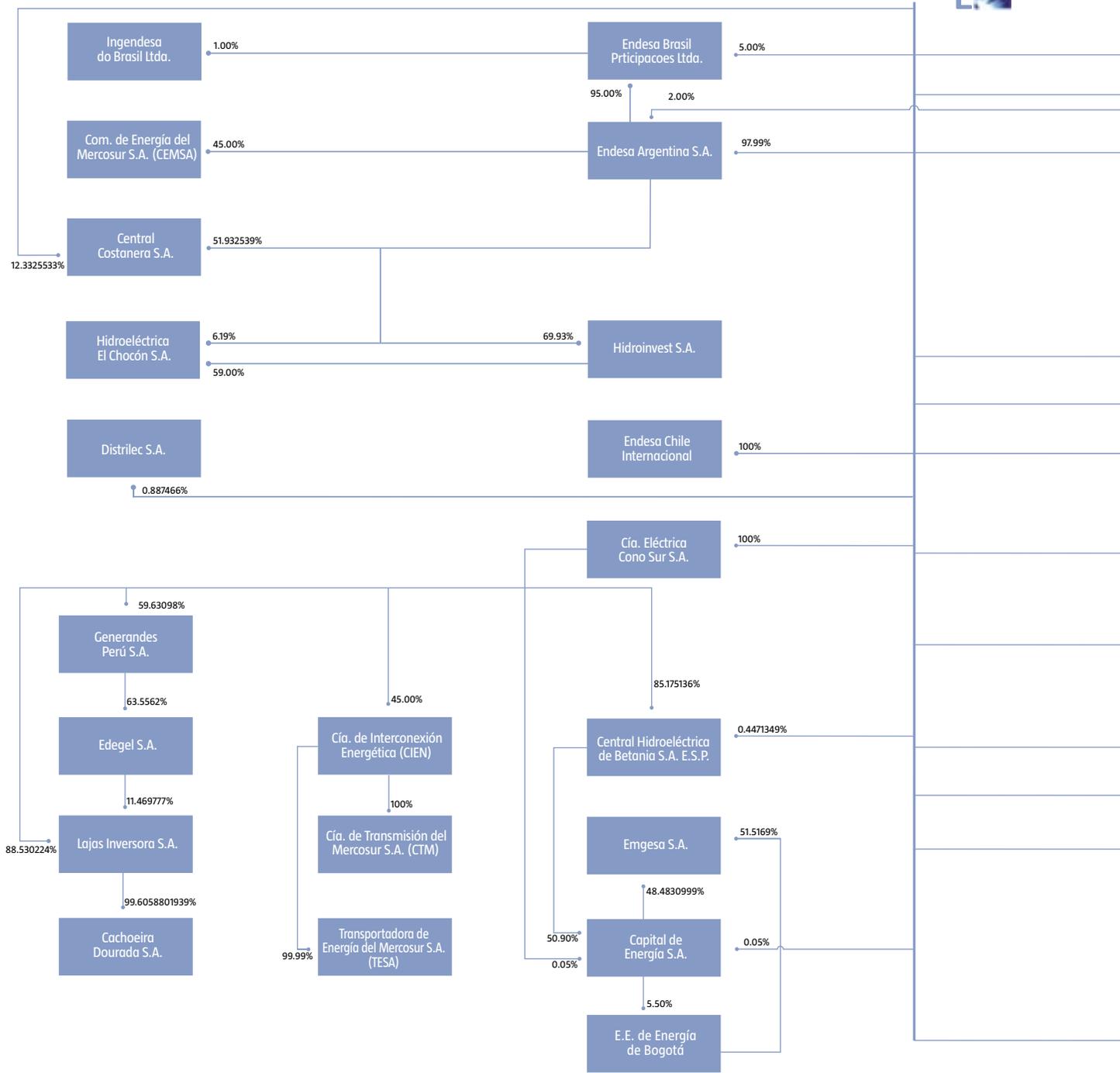
S.A. and later, in August 1993, of Hidroeléctrica El Chocón S.A., both in Argentina. In October 1995, Edegel S.A.A. was acquired in Peru. In December 1996, Central Hidroeléctrica de Betania S.A. E.S.P. was acquired and later, in September 1997, in association with Endesa Spain, Emgesa S.A. E.S.P., both in Colombia. Lastly, in September 1997, Centrais Elétricas Cachoeira Dourada S.A., Brazil was acquired.

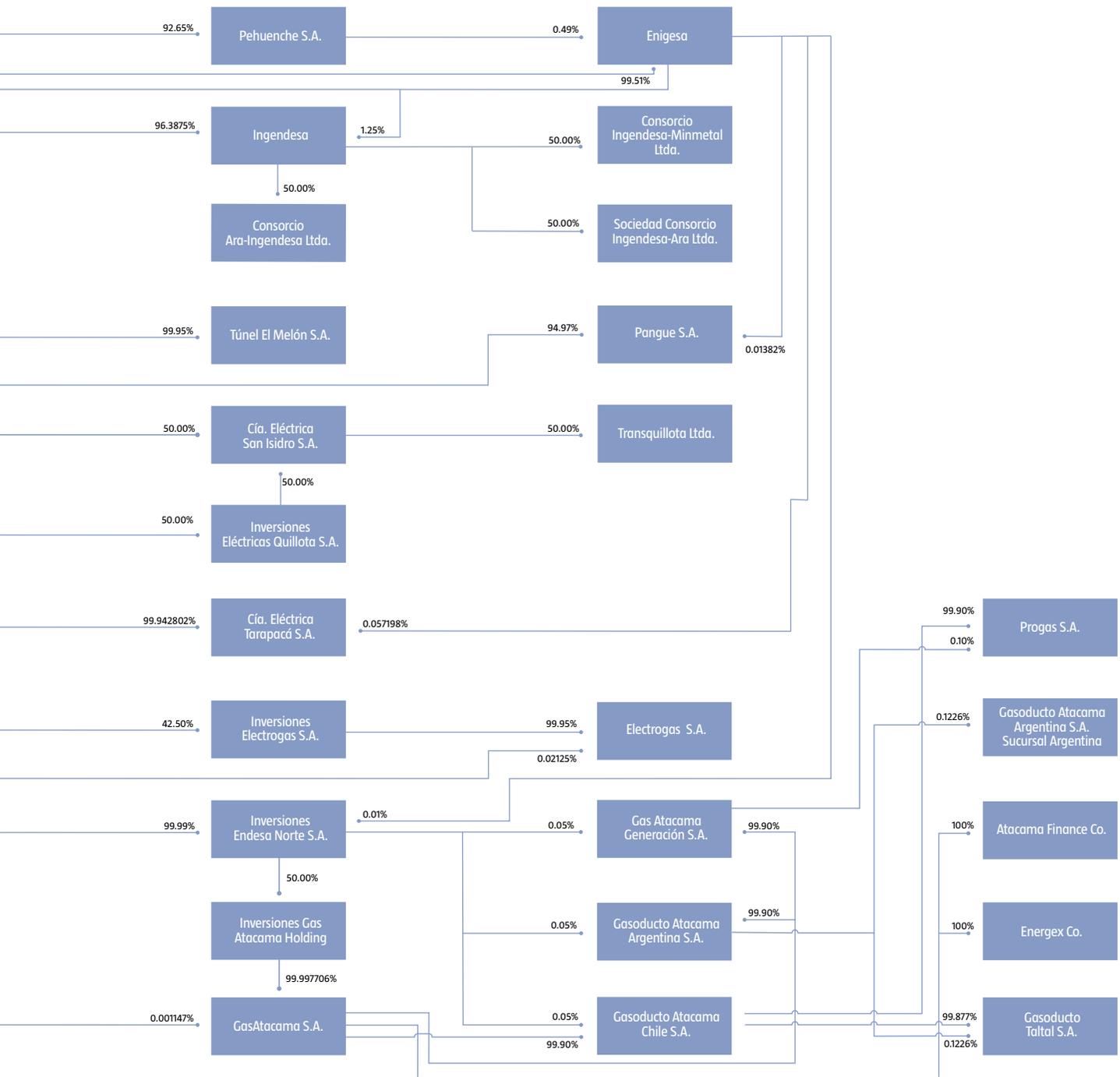
In May 1999, Enersis S.A., a subsidiary of Endesa Spain, which at that time held 25.3 % of Endesa Chile's share capital, acquired on the Santiago Stock Exchange and in the US markets, through a tender process, an additional 34.7 % of the company, thus giving it control of the company.

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, in September 2004, the Ralco hydroelectric plant of 690 MW started operating. This represents a 20 % increase in the installed capacity of Endesa Chile and subsidiaries on the SIC and 6 % growth in the total installed capacity in Chile. With this new plant, Endesa Chile operates 46 plants in Latin America with an installed capacity of 12,333 MW, making it one of the largest electricity generating companies in the region.

CORPORATE STRUCTURE





HOLDINGS IN SUBSIDIARY AND ASSOCIATE COMPANIES

Subsidiary Companies	% HOLDING	
	2003	2004
In Argentina		
Central Costanera S.A.	64.26	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.	92.51	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 Pangué S.A. (Pangué S.A.)	94.98	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. (Enigesá)	99.96	99.96
Inversiones Endesa Norte S.A.	100.00	100.00
In Colombia		
Emgesa S.A. E.S.P. (Emgesa)	22.36	22.42
Central Hidroeléctrica de Betania S.A. E.S.P.	85.62	85.62
Capital Energía S.A.	43.58	43.68
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



Associate Companies	% Holding	
	2003	2004
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 Brazil		
Compañía de Interconexión Energética S.A. (CIEN)	45.00	45.00
In Chile		
Electrogas S.A.	42.50	42.50
Transmisora Eléctrica de Quillota Ltda. (Transquillota)	37.50	37.50
Inversiones Gasatacama Holding Limitada	50.00	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 S.A.	50.00	50.00
Consortio Ingendesa-Minmetal Ltda.	48.82	48.82
Sociedad Consortio Ingendesa-Ara Ltda.	-	48.82
Consortio Ara-Ingendesa Ltda	48.82	48.82
Progas S.A.	50.00	50.00
In Cayman Islands		
Energex Co.	50.00	50.00
Atacama Finance Co.	50.00	50.00







HUMAN RESOURCES

PERSONNEL

The following table shows the personnel employed by Endesa Chile and its subsidiaries at December 31, 2004(1):

Company	Senior Executives	Professionals and Technicians	Other Employees	Total
Argentina				
Central Costanera S.A.	5	240	17	262
Hidroeléctrica El Chocón S.A.	1	42	6	49
Total Employees in Argentina	6	282	23	311
Brazil				
Centrais Elétricas Cachoeira Dourada S.A.	2	47	4	53
Total Employees in Brazil	2	47	4	53
Chile				
Endesa Chile	29	407	37	473
Pehuenche S.A.	-	3	-	3
Pangue S.A.	-	-	-	-
San Isidro S.A.	-	2	-	2
Celta S.A.	1	-	-	1
Ingendesa	3	190	28	221
Túnel El Melón S.A.	1	22	2	25
Total Employees in Chile	34	624	67	725
Colombia				
Emgesa S.A.	7	250	28	285
Central Hidroeléctrica de Betania S.A. E.S.P.	1	32	1	34
Total Employees in Colombia	8	282	29	319
Peru				
Edegel S.A.A.	5	134	15	154
Total Employees in Peru	5	134	15	154
Total Employees Endesa Chile and Subsidiaries	55	1,369	138	1,562

(1) Relates to permanent employees.

HUMAN RESOURCES ACTIVITIES

Training

The objectives of the training plan for 2004 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.

Employees receiving training during 2004 numbered 470, implying a 97 % coverage in participation in training activities and totaling 1,847 participations. The total hours of training in the year was 30,804, thus producing a training rate of 2.64 % (hours of training / hours worked). The training index was 64.3 hours / person (hours of training / average payroll).

Risk Prevention

It is important to mention that the following generating plants were certified in 2004 under the Occupational Health and Safety Management System, OHSAS 18.001: La Guaca, El Paraíso and Betania in Colombia; Huinco, Matucana, Callahuanca, Moyopampa, Huampaní, Yanango, Chimay and Santa Rosa in Peru; and Cipreses, Isla, Pehuenche, Loma Alta, Curillínque, Bocamina and Gas Atacama in Chile.

These plants are added to those certified in 2003; Dock Sud in Argentina and San Isidro in Chile. The total capacity certified at December 31, 2004 was 30 % of the present total park of Endesa Chile and its subsidiaries in Latin America.

Another important fact of 2004 was that the company, which recorded just one work accident, obtained a Disabling Injuries Frequency Rate of 0.85. This measurement indicates that 0.85 work accidents occurred for every million man-hours worked in Endesa Chile. This result represents a reduction of 67 % compared to the previous year.

The frequency index at the Latin American level was 1, which represented a 77 % reduction compared to 2003.

The risk prevention results in 2004 for the company and its subsidiaries enable it to enter the select group of electricity companies which have the highest safety standards in the world.

Human Resources Management

The following are among the more important activities of the Human Resources Management Unit carried out during 2004:

Arrangements were made to adjust working hours to those established in the new legislation that came into force on January 1, 2005.

The signing of an agreement with the Telefónica-800 Doctor Medical Orientation Service which is a call center run by doctors and nurses to recommend and guide all employees of Endesa Chile and their families on actions they should take in the case of health ailments, problems, doubts or questions.



Human Resources Development

In October 2004, an opinion and satisfaction survey was made of all employees of Endesa Chile. The questionnaire was distributed to 477 employees and 470 responded, implying a participation of 99 % of those surveyed. The results showed that the General Satisfaction Index of the employees of Endesa Chile ("How would you describe your degree of satisfaction in the company?") is positive in 76 %, neutral in 12 % and negative in 12 %. This suggests an important improvement over the results of 2002, (58 %, 26 % and 16 % respectively). The result leaves the company in a position similar to companies in Chile and higher than the Satisfaction Index at world level (58 % positive).

We continued with the program of innovation and creativity in order to motivate employees to produce ideas for making continuous improvements in procedures, performance techniques, growth proposals and organizational development. 123 innovation proposals were received, which represents a 57.7% increase over the year before.

Labor Relations

As has been a constant in the company, labor relations have been managed in complete harmony with the employee representatives through direct and permanent dialogue.

In June 2004, a Group Work Contract was signed with representatives of the Intercompany Employees National Union of Endesa Chile and subsidiaries and with the Regional Workers Union of Endesa Chile, both covering a period until June 30, 2008. Group contracts signed earlier remain in force.



THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Endesa Chile has completed its first Business Sustainability Operative Plan 2003-2007 with 99.7 % compliance with the targets set. The company has developed actions in the economic, environmental and social areas, initiating a consolidation of the way it began in this field.

With respect to Corporate Governance, the company arranged for the subsidiaries in Argentina, Brazil, Colombia and Peru to approve their own Business Sustainability Policies following the guidelines contained in the seven corporate policy commitments on the matter. Similarly, local environmental and sustainable development committees were set up for the generating subsidiaries in those countries.

In June 2004, Endesa Chile submitted its sustainable development performance to the evaluation of the Sustainable Asset Management (SAM) Investigation Institute, which examines companies for their inclusion in the Dow Jones Sustainability Index (DJSI), obtaining a result of 60 points which is an increase over the year before. This meant being seven points above the average for companies submitting to this evaluation in the electrical utilities sector.

In September 2004, the company signed the United Nations Global Compact, committing itself to the ten principles of this global agreement on human and labor rights. This initiative was followed by the subsidiaries in Colombia and Peru and work continues so that the subsidiaries in Brazil and Argentina adhere to it.

Endesa Chile edited its second Sustainability Report at the corporate level, a practice which has also begun to be implemented in the foreign subsidiaries.

For the economic dimension, in its sustainability aspects, notable was the opening up of communicational relations with investors, customers and suppliers where the transfer of general information on the company and its performance indicators have been made available to the public on the institutional web site and

other media that the company uses. This has brought it international recognition for its corporate government performance.

With respect to internal social aspects, notable was the publication of five human resources policies related to induction, training, remuneration, skills selection and risk prevention. On the other hand, the labor climate survey achieved a coverage of 87 % of the payroll in South America and a satisfaction index of 73 %.

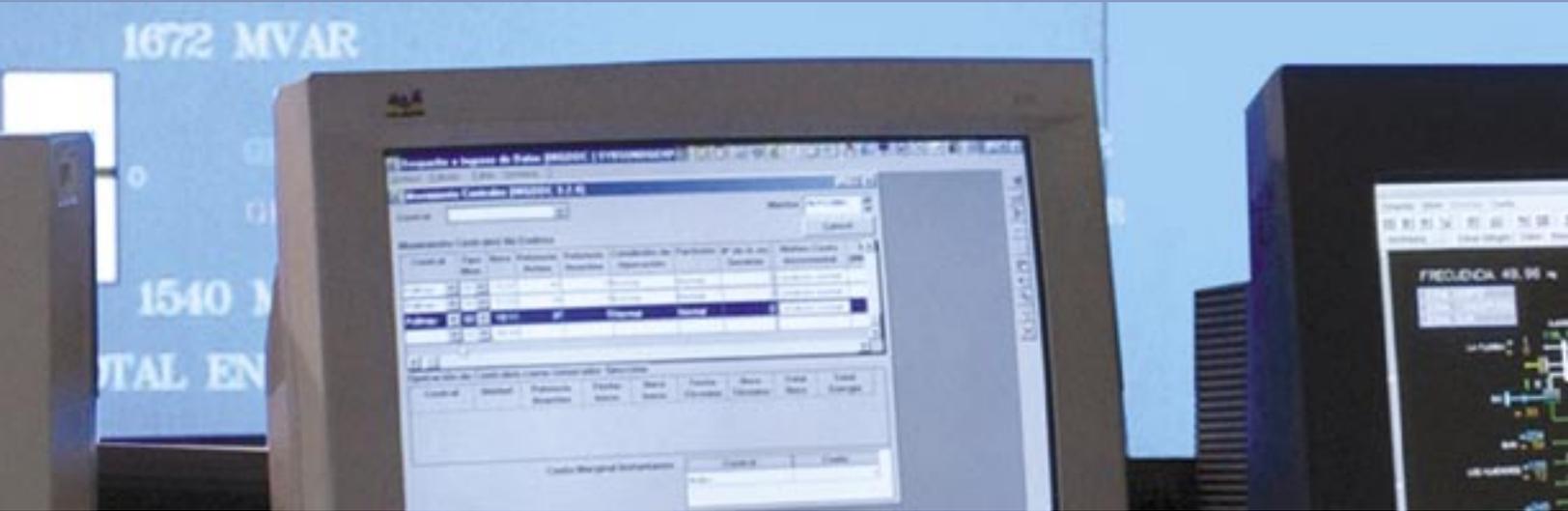
The publication of the Social Responsibility Policy should be mentioned with respect to social performance with the community. This covers actions in areas of education, the environment and the community. The most relevant in the period relates to the successful completion of the Ralco Project Relocation Plan which is currently being followed through the Assistance and Continuity Plan whose purpose is to support the Pehuenche families directly and indirectly affected in order to achieve better standards of living.

In the environmental field, Endesa Chile has continued to consolidate the introduction of Environmental Management Systems in its installations, achieving at December 2004 the certification under the ISO 14,001 standard of 35 generating plants in Argentina, Colombia, Chile and Peru, which represent 86.2 % of its installed capacity in South America.

Regarding the company's participation in the global guidelines of Climatic Change (the Kyoto Protocol), two Clean Development Mechanism projects were identified, evaluated and are being registered. These relate to the Callahuanca thermal plant in Peru and the Palmucho hydroelectric plant in Chile.

Lastly, in December 2004, Endesa Chile's Environmental and Sustainable Development Committee approved a new Sustainability Operative Plan for the period 2005-2007, which contains 17 corporate action programs that will guide the company's sustainable performance and actively introduce sustainable management into the generating subsidiaries.

TECHNOLOGY AND INNOVATION



Endesa Chile promotes a line of technology and innovation that is in line with the company's vision and mission which gives it a competitive advantage and decisively supports its businesses.

The Technology and Innovation Executive Committee was formed in 2004 in Santiago, Chile to cover Latin America, periodically inviting representatives from Argentina, Brazil, Chile, Colombia and Peru to attend meetings. Its main objectives are to coordinate the activities to be carried out, spread knowledge and inform about projects in progress, and structure at the regional level the lines of development that are of corporate interest.

The processes of technological development, innovation and using capacities have the following four basic strategies:

- Excellence in the business processes
- Customers and their needs
- The environment and sustainable development
- Social and scientific development

These lines are developed according to the characteristics of the different business units, generating and promoting own initiatives for common objectives.

Endesa Chile uses its human resources as the levers for its technological and innovation strategies with the reinforcement of the internal capacities of the business units, through the continuous training of its employees and support for its suppliers.

During 2004, Endesa Chile began the launch of its technological plan for the next 5 years, which multiplies the effort made in recent years, convinced that innovation and technology are an integral part of our company's business nucleus and absolutely necessary for achieving its strategic objectives.

EXCELLENCE IN THE BUSINESS PROCESSES

The creation of value for the company and its shareholders constitutes a fundamental strategic line for the technology and innovation projects.

It is a question of anticipating the future needs of the businesses in order to prepare the resources and procedures that permit a reduction in costs and an increase in revenue.

The technologies of electricity generation form part of the company's business operative nucleus and are the focus of this line of innovation and constant technological development.



CUSTOMERS AND THEIR NEEDS

The projects included in this strategic line of technology and innovation try to adapt the services of Endesa Chile to the life style and needs of its customers.

THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Numerous technology and innovation works are related to the investigation of current environmental problems like projects related to the capture of CO₂, environmental performance and sustainable development through the search for cleaner and renewable energy sources.

SOCIAL AND SCIENTIFIC DEVELOPMENT

The objective of this strategic line of technology and innovation is to collaborate and exchange ideas constructively between the company and the social and scientific environment in order to promote mutual collaboration that contributes to facing the scientific and technical challenges of the future.

Initiatives are shared between Endesa Chile's technical team and its suppliers, numerous universities, scientific research centers and public entities, especially in the geographic areas where it is present.

The following are among the principal institutions with which it collaborates:

- The University of Santiago and the Catholic University of Valparaíso.
- A broad number of suppliers including Ingendesa, Inerco, Incar, Alstom, Siemens, ABB, Skoda, Repsol YPF, IBM, Microsoft, Sun, Intel, Philips, Sadiel and CINAR.
- Presence in various national and international forums like CIGRE, IEEE, etc.
- Campus Endesa Chile, a virtual teaching community that facilitates the business of knowledge between all the company employees and provides training means.



Sauzal plant, Chile



OWNERSHIP OF THE COMPANY

At December 31, 2004, the share capital of the company amounted to 8,201,754,580 subscribed and paid shares distributed among 25,169 shareholders.

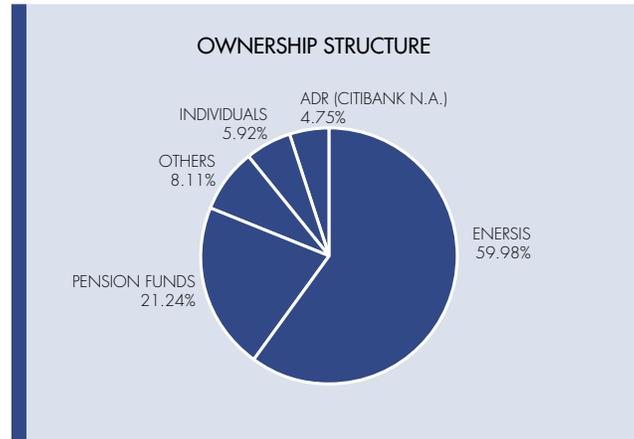
TWELVE LARGEST SHAREHOLDERS

Name	At december 31, 2004	
	Number of Shares	% Shareholding
Enersis S.A. (1)	4,919,488,794	59.98
AFP Provida S.A.	504,839,339	6.16
AFP Habitat S.A.	437,559,476	5.33
Citibank N.A. (Depositary Bank)	389,605,620	4.75
AFP Cuprum S.A.	281,013,295	3.43
AFP Summabansander S.A.	231,190,500	2.82
AFP Santa María S.A.	220,885,899	2.69
AFP Planvital S.A.	67,052,959	0.82
Banchile Corredores de Bolsa S.A.	57,412,051	0.70
Coindustria Ltda.	33,834,298	0.41
Citibank NA (Chapitre XIV)	26,665,816	0.33
Forestal Const. y Com. del Pacífico Sur S.A.	25,660,311	0.31
Total	7,195,208,358	87.73

(1) Enersis S.A. is a subsidiary of the Spanish parent, Endesa.

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 2004 between the company's majority shareholders.



CHANGES IN OWNERSHIP

The most important changes in shareholdings in Enesa Chile were produced as follows during 2004:

- CIA. DE SEG DE VIDA CONSORCIO NACIONAL DE SEGUROS reduced its holding from 0.45 % in 2003 to 0.11 % in 2004.
- ALFA CORREDORES DE BOLSA S.A. reduced its holding from 0.32 % in 2003 to 0.01 % in 2004.
- LARRAIN VIAL S.A. CORREDORA DE BOLSA reduced its holding of 0.30 % in 2003 to 0.26 % in 2004.
- BANCHILE CORREDORES DE BOLSA S.A. increased its holding from 0.55 % in 2003 to 0.70 % in 2004.
- THE CHILE FUND INC increased its holding from 0.24 % in 2003 to 0.31 % in 2004.

SHARE TRANSACTIONS OF ENESA CHILE MADE BY DIRECTORS AND SENIOR EXECUTIVES

The Generation Manager, Chile, Claudio Iglesias Guillard, sold 119,176 shares in Enesa Chile in 2004.

SYNTHESIS OF COMMENTS AND PROPOSALS OF SHAREHOLDERS

No comments were received in the company with respect to the progress of the corporate business between January 1 and December 31, 2004 by the majority shareholders or groups of shareholders holding 10% or more of the issued shares with voting rights, in accordance with the provisions of clause 74 of Law 18,046 and clauses 82 and 83 of the regulations to the Corporations Law.

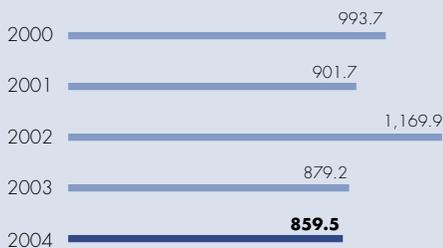
MARKET TRANSACTIONS

TRANSACTIONS ON THE CHILEAN STOCK EXCHANGES

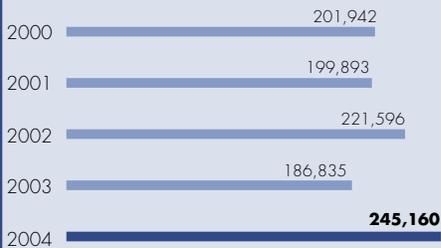
During 2004, 859.5 million Endesa Chile shares were traded on the Santiago Stock Exchange, the equivalent of Ch\$ 245,160 million. A further 272.9 million Endesa Chile shares were traded on the Chilean Electronic Exchange, the equivalent of Ch\$ 75,058 million, and 33.6 million shares on the Valparaíso Stock Exchange, equivalent to Ch\$ 9,165 million.

The Endesa Chile share price ended the year at Ch\$ 334.99 on the Santiago Stock Exchange, Ch\$ 335.50 on the Electronic Exchange and Ch\$ 339.00 on the Valparaíso Stock Exchange.

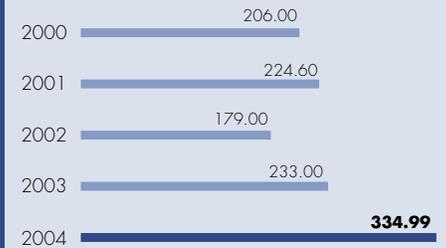
BOLSA DE COMERCIO DE SANTIAGO
SHARES TRADED
(MILLIONS OF SHARES)



BOLSA DE COMERCIO DE SANTIAGO
AMOUNT TRADED
(MILLIONS OF PESOS AS OF DECEMBER OF EACH YEAR)



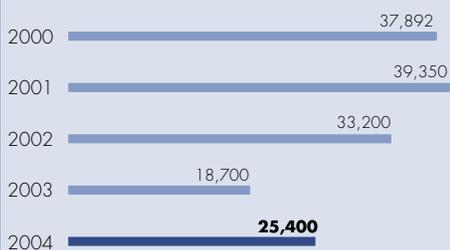
BOLSA DE COMERCIO DE SANTIAGO
CLOSING PRICE PER SHARE
(PESOS AS OF DECEMBER OF EACH YEAR)



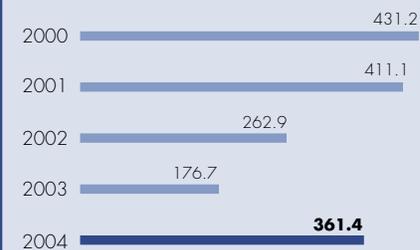
SHARE TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE (NYSE)

25.4 million Endesa Chile ADR were traded in the United States, the equivalent of US\$ 361.4 million. An ADR represents 30 Endesa Chile shares. The price of the Endesa Chile ADR at the end of the year was US\$ 18.24.

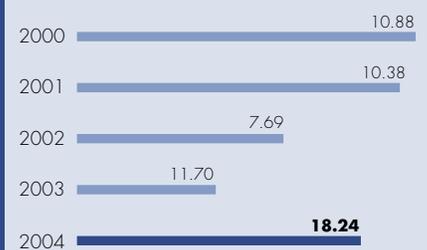
NYSE
ADRS TRADED
(THOUSANDS OF ADRs)



NYSE
AMOUNTS TRADED
(MILLIONS OF DOLLARS AS OF DECEMBER OF EACH YEAR)



NYSE
CLOSING PRICE PER ADR
(DOLLARS AS OF DECEMBER OF EACH YEAR)



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. 1,207,275 blocks of Endesa Chile shares were traded in Spain in 2004, the equivalent of Th€ 25,670. The block price at the year-end was € 13.30.

QUARTERLY STOCK MARKET INFORMATION FOR THE LAST THREE YEARS

Santiago Stock Exchange			
Quarter	Units Traded	Amount Traded (Ch\$)	Average Price (Ch\$)
1st Quarter 2002	201,976,874	42,881,828,351	213.05
2nd Quarter 2002	357,983,630	70,595,120,566	197.18
3rd Quarter 2002	262,186,281	47,878,743,437	182.47
4th Quarter 2002	347,764,499	60,240,025,948	175.32
1st Quarter 2003	191,353,065	35,255,302,656	183.86
2nd Quarter 2003	242,128,134	49,660,084,489	207.00
3rd Quarter 2003	235,524,813	52,370,331,064	222.11
4th Quarter 2003	210,276,067	49,549,486,793	235.76
1st Quarter 2004	264,406,499	65,511,201,274	248.78
2nd Quarter 2004	165,605,998	43,919,501,749	264.46
3rd Quarter 2004	182,780,184	53,749,740,433	290.35
4th Quarter 2004	246,683,469	81,979,697,044	333.36

Chilean Electronic Exchange			
Quarter	Units Traded	Amount Traded (Ch\$)	Average Price (Ch\$)
1st Quarter 2002	118,165,142	25,100,254,544	211.53
2nd Quarter 2002	270,985,369	53,436,363,297	198.20
3rd Quarter 2002	108,650,576	19,482,340,201	183.66
4th Quarter 2002	96,813,665	16,348,109,781	172.58
1st Quarter 2003	51,194,820	9,514,470,742	184.82
2nd Quarter 2003	72,995,481	15,169,253,204	207.81
3rd Quarter 2003	69,208,079	15,362,448,593	221.88
4th Quarter 2003	63,609,506	15,063,367,922	235.25
1st Quarter 2004	122,153,430	30,367,812,297	247.25
2nd Quarter 2004	62,410,675	16,470,816,889	265.36
3rd Quarter 2004	29,516,830	8,722,856,151	290.88
4th Quarter 2004	58,831,108	19,496,668,877	330.84

Valparaíso Stock Exchange			
Quarter	Units Traded	Amount Traded (Ch\$)	Average Price (Ch\$)
1st Quarter 2002	2,476,867	521,916,857	210.71
2nd Quarter 2002	1,016,219	196,947,333	193.80
3rd Quarter 2002	4,827,126	851,153,451	176.32
4th Quarter 2002	1,383,661	237,558,454	171.68
1st Quarter 2003	982,413	182,086,598	185.34
2nd Quarter 2003	672,863	130,679,902	194.21
3rd Quarter 2003	2,088,899	463,996,365	222.12
4th Quarter 2003	648,514	156,672,934	241.58
1st Quarter 2004	6,582,704	1,664,486,099	252.85
2nd Quarter 2004	10,620,038	2,871,068,947	270.34
3rd Quarter 2004	15,997,732	4,481,810,106	280.15
4th Quarter 2004	445,903	147,496,648	330.78

INVESTMENT AND FINANCING POLICIES

The board of the Company will propose the following Investment and Financing Policy to the ordinary shareholders' meeting to be held in April 2005:

INVESTMENT POLICY

During 2005, 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 S.A., Gasoducto Taltal S.A., Gasoducto Atacama Argentina S.A. and GasAtacama Generación S.A., 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 Eniges and Ingendesa so that they can meet their corporate objects. The maximum investment in these subsidiaries in 2005 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 its development projects

or those it decides to make to meet its objects. The maximum investment in this subsidiary in 2005 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 subsidiaries for 2005 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 Endesa Chile consolidated.
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 financial institutions.
- Placement of securities in the domestic and international markets.
- 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 to sign and amend contracts for the purchase, sale or rental of goods and services necessary for the development of the company's own businesses, within the applicable legal framework, observing the market conditions relating to each case for goods and services of a similar kind, quality and characteristics. The management shall also

be authorized to cancel obligations deriving from these contracts, according to the law, when convenient for the corporate interest.

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 shall be sufficient.

OPERATING SUMMARY OF ENDESA CHILE AND SUBSIDIARIES

The principal activities of Endesa Chile and its subsidiaries are related to the generation and sale of electricity and also the sale of consultancy and engineering services of all kinds. At the consolidated level, Endesa Chile operates 46 plants in five Latin American countries, with a total installed capacity of 12,332.8 MW.

In Argentina, through Central Costanera S.A. and Hidroeléctrica El Chocón S.A., it operates a total of 3,623 MW capacity, which represents 15 % 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 4,476.7 MW of capacity, representing 38 % of the country's installed capacity. 76 %

of the installed capacity of Endesa Chile and its Chilean subsidiaries is hydroelectric and 24% is thermal. Endesa Chile participates in the Central Electricity Grid (SIC), Chile's main interconnected system covering some 93 % of the population. The company and its Chilean subsidiaries have an installed capacity of 4,294.7 MW on this grid, representing approximately 52 % of the SIC. The company also participates in the Northern Electricity Grid (SING) through its subsidiary Celta S.A. and indirectly through Gasoducto Atacama Chile S.A. and GasAtacama Generación S.A., supplying various mining companies and with sales on the spot market. The installed capacity of Celta S.A. on the SING is 182 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 27%.

In Colombia, through Central Hidroeléctrica de Betania S.A. E.S.P. and Emgesa, it operates a total of 2,608.6 MW of capacity, representing 19 % of Colombia's installed capacity.

In Peru, through Edegel, it operates a total of 966.5 MW of capacity, representing 22 % of the Peruvian system.

INSTALLED CAPACITY, GENERATION AND ENERGY SALES OF ENDESA CHILE AND SUBSIDIARIES

Installed Capacity (MW) (1)	2003	2004
In Argentina	3,622.0	3,623.0
In Brazil	658.0	658.0
In Chile (2)	3,762.8	4,476.7
In Colombia (3)	2,589.2	2,608.6
In Peru	967.1	966.5
Total	11,599.1	12,332.8

Electricity Generation (GWh) (4)	2003	2004
In Argentina	7,997	11,290
In Brazil	3,024	3,262
In Chile	16,524	16,797
In Colombia	10,794	11,881
In Peru	4,287	4,136
Total	42,626	47,366

Energy Sales (GWh)	2003	2004
In Argentina	9,259	11,604
In Brazil	3,770	3,902
In Chile	18,681	18,462
In Colombia (5)	14,481	15,148
In Peru	4,443	4,328
Total	50,634	53,444

(1) Relates to the maximum operating capacity resulting from the technical characteristics of each generating plant at the year end.

(2) The Ralco plant started operating in 2004 with a capacity of 690 MW. The figure for 2004 also includes the installed capacity of the Diego de Almagro 23MW turbine plant rented to Codelco.

(3) The minor Tequendama plant started operating in 2004, with a capacity of 19.4 MW.

(4) The electricity generated figures correspond to total generation after deducting own consumption, so therefore differ in some cases from the figures previously reported which showed gross generation.

(5) Energy sales exclude inter-company sales, so the figures for 2003 are reduced by the energy sales of Betania to related companies of 419.6 MW.



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 capacity made available to the system at certain hours during the day and the base capacity calculated by Cammesa for each annual period (May-April).



El Chocón Plant, Argentina

The forced conversion of dollar values to Argentine pesos in 2002 and the freezing of public utility tariffs caused disequilibrium in the gas and electricity markets which broke investment and thus compromised future supplies. In the case of gas, the first supply problems appeared during 2004, but the over-capacity of the electricity sector enabled it to face the strong growth in demand, thus pressuring the Argentine electrical sector to make new investments.

The authority has therefore introduced a series of emergency measures for resolving the crisis. These included the importing of gas from Bolivia, of electricity from Brazil and the signing of a fuel-oil supply contract with PDVSA. On the other hand, in order to face medium and long-term development, the government forced agreements with the gas and electricity producers. An agreement was signed with gas producers in May 2004 and with electricity producers in December, essentially establishing a tariff adjustment and the definition of an investment mechanism that will involve part of the credits that generators have with the MEM. This mechanism will imply the installation of new generating capacity in 2007, from which date the government promises to have re-established the market marginalist operation.

The installed capacity of the MEM at December 2004 was 23,032 MW, of which 60 % was thermal. Peak demand in 2004 was 15,032 MW and annual consumption was 82,969 GWh. During 2004, demand increased by 6.7 % 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 777 MW at December 2004, 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 14 % in terms of energy sales in 2004. 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 and 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. On July 31, 2004, the MME published decree 5163-2004 which defines a new regulatory framework, especially the selling of electricity and the concessions process for the introduction of new plants. The so-called "MegaLeilao" process was carried out on December 9, in which sales were closed with distributors for 17,008 average-MW for the period 2005-2008.

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 2004 was 89,605 MW of which 77 % corresponds to hydroelectric capacity and 23 % to thermal capacity. Peak demand in 2004 was 58,816 MW and energy sales were 323,631 GWh, representing an increase of 5.2 % over the previous year.



Cachoeira Dourada Plant, Brazil

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 2004. It currently participates in the trading market with its related company CIEN which has 2,000 MW available, with 1,684 MW contracted among 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 No1 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, 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 consumption of no more than 2,000 kW 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) **Free customers:** relate to customers having a consumption in excess of 2,000 kW, mainly industrial and mining companies. These can negotiate electricity supply prices freely with generating or distribution companies.
- (iii) **Spot market:** relates to energy and capacity 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. They are transferred via sales (purchases) to the other generating members of the CDEC. In the case of energy, the marginal cost is valued hourly of the system's economic operation. For capacity, transfers are valued at the corresponding node price fixed semi-annually by the authority.

Payment for the capacity 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 bill for reforming the regulatory framework of the electricity sector was approved during 2004. The principal objectives of these modifications include the pro rata sharing of system transmission costs, called "area of common influence" between generators and demand in 80 % and 20 % respectively and the reduction in the monomic node price band from 10 % to 5 %, only in its energy component.

It should be mentioned that under a modification of the law made in 2004, the consumption limit for opting to be a free customer will be reduced to 500 kW starting in 2006, continuing with the obligatory limit of 2,000 kW of consumption.



Isla Plant, Chile

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

The SIC, the principal system, is 2,400 km. long, linking Taltal in the north with Quellón, on Chiloé Island, in the south. With an installed capacity at December 2004 of 8,290 MW (defined as the maximum used capacity for the calculation of firm capacity for the year), it is mainly hydroelectric based. 61% is hydroelectric and 39% thermal capacity. Peak demand on the SIC in 2004 was 5,430 MW and gross generation was 36,344 GWh, representing an increase of 7.8%.

Endesa Chile, acting directly through its subsidiaries Pehuenche S.A., Pangué S.A. and San Isidro S.A., is the principal operator on this system, with 51% of the total installed capacity and 50% of energy sales in 2004. Other important operators in this market are AES Gener S.A. and Colbún S.A.

The company, through its subsidiary San Isidro S.A., owns one of the four 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, as these plants have the alternative of operating with fuel in the event of gas shortages.

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 2004 of 3,596 MW, is predominantly thermal generated (99.6% of total installed capacity). Peak demand on the SING in 2004 was 1,645 MW and gross generation reached 12,330 GWh, representing an increase of 7.9% over the previous year.

Endesa Chile, acting through its subsidiary Celta S.A. and its associate GasAtacama Generación S.A., is an important operator on the SING, with 26.8% of the total installed capacity and 34.5% in terms of energy sales in 2004. 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) establishes 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.

During 2004, the CREG published Resolution CREG 055 of 2004 submitting for comments by market participants the second version of the Electronic Contracts System (SEC) that seeks to modify the contract operations in the Colombian market. It is believed that the SEC will be functioning during the first half of 2005.

Generators also receive a charge for capacity, which does not depend on actual dispatch but on the estimated generation of each plant in critical hydrological conditions; this remains in force until November 30, 2006. During 2004, the CREG issued a proposed resolution to replace this charge, which will be called a charge for reliability, being composed of a charge for firm energy plus a charge for firm capacity. The CREG received comments from participants and a new version is awaited for the first half of 2005.

The National Dispatch Center (CND) receives price offers daily 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-warranted 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 participants 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.

Since 2003, Short-Term International Electricity Transactions have been operating with Ecuador through the Jamondino and Panamericana links. During 2004, energy exchanges with Ecuador comprised 1,681 GWh of exported energy and 35 GWh of imported energy.

Installed capacity at December 2004 was 13,382 MW of which 64 % corresponds to hydroelectric generation and the rest to thermal and co-generating capacity. Peak demand in 2004 was 8,332 MW and total demand reached 47,020 GWh. During 2004, consumption grew by 2.7 % over the year before.

Endesa Chile, through its subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa, had a market share of 19 % in terms of installed capacity and 23 % in terms of energy sales in 2004. Other important operators are AES and Unión Fenosa.

Peru

The regulatory framework for the Peruvian electricity industry is similar to the Chilean system, 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 OSINERG (Energy Investment Supervisory Organism), 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 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).

During 2004, some regulatory modifications were presented which included a) an Emergency Decree for resolving the problems

of distribution companies that were left without supply contracts, thus obliging generating companies to sell at the regulated price; b) Supreme Decree 045-2004-EM which approves the Electricity Import and Export Regulation (RIEE), similar to that between Colombia and Ecuador; c) the regulations for the Hydrocarbons Exploration and Exploitation Activities Law, which, inter alia, facilitate the possibility of the re-injection of gas in reservoirs other than the extraction fields and also the possibility of processing such gas for its later sale; and d) Law 28477 that amends some clauses of the Electrical Concessions Law. According to this last-mentioned law, the horizon for calculating the electricity generating tariff is changed from four to three years (the previous past year and two future years) and this calculation becomes annual instead of semi-annual. It is expected that these amendments will eliminate uncertainties in projecting supply and demand in order to motivate the construction of new electricity plants and establish regulated prices.

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 2004 was 4,409 MW of which 60 % is hydroelectricity. Peak demand in 2004 was 3,131 MW. Gross generation in 2004 reached 21,903 GWh, representing growth of 5.9 % over 2003.

Endesa Chile, through its subsidiary Edegel S.A.A., had a market share of 22 % in 2004 in terms of installed capacity and 23 % in terms of energy sales. Other important operators in this market are Electroperú, Egenor, Enersur, Eepsa and Etevensa.

RISK FACTORS

Endesa Chile is an electricity generator that provides a utility 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. 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 1995. All this legislation regulates the electricity sector of each country and imposes obligatory rules. However, there are interpretations and instructions of the regulatory authority that are adapted to the complexity of the system and that can affect general business conditions.

Water Rights

Endesa Chile has water rights conceded by the Chilean Waters Authority for the exploitation of water from rivers and lakes close to the company's plants for generating electricity. Under the present law, these water rights constitute absolute property rights of indefinite duration. The Chilean Congress is currently considering a proposal to revise the laws governing water rights. Under these, Endesa Chile would have to pay a sum for every year that it does not use a water source for which it holds usage rights. The bill also states that the new scheme for the payment of licenses for un-consumed rights in the hydroelectric field located in the southern zone of Chile will come into force seven years after the publication of the law modifying the Waters Code. From that date, therefore, payments will have to be made for the license with respect to those rights, notwithstanding a mechanism for refunding these payments should the projects come into commercial operation within determined periods of time.

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 operating in order to minimize their contamination effects.

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. At December 31, 2004, 86.4 % of their installed capacity was certified under the ISO 14,001 international standard, having certified sixteen plants in 2004.

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 capacity of its generating plants in a dry year and giving preference to its better contracts and customers.

Financial covenants and exchange rate fluctuations

Endesa Chile has debt agreements containing financial covenants and other restrictions. Exchange rate fluctuations could also adversely affect the company's operating results.

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 41 % of its consolidated operating income comes from Chile and the remaining 59 % 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 2004, with positive and increasing growth rates in all the countries where it operates.

Natural gas deficit in Argentina

The recent natural gas deficit in Argentina could have a negative impact on some of our generating plants in Chile and Argentina, especially those that use Argentine natural gas.

The local price of natural gas in Argentina has increased which could cause a reduction in our operating margins if we are unable to pass on these higher costs to customers.

Endesa Chile and an associate company depend today on natural gas for their thermal generation and are parties to minimum purchase contracts with Argentine suppliers. On March 26, 2004, the Argentine state issued a resolution permitting the partial suspension of fuel exports. This resolution provides the president of Argentina with the power to temporarily suspend the long-term supply contracts of Argentine exporters. In the event of continuous interruptions to the supply of natural gas from Argentina, it would possibly be necessary to replace natural gas with more expensive fuels like coal or diesel in order to maintain our present generating levels, which would translate into higher generating costs and lower operating margins.





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) (1)	2003	2004
Costanera		
Costanera (Steam Turbine)	1,131.0	1,131.0
Costanera (Combined Cycle)	851.0	852.0
CBA (Combined Cycle)	320.0	320.0
Total	2,302.0	2,303.0
El Chocón		
El Chocón (Hydroelectric)	1,200.0	1,200.0
Arroyito (Hydroelectric)	120.0	120.0
Total	1,320.0	1,320.0
Total Argentina	3,622.0	3,623.0

(1) Related to installed capacity as informed by CAMMESA.



ENERGY GENERATION AND SALES

Electricity Generation (GWh) (1)	2003	2004
Costanera	3,958	7,859
El Chocón	4,039	3,431
Total Generation in Argentina	7,997	11,290

Energy Sales (GWh)	2003	2004
Costanera	4,583	7,973
El Chocón	4,676	3,631
Total Sales in Argentina	9,259	11,604

(1) Relates to total generation after deducting own consumption.



ACTIVITIES AND PROJECTS

Central Costanera S.A.

During 2004, demand on Argentina's electricity grid continued to grow strongly at a rate of 6.7 %, which led to a greater use of the thermal plant on the National Grid System (SIN).

As a result of the increase in energy demand and the reduction in hydroelectric supplies in Argentina, Central Costanera produced 7.859 GWh net in 2004, 98 % more than the previous year, natural gas consumption being 1,474 million m³, 92 % more than in 2003. To meet this large increase in its dispatch, Central Costanera consumed an additional 256,921 tons of fuel oil and 15,899 m³ of gasoil, figures that represent increases of 489 % and 119 %, respectively compared to 2003.

Regarding fuel oil, in view of the unusual volume expected to be used in 2004, the authorities decided to import this fuel from Venezuela under an Integral Cooperation Agreement signed between the two countries.

Of the total fuel oil consumed by Central Costanera S.A, 60 % was supplied by Cammesa under the terms of that agreement and as a way of collaborating in this emergency in order to avoid a serious failure in energy supplies which otherwise would have been produced in the Argentine electricity system.

Good hydrological conditions continued to exist in south-east Brazil which meant that there were no requirements under the energy export contract from Argentina to Brazil throughout the year. Since the start of these exports, Central Costanera S.A. has been the main supplier for these contracts, with a total of 750 MW committed in the First International Interconnection and 212 MW in the second. Even though there have been no calls for energy exports, Central Costanera S.A. has received the payments for capacity from that market.

In operating terms, Central Costanera SA. on November 25, 2004 broke its daily generating record, achieving a gross generation of 39,823 MWh which gives an average capacity of 1,659 MW. This level was obtained by the dispatch of both combined cycle and four steam turbine units simultaneously, all using natural gas as fuel.

During 2004, a long-term maintenance contract, called "Long-Term Supply of Parts and Provision of Services Contract", was signed with Siemens Westinghouse Power Corporation, Orlando, FL, USA, which covers turbine and auxiliary maintenance programs and of the Combined Cycle Unit I, comprising a Siemens 94.3 turbine of 220 MW and a reconditioned BTH steam turbine of 105 MW. This contract may be extended in the future to the unit control system.

In the financial aspect, the company in September 2004 successfully concluded the renegotiation of the syndicated loan for US\$ 47.7 million, which included an extension of repayment terms until June 2006.

Hidroeléctrica El Chocón S.A.

During 2004, the growth in electricity demand reached 6.7 %, mainly the result of the increase in economic activity. However, in the poor hydrological conditions, El Chocón generated 15 % less energy than in 2003.

In operating terms, the accumulated availability in the year of the El Chocón and Arroyito complex was 95.7 %, having fully complied with the major maintenance carried out during the year on Units 1 and 6 of El Chocón and 1 of Arroyito.

Worthy of mention was the Operative Excellence Prize awarded by Endesa Chile to the El Chocón hydroelectric plant for its performance in 2003. This is granted to the best hydroelectric performance in the group in Latin America during the period, this being the second consecutive year that the company has won this prize for one of its plants.

In the regulatory field, the authority maintained its intervention in the spot price market through Resolution S.E. 240/03. Under this, the differences in each spot period between the spot price sanctioned transferred to each generation bar and the value of the water used for the dispatch in plants with reservoir capacity is not recovered, so the company has seen its energy sales revenues reduced on the spot market. It should be clarified that the maximum valuation price for water, that is very much lower than production with liquid fuels, leads in winter to a lack of generation with gas being replaced by an excessive use of hydroelectric generation, without the concession-holder being able to avoid it.

At December 31, 2004, El Chocón's reservoir was with 79 % of energy reserves with respect to its maximum capacity level. In a year expected to be poor in terms of contribution, the commercialization strategy was therefore focused on recovering reservoir water levels, giving priority to ensuring compliance with the water contribution commitments in the River Limay defined by the Inter-Jurisdictional River Basin Authority (AIC).

Regarding the project for expanding the transmission capacity of the Choele Choel and Olavarría stations, progress was made during the year, which will permit, from the start of next year, an increase in transmission capacity by 300 MW, which will result in greater market access for the company.

During the period under consideration, work was carried out within the group of Electricity Generators of the Comahue Area (GEEAC) for the construction of the 5th Comahue-Cuyo line, with Salex contributions in the Comahue-Buenos Aires and Centro-Cuyo corridors. If this resulted, it would imply increased transmission from Comahue of around 400 MW.

In the financial area, Hidroeléctrica El Chocón S.A. focused on optimizing the management of funds required by the plant operation and the renegotiation of the company's debt. In May 2004, the Special Extraordinary Assembly of Debtors approved the restructuring of Negotiable Liabilities of US\$ 120 million which included the extension of the repayment term to May 2007.

In addition, it is worth mentioning that the extraordinary shareholders' meeting held on August 2, 2004 approved a capital reduction of 31 million Argentine pesos.





OPERATIONS IN BRAZIL

GENERATING PLANTS

Installed Capacity (MW)	2003	2004
Cachoeira Dourada (Hydroelectric)	658	658
Total Capacity in Brazil	658	658

ENERGY GENERATION AND SALES

Electricity Generation (GWh)	2003	2004
Cachoeira Dourada	3,024	3,262
Total Generation in Brazil	3,024	3,262

Energy Sales (GWh)	2003	2004
Cachoeira Dourada	3,770	3,902
Total Sales in Brazil	3,770	3,902



ACTIVITIES AND PROJECTS

Centrais Elétricas Cachoeira Dourada S.A.

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

On July 16, 2004, Cachoeira Dourada obtained an operating license from the Brazilian Institute of the Environment and Renewable Natural Resources. The need to have a license for these projects only arose in the 1980s, so the unit located in the State of Goiás was still not regularized. The request was made to the environmental authority in 1997, preparing the necessary environmental studies for adaptation to the environmental legislation. The next step will be to certify the plant under the international ISO 14,001 standard.

In 2004, Cachoeira Dourada repaid all its debt to the agents of the MAE which amounted to more than R\$ 44 million at July 2003 and involved 60 companies in the market.

August 2004 was marked by the achievement and formalization of the agreement between Cachoeira Dourada and Celg with respect to the legal and financial matter affecting the two companies under the energy supply contract. In September 2004, there was the approval by ANEEL (National Electricity Agency) of the new energy supply tariff at R\$ 79.50 per MWh; in October 2004, Celg made payment of R\$ 20 million, reducing its debt to Cachoeira Dourada; in late 2004, Cachoeira Dourada and Celg formalized the agreement for transferring the amounts collected monthly by Celg with respect to RTE and that, according to the regulator ANEEL, should be used to reduce the old debt to Cachoeira Dourada within 3 years. According to the agreement, on the 10th day of each month starting in January 2005, Celg should transfer to CDSA the amounts of the RTE collected in the previous month in order to cancel the old outstanding debt.



Cachoeira Dourada Plant, Brazil

CIEN (associate company)

The related company Cien, in which Endesa Chile holds 45 % and Endesa Spain 55 %, permits the energy integration of Mercosur and facilitates the export and import of electricity between Argentina and Brazil in either direction. It has 2 transmission lines of 500 KV each which cover a distance of approximately 500 Kms. and have a total capacity of 2,200 MW, from Rincón in Argentina to Itá in the State of Santa Catarina in Brazil.

CIEN, which also operates as a trader offering personalized attention, is authorized by the Brazilian regulator ANEEL to operate for 20 years in that country and, through its subsidiaries CTM and TESA, to operate the Argentine part.

CIEN for its own account and through the Argentine trading company CEMSA, in which Endesa Chile and Endesa Spain have

holdings of 45 % and 55 % respectively, as in CIEN, maintained energy and capacity purchase contracts in 2004 with Central Costanera S.A. for a total of 962 MW, with the rest of their purchases from third parties. CIEN also has energy and capacity sale contracts with Brazilian distributors.

It should be noted that Brazil did not require energy from Argentina in 2004 through the CIEN interconnection line; however, the capacity contracted was remunerated in accordance with the contract terms. The same year, the line was used to supply energy to Argentina from Brazil, obtaining certain returns for the use of the lines.

CIEN's line I has contracts with Tractebel for 300 MW and with Furnas for 700 MW. Line II has agreements with Copel for 400 MW, with Cerj for 284 MW and with Samarco for 25 MW.





OPERATIONS IN CHILE

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

GENERATING PLANTS OF ENDESA CHILE AND SUBSIDIARIES

Plant	Company	Technology	Installed Capacity (MW) (1)	
			2003	2004
Los Molles	Endesa Chile	Hydroelectric	18.0	18.0
Rapel	Endesa Chile	Hydroelectric	377.0	377.0
Sauzal	Endesa Chile	Hydroelectric	78.0	76.8
Sauzalito	Endesa Chile	Hydroelectric	12.0	12.0
Cipreses	Endesa Chile	Hydroelectric	106.0	106.0
Isla	Endesa Chile	Hydroelectric	68.0	68.0
Abanico	Endesa Chile	Hydroelectric	136.0	136.0
El Toro	Endesa Chile	Hydroelectric	450.0	450.0
Antuco	Endesa Chile	Hydroelectric	320.0	320.0
Ralco (2)	Endesa Chile	Hydroelectric	0.0	690.0
Tal Tal	Endesa Chile	Fuel/Gas	243.0	244.9
Diego de Almagro	Endesa Chile	Fuel/Gas	23.8	46.8
Huasco tg	Endesa Chile	Fuel/Gas	64.2	64.2
Huasco Vapor	Endesa Chile	Coal	16.0	16.0
Bocamina	Endesa Chile	Coal	128.0	128.0
Pehuenche	Pehuenche	Hydroelectric	566.0	566.0
Curillínque	Pehuenche	Hydroelectric	89.0	89.0
Loma Alta	Pehuenche	Hydroelectric	40.0	40.0
Pangue	Pangue	Hydroelectric	467.0	467.0
Tarapacá tg	Celta	Fuel/Gas	23.8	24.0
Tarapacá carbón	Celta	Coal	158.0	158.0
San Isidro	San Isidro	Fuel/Gas	379.0	379.0
TOTAL			3,762.8	4,476.7

(1) The installed capacity figures reflect the maximum electrical capacity resulting from the technical characteristics of each generating unit at the year end.

(2) The Ralco plant started operating in 2004 with a maximum capacity of 690 MW. The year 2004 also includes in installed capacity that of the Diego de Almagro 23 MW plant rented to Codelco but operated and exploited by Endesa Chile.

The generating capacity of Endesa Chile and its Chilean subsidiaries represents 52 % of the total installed capacity on the SIC and 5 % on the SING (installed capacity on the SING rises to 27% if the associate GasAtacama Generación S.A. is included).

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 (SING). The electricity market on these grids has shown average annual growth rates, which in the last six years have been 6.2 % and 9.4 % respectively.

Regarding new supply contracts with customers, Endesa Chile in 2004 was awarded those for supplying Occidental Chemical (180 GWh per annum) until December 31, 2007 and Emelat (600 GWh per annum) until December 31, 2005. Contracts were also signed with this last-named distributor for supplies to three free customers for a total capacity of 30 MW.

Concerning contracts with subsidiaries, Endesa Chile signed an energy purchase contract with Compañía Eléctrica San Isidro (2,050 GWh per annum) and continued to buy energy from Empresa Eléctrica Pangué (1,200 GWh per annum) and Empresa Eléctrica Pehuenche S.A. (1,945 GWh per annum) under supply contracts whose volumes are adjusted to their respective commercial policies in order that they maintain a balanced sales portfolio.

MARKET SHARE

Sales of electricity by Endesa Chile and its subsidiaries to customers on the SIC reached 17,454 GWh in 2004, a 1.5% reduction compared to 2003; this volume represents 50 % of total SIC sales. Sales to regulated customers represented 59.5 %, to non-regulated customers 22.2 % and 18.3 % were on the spot market.

Energy sales by the subsidiary Celta S.A. to customers on the SING were 1,008 GWh in 2004, representing a 9 % share of total SING sales.

OPERATIONAL SUMMARY OF ENDESA CHILE AND CHILEAN SUBSIDIARIES

Installed Capacity (MW)(1)	2003	2004
Endesa Chile(2)	2,040.0	2,753.7
Pehuenche S.A.	695.0	695.0
Pangué S.A.	467.0	467.0
San Isidro S.A.	379.0	379.0
Celta S.A.	181.8	182.0
Total	3,762.8	4,476.7

Electricity Generation (GWh)	2003	2004
Endesa Chile	8,466	8,633
Pehuenche S.A.	3,679	3,464
Pangué S.A.	1,681	1,671
San Isidro S.A.	2,264	2,622
Celta S.A.	434	407
Total	16,524	16,797

Energy Sales (GWh)	2003	2004
Sales to end customers:		
Endesa Chile	12,913	13,368
Pehuenche S.A.	176	168
Pangué S.A.	1,012	-
San Isidro S.A.	699	726
Celta S.A.	961	1,008
Sales of Endesa Chile and Subs. to the CDEC	2,920	3,192
Total Consolidated Sales of Endesa Chile	18,681	18,462

- (1) The installed capacity figures reflect the maximum electrical capacity resulting from the technical characteristics of each generating unit at the year end.
- (2) The Ralco plant started operating in 2004 with a maximum capacity of 690 MW. The year 2004 also includes in installed capacity that of the Diego de Almagro plant 23 MW plant rented to Codelco but operated and exploited by Endesa Chile.

ACTIVITIES AND ELECTRICAL PROJECTS

The principal activities and projects carried out during 2004 are as follows:

Ralco Plant

Ralco is a reservoir hydroelectric plant located in the River Biobío 600 km to the south of the city of Santiago, with adduction in tunnel and underground machine room, with an installed capacity of 690 MW. It is Chile's most important hydroelectric project, representing 8.3 % of the installed capacity of the Central Grid System (SIC) and the third largest hydroelectric plant of Endesa Chile in Latin America.

It has two generators composed of various Francis-type vertical-axle turbines made by Alstom, France and synchronic generators made by Alstom in Canada and Brazil. Each turbo-generator group has a tri-phase transformer of 420 MVA capacity and a transformation ratio of 13.8/ 230 kV.

The Ralco plant reservoir has a total volume of 1,200 million cubic meters and covers an area of 3,467 hectares. It is formed behind a concrete gravitational dam compacted with crushed rock, 155 m high and 360 m long at its crown, which implied the placement of 1.6 million cubic tons. It has a run-off channel controlled by 3 sector sluice-gates with a maximum flow capacity of 6,550 m³/s, for which 40,000 m³ of concrete were employed.

The reservoir waters are fed into the machine room by a 7.2 km long tunnel, 9.2 m in diameter. The machine room houses the generating equipment and is completely excavated from the rock, being 110 m long, 26 m wide and having a maximum height of 48 m.

The Ralco plant, with a net fall height of 175 meters, a turbineable flow of 452 cubic meters per second and an average load factor of 52 %, equivalent to 4,560 hours annually, will permit an average annual generation of 3,150 GWh. While it is true that the design capacity was originally considered to be 570 MW, later, due

to the efficiency achieved in the construction of the hydraulic works and taking into account the levels of over-opening of vanes obtained, an Environmental Impact Declaration was presented to the National Environmental Commission (Conama) in September 2004 requesting authorization to operate the plant with a capacity of up to 690 MW. This was approved on December 6, 2004.

The management of the project, the engineering designs, the technical inspection of the works and equipment and environmental management were fully developed by the engineering company Ingendesa, a subsidiary of Endesa Chile and a member of the group. Special mention should be made of the development of special techniques and procedures for the dam construction, the third highest of its kind in the world, and also the enormous number of geological problems that had to be resolved during the excavation of the adduction tunnel.

For the plant construction, it was necessary to develop a series of environmental mitigation and compensation measures, prepare and carry out a relocation plan for an indigenous population of around 400 people and implement a long-term development plan for the local community, converting Ralco into a pioneering project in Chile in this matter, all of which was also managed by Ingendesa.

Information and landmarks of the plant construction

- In April 1987, Endesa Chile obtains water usage rights over the River Biobío and, years later, in 1994, decides to construct the plant. At the end of that year, it decides to submit the Ralco Project voluntarily to the Environmental Evaluation System in accordance with Law 19,300 which had been promulgated that year.
- In 1995, it starts the environmental impact study that is presented to the authority in March 1996.
- In May 1997, with special authorization by Conama, construction begins of the first plant works consisting of improving the public access road to the zone.



- In June 1997, Conama issues its environmental resolution No.10/97 that reports favorably on the Ralco Project. However, Endesa Chile appeals to the Directive Council of Conama against including some very tough demands. In September 1997, Conama issues its favorable and final Resolution of Environmental Qualification (No.23/97).
- In February 1998, construction begins of the internal project roads and in March, international tenders are called for the acquisition of the equipment and construction of the principal civil works.
- On August 5, 1998, works are stopped temporarily because of a call made by the Intendant of the 8th Region not to upset the constitution of a round-table between Endesa Chile, the government and the communities affected by the project. The works are restarted on January 23, 1999 following five and a half months of complete stoppage.
- In February 1999, the equipment supply contract is awarded to Alstom, France and, in May, construction begins of the adduction tunnel and the machine cavern by a consortium formed by Necso, Spain and G&M, Peru.
- In June 1999, the process begins of transferring Pehuenche families to Ayin Mapu, one of the two relocation areas for the indigenous communities.
- On September 8, 1999, the 6th court of Santiago decrees the suspension of the effects of the environmental approval with respect to the construction of the project's major work and relocation plan. On September 10, the works and relocation plan are suspended by that court. These are restarted on October 5 after the Santiago appeals court accepts the request of Endesa Chile to lift the suspension placed by the 6th court.
- On March 1, 2000, the board decides to paralyze the works as a measure of business prudence as the final electricity concession has still not been given. On March 3, Ministry of the Economy Decrees 31 and 32 are issued granting the electricity concession for the construction of the plant and the authorization for the electricity line feeding the works. Works re-commence on April 1, 2000.
- In July 2000, the contract for constructing the dam is awarded to the consortium Febrag formed by the Chilean companies Fe Grande and Brotec.



Taltal Plant, Chile

- On March 18, 2004 the adduction tunnel is perforated (the meeting of both work fronts) thus concluding the excavations and definitively clearing up the doubts and uncertainties of the underground works.
- On April 20, 2004, 10 days ahead of plan and as a result of increased water flows in the low-water season, the spontaneous filling of the reservoir begins. The filling of the reservoir to its minimum operating level took 2 months and, to reach its maximum level took another 2 months. During the filling, a constant control is made and plan activated for saving the fauna.
- On August 15, 2004, the adduction tunnel works are completed and the introduction of water begins. This ends two days later in order to start tests of the plant machinery with water.
- On August 24, 2004, the first synchronization of Unit 1 is made, marking an important step in the start-up of operations. On August 26, Unit 2 is synchronized and later, on September 6 and 22, Units 1 and 2 respectively enter into commercial operations.
- Finally, following many years of arduous work, the Ralco plant is inaugurated on September 27, 2004 with the presence of the civil, military and ecclesiastical authorities, representatives of

the local indigenous communities, executives of Endesa Spain and of all the group companies, executives of the contractor companies and other guests.

Environmental impact challenges

The challenge for the company is to comply with legal demands concerning the environment but, at the same time, develop a series of programs for compensating the environmental losses, for both plant species and land and aquatic fauna; restore the affected habitats and promote the idea that the change in environment as a result of the reservoir can bring large benefits.

Regarding the flora and fauna, an area equal to the size of that flooded (1,400 ha. approx.) is being reforested with native forest and a biological reserve will be established to compensate the loss of plant formations and fauna habitat, whose area will be greater than the total surface area of the reservoir. In accordance with the environmental authorization, the project is obliged to discharge an ecological flow of 27.1 m³/s at the foot of the dam, which corresponds to 10 % of the average annual flow of the River Biobío. Scientific knowledge has also been increased as numerous studies and publications have been made of the plant and fauna species for their better management and protection, both here and in other parts of the country.

Relocation plan and compensation for affected families

As the reservoir covers land belonging to Pehuenche communities, Endesa Chile implemented an integral relocation program for the families affected. There are seven indigenous communities of Pehuenche extraction in the Upper Biobío, making a total of 4,000 people. Of these, the Quepuca and Ralco Lepoy communities, comprising some 1,400 people, are directly or indirectly affected by the plant.

Commitments benefiting the Pehuenche families and their communities involve short, medium and long-term programs and activities. In the short term, there are benefits for every family relocated through the exchange agreements. In the Quepuca and Ralco Lepoy communities, there are 93 families (400 people) whose lands are occupied by the works or were flooded, who have been called the directly affected. Another group of approximately 200 families of those communities that were not relocated are considered as being indirectly affected. These also receive benefits grouped under a special agreement.

The central objective of the Relocation Plan is to compensate the loss of lands and assets of the families directly affected by the flooding and the project works. The general criteria for the formulation of this plan is to respect the cultural identity of the Pehuenche people, promote the productive capacity of the affected families, improve the conditions of infrastructure and access to basic services and promote their future development in order to achieve an effective improvement in their standard of living.

The definition of the plan placed special emphasis on considering the cultural aspects peculiar to the Pehuenche communities. Specific anthropological and ethno-historical studies were prepared about the communities which served as a base for the preparation of the cultural projects included in the plan and its various long-term development and productive continuity assistance programs. This is a characterization of the principal components of the communities and a vision of their present situation, with emphasis on the cultural aspects.

The Relocation Plan contemplates several stages, from the choice of relocation sites to the application of all the support and development programs contemplated. Its objective is to see that the families improve their standard of living but, at the same time, to permit a recovery of the cultural memory of the communities through different mechanisms like the resemantization of places and spaces belonging to the community and the cultural resignification in the relocation areas. The plans contemplated finally contribute importantly to the rebuilding of the identity of the communities and their families.

In addition, there is the Continuity Assistance Plan by which Endesa Chile will provide technical and financial assistance for 10 years to carry out support projects for the relocated families in the productive area (farming, forestry, tourism) and will carry out cultural and social reinforcement programs developed together with the relocated families.

Short Law

Law 19,940 (the Short Law) came into force on March 13, 2004, amending DFL No.1/1982, the Electricity Services Law. The principal amendment refers to the way in which the remuneration and expansion of electricity transmission services is regulated. Under these new regulations, electricity users participate in financing part of the cost of these services, previously fully paid for by the generators.

Natural Gas Supply Crisis

The business in 2004 was affected by the Argentine gas crisis that meant a partial interruption of exports to Chile during the winter which at the time of maximum restriction reached 51 % of total demand for Argentine natural gas by Chile. This caused a reduction in the supply of generation using this fuel, forcing the dispatch of high-cost generating units. For Endesa Chile, the crisis implied a partial cut in the gas supply to its Taltal plant and minor restrictions for the San Isidro combined-cycle plant. This situation had

a lower impact for the company because of the majority hydroelectric composition of its generating park. Endesa Chile has prepared both plants for facing the winter of 2005 by obtaining the equipment and environmental permits required to generate with diesel oil should they suffer restrictions in gas supplies.

Approval of Environmental Impact Study, San Isidro II Plant

On August 16, 2004, the 5th Region Corema gave the final approval of the Environmental Impact Study for the project called San Isidro II, a combined-cycle generating unit that would operate with natural gas and would be located in the district of Quillota.

Modernization of Isla Plant Unit 2

The modernization of Unit 2 of the Isla plant was carried out during 2004. This includes the change of the control system, protections and voltage and velocity regulators. The change was made because of the obsolescence of this equipment and to facilitate its future remote control.

Use of Diesel Oil In Unit 2 of Taltal Plant

Work was carried out during 2004 for making operative Taltal plant's Unit 2, using diesel oil as an alternative fuel.

ISO 14,001 Certification

In December 2004, the ISO 14,001 certification was granted for the Environmental Management Systems of the Sauzal, Sauzalito, Los Molles, Abanico, Antuco and El Toro plants of Endesa Chile. The

ISO 14,001 certification was also renewed for the Environmental Management System of the San Isidro plant belonging to the subsidiary San Isidro S.A. Certification has therefore now been granted to 81 % of the generating park of Endesa Chile and its Chilean subsidiaries, in line with the policy of reaching both the energetic efficiency of its plants and the development of its operating activities in a way that is respectful with the environment.

OHSAS 18,001 Certification

In December 2004, the OHSAS 18.001 certification was granted for the Occupational Safety and Health Management System of the Pehuenche, Curillinque and Loma Alta plants of the subsidiary Pehuenche S.A. and the Cipreses, Isla and Bocamina plants of Endesa Chile. Endesa Chile and its subsidiaries thus maintain their leadership in the implementation of these systems, as a way to guarantee the occupational safety and health of its workers.

ISO 9,001 Certification

In December 2004, the ISO 9,001 certification was granted for the Total Quality Management System of the San Isidro plant of the subsidiary San Isidro S.A., this being the first Endesa Chile plant to achieve this.

This certification was also granted in the same month for Endesa Chile's Generation Control Center whose main purpose is to supervise and control in real time the economic and safe operation of its plants and those of its subsidiaries on the SIC.



San Antonio and Tequendama Plants, 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)	2003	2004
Emgesa		
Guavio (Hydroelectric)	1,150.0	1,150.0
Cadena Pagua (Hydroelectric System)	600.0	600.0
Termozipa (Thermal)	223.0	223.0
Plantas Menores (Hydroelectric) (1)	76.2	95.6
Total	2,049.2	2,068.6
Betania		
Betania (Hydroelectric)	540.0	540.0
Total Colombia	2,589.2	2,608.6

(1) The minor Tequendama plant, with a 19.4 MW, started operating in 2004.



ENERGY GENERATION AND SALES

Electricity Generation (GWh)	2003	2004
Emgesa	9,205	10,028
Betania	1,589	1,853
Total Generation in Colombia	10,794	11,881
Energy Sales (GWh) (1)	2003	2004
Emgesa	12,302	12,614
Betania	2,179	2,534
Total Sales in Colombia	14,481	15,148

(1) The energy sales figures exclude inter-company sales so the figures for 2003 have been reduced by the energy sales of Betania to related companies of 419.6 MW.



ACTIVITIES AND PROJECTS

Emgesa S.A. E.S.P.

Energy demand in 2004 on the National Grid System was 47,019 GWh which was 2.45 % more than 2003. Exports, mainly to Ecuador, amounted to a net 1,681 GWh, which permitted a growth in aggregate demand in Colombia of 3.6 % (including exports).

Emgesa achieved a record generation in 2004 with 10,028 GWh, equivalent to 21 % of the country's generation, and improved its compliance, load and operation factors. The availability factor of the plants for the year was 96.5 %.

Contributions to the grid were equivalent to 101.1 % of the historical average. The contributions of the Guavio reservoir and the River Bogotá basin were above the historical average, with factors of 119.2 % and 107.3 % respectively.

The Guavio plant achieved a record annual generation of 6,138 GWh, equivalent to 12.6 % of national generation, evidencing the important energy support represented by the Guavio reservoir for the country's electricity grid.

In the regulatory field, progress was made on a broad field focused on two fundamental matters: the Electronic Contracts System (SEC) and the Charge for Reliability, on which the Group made its comments and awaits the corresponding changes.

The development of the Commercial System began in June 2004. This contemplates, among other things, the control of services

and customers, analysis of tenders, management of non-regulated customers and control of invoicing on the spot, wholesale and non-regulated markets. This system will come into operation in July 2005.

On September 10, 2004, after making syntony tests and complying with the requirements set by the National Dispatch Center (CND), Cadena Pagua was authorized to provide Automatic Generation Control (AGC) services for its three generation groups. This system makes the commercial operation more flexible by having a new service for offering it to the grid and whose remuneration represents a higher variable margin with lower water costs.

According to the Cadena Casalaco action plan, the small Tequendama plant entered into operation in April with a declared capacity of 19.4 MW.

Works continued for environmental mitigation at the Muña reservoir and the morphological recovery of the Cantera Muña. In October, the Popular Action 479 follow-up round-table was set up to check the compliance pact proposal presented by Emgesa and the EEB to mitigate the environmental impacts of the reservoir. The judgment given by the Popular Action of the River Bogotá exonerated Emgesa from responsibility in contaminating the river and supported the compliance pact proposed by the company.

In July and December, certifications were granted for the Environmental Management Systems of the Guavio and Termozipa plants under the ISO 14,001 standard. The company currently has Environmental Management System certifications for 95 % of its installed capacity.

BVQI Colombia Ltda. also certified the La Guaca and El Paraíso plants and the Muña pumping station under the OHSAS 18,001 standard, referring to the Occupational Health and Industrial Safety System. This stage refers to the first part of the project which will continue in 2005 with the certification of the Guavio hydroelectric plant and other minor plants.

Regarding the capital reduction process of the company of US\$ 170 million begun in 2003, this carried out all the necessary procedures and, on February 2, 2005, received the approval by the Superintendency of Corporations to carry out the operation.

Late in the first half of 2004, the Superintendency of Securities initiated the third issue of bonds of Emgesa for a total value of \$250,000 million (US\$ 96 million). BRC Investor Services granted this issue a rating of AAA. In November, a series of Emgesa bonds matured for a total of US\$ 30.8 million which were repaid in full to their holder, Codensa.

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

For the fourth consecutive year, the hydrology at the Betania reservoir was very dry, being 88.8 % of the historic average. In early 2004, Betania showed a reservoir level equivalent to 77 % and ended the year with 94.4 %. There was no running off.

In October, Betania obtained its OSHAS 18,001 certification for its Occupational Health and Industrial Safety Management System, organized to the most demanding international standards.

Annual maintenance was carried out on Units 1 and 3, which included insulation recovery and predictive tests works, and maintenance of water wheels and sluice-gates.

By an arbitration agreement signed on October 5, 2004, Corfivalle and the Endesa Group agreed to an exchange of assets. By this, Endesa Chile will deliver to the financial corporation the Betania substation and 3.81 % of the holding in Empresa de Energía de Bogotá, in exchange for the holding this entity had in Betania (14.3 % of the company). At the conclusion of this transaction, the Endesa Group will consolidate a shareholding of over 99 % in Betania.

On November 10, 2004, the company successfully placed the first tranche of its first bond issue in the Colombian capital market. A total equivalent to US\$ 118 million were placed in an issue that was oversubscribed by 260 %, making the operation one of the most successful in the country and contributing to the consolidation of Betania as a new issuer of large volumes on the Colombian public securities market. The second tranche of US\$ 40 million is planned to be placed in 2006.

The proceeds of this issue will be fully used to replace liabilities in dollars, thus improving the company's debt profile. The operation concludes the second phase of Betania's financial plan, which is designed to reduce its exchange risk and financial expense. The placement generated a saving in 2004 equivalent to US\$ 22.3 million as a result of reduced exchange differences. The issue was rated as AA+ by the Colombian rating agency Duff & Phelps.



Moyopampa 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)	2003	2004
Edegel		
Huinco (Hydroelectric)	247.35	247.35
Matucana (Hydroelectric)	128.58	128.58
Callahuanca (Hydroelectric)	75.06	75.06
Moyopampa (Hydroelectric)	64.71	64.71
Huampani (Hydroelectric)	30.17	30.17
Yanango (Hydroelectric)	42.61	42.61
Chimay (Hydroelectric)	150.90	150.90
Santa Rosa (Thermal)	227.70	227.14
Total	967.08	966.52

(1) The installed capacity figures relate to effective capacity as informed by Osinerg.



ENERGY GENERATION AND SALES

Electricity Generation (GWh)	2003	2004
Edegel	4,287	4,136
Total Generation in Peru	4,287	4,136

Energy Sales (GWh)	2003	2004
Edegel	4,443	4,328
Total Sales in Peru	4,443	4,328





ACTIVITIES AND PROJECTS

Edegel S.A.A.

The company has consolidated its Integrated Management System with the certification of its environmental and occupational health and safety systems under the ISO 14,001 and OHSAS 18,001 standards respectively. Edegel therefore contributes to the certification of 22 % of Peru's electricity production. The company had already, in July 2003, obtained certification of its quality system under the ISO 9,001 standard.

Edegel in 2004 made two local currency bond issues for a total of 50 million Peruvian soles and two foreign currency issues for a total of US\$ 20 million at terms of 4 and 5 years respectively, under its Second Bond Issue Program. The proceeds were used to refinance debt and the average maturity of the company's debt was extended.

In order to optimize the company's capital structure, two capital reductions were made during the year for a total of 75,680,840 soles, in May and December. These were made exclusively from operating cash surpluses without increasing debt levels.

In line with corporate policy to maintain assets within the safety standards and high operating availability, Edegel is following an important five-year investment program in its transmission installations. In 2004, metering, protection and control electrical equipment has been replaced in different substations, as well as improvements to the 60 KV lines.

At the same time, the rights of way correction program was begun with respect to some sections affected by demographic growth in the city's peripheral areas.



The main works were as follows:

- Replacement of 60kV and 220kV equipment in Callahuanca, Moyopampa and Huampaní, foreseen to be completed in 2005.
- Renovation of the protection systems with new digital relays on the 220kV lines.
- Replacement of all the 60kV section switches at the Moyopampa hydroelectric plant, expected to be finished in 2005.
- Replacement of the remote control system of the Huinco hydroelectric plant, expected to be completed in 2005.
- Moving of 60 kV lines – 1st stage, to obtain rights of way in sections where it does not have them.
- Rehabilitation of the 60 kV line No. 603/604, which is 50 years old.
- Civil protection works at the Chimay plant.
- Rehabilitation, modernization and automation of the Callahuanca plant.

OTHER BUSINESSES

INGENDESA

During 2004, 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 the management and technical inspection services of the Ralco hydroelectric plant.

Ingendesa provided the design and implementation services for the ISO 9,001 quality management systems for the San Isidro thermal plant, for Endesa Chile's Load Dispatch Center and for the commercial processes of Chilectra, as well as the environmental management systems for the Sauzal, Sauzalito and Los Molles hydroelectric plants.

Abroad, important were the engineering services for the conversion to combined cycle of Etevensa's Ventanilla thermal plant and for the renovation of Edegel's Callahuanca plant in Peru. In Brazil, it provided various services for the Fortaleza thermal plant and the Cachoeira Dourada hydroelectric plant. For Distribuidora Ampla in Río de Janeiro, it successfully provided engineering, construction and assembly services for the Rocha Leao and Porto do Carro substations.

Among the services provided to un-related companies are those to HQT Transelec, for the extension of the 500 and 220 kV systems on the SIC. Also in the electrical sector, we can mention protections studies on the SING for the CDEC-SING, design of the kV line and principal substation of the Escondida Norte project of Minera Escondida, design of the 110 kV Agua Santa-Curauma line of Chilquinta and design of 110 and 220 kV transmission lines and MZ substation of Chuquicamata for Siemens-Abengoa.

In the area of urban transport and infrastructure, it provided services to Metro de Santiago for its lines 4, 2 north and 5 projects where it prepared the detailed engineering and technical inspection for a large part of the respective works. It also prepared the detailed engineering for the first two intermodal stations for the concession-holder ACSA, the technical inspection of sections B and C of the Merval project and advice for the technical inspection of the building of the Law Courts Center in Santiago.

It provided specialized services to the Corporación del Cobre de Chile in developing strategic projects for the Andina Division, advice in contract negotiations for El Teniente Division and technical inspection of works for the concentrator plant expansion project for the Chuquicamata Division.



El Melón Tunnel, Chile

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 2004, a total of 1,315,560 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 2,440,514 vehicles, implying that 53.9% of these preferred the toll-based tunnel. Compared with the year before, the vehicle flow using the system and the tunnel increased by 3.2 % and 8.0 % respectively.

The company generated sales of ThCh\$ 3,292,325 in 2004, an increase of 7.4% in real terms compared to 2003. 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\$ 2,637,616 improved by 4.1 %. 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\$ 1,719,213, which was 26% below that of the year before.

Finally, and as in previous years, the operation was carried out within normal margins and user claims were practically non-existent.

INVESTMENTS

During 2004, Endesa Chile and its Chilean and foreign subsidiaries invested a total equivalent to US\$ 183.4 million, as follows:

Company	Investment (Million of Dollars)
Argentina	
Central Costanera S.A.	22.1
Hidroeléctrica El Chocón S.A.	0.2
Total Investment in Argentina	22.3
Brazil	
Centrais Elétricas Cachoeira Dourada S.A.	2.8
Total Investment in Brazil	2.8
Chile	
Endesa Chile	104.5
Pehuenche S.A.	1.1
Pangue S.A.	1.0
Celta S.A.	2.0
San Isidro S.A.	10.8
Ingendesa	0.5
Sociedad Concesionaria Túnel El Melón S.A.	0.0
Total Investment in Chile	119.9
Colombia	
Emgesa S.A.	5.9
Central Hidroeléctrica de Betania S.A. E.S.P.	0.8
Total Investment in Colombia	6.7
Peru	
Edegel S.A.A.	10.4
Total Investment in Peru	10.4
Total Material Investment in Companies	162.1
Total Financial Investment	21.3
Total Investment	183.4

FINANCIAL ACTIVITIES

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS OF 2004

Income before taxes and minority interest of Endesa Chile for 2004 rose by 25 % over 2003 to ThCh\$ 203,916,252, ThCh\$ 40,422,717 higher than the figure for the previous year. The company's operating income shows an improved performance over 2003, reaching ThCh\$ 369,025,170 compared to a figure of ThCh\$ 346,973,670 in 2003. The non-operating result also showed an improvement as a result of a reduction in the company's financial expense of ThCh\$16,681,469. It should be pointed out that the improved results for 2004 were despite including a provision of ThCh\$ 17,127,000 related to the re-calculation of firm capacity for the period April 2000 to March 2004, and April 2004 to November 2004, in accordance with the resolution of the panel of experts.

Endesa Chile's net income for 2004 was ThCh\$ 83,788,756 which compares with a level of ThCh\$ 80,084,185 in 2003. Income taxes at December 2004 amounted to ThCh\$ 93,426,794, compared to ThCh\$ 28,062,535 in 2003, mainly the result of an increase in deferred taxes, reflecting the effects of tax losses caused by the devaluation of the Argentine peso since 2002.

It should be noted that consolidated operating income plus depreciation and amortization of Endesa Chile (EBITDA) was ThCh\$ 541,216,980 in 2004. Net consolidated debt was reduced by ThCh\$ 299,548,216 during the year. Investments in 2004 totaled US\$ 183 million of which US\$ 120 million related to investments in Chile.

The principal events of the year 2004 were:

- Commercial start-up of the Ralco plant on the SIC, on September 6 with its first unit and on September 22 with its second unit,
- contributing a maximum capacity of 690 MW, which is higher than the level originally planned of 570 MW. This increased capacity, bearing in mind the late improvement in the country's hydrology in 2004, will contribute very significantly to meeting the strong growth in energy demand on the grid in the next few years.
- Change in the Chilean electricity scenario as a result of the natural gas crisis in Argentina, producing a rising trend in electricity market prices including the node price which, effective May this year, was adjusted to incorporate the higher cost of thermal generation (due to the gas restrictions) and later in the tariff-setting process for the period November 2004-April 2005, thus modifying the works plan in considering alternative technologies to natural gas for supplying the future needs of the national electricity system.
- Successful conclusion of the commercial contractual disputes of the Brazilian subsidiary Cachoeira Dourada with its principal customer, the distributor of the State of Goiás (CELG). This was reflected in an improvement in the subsidiary's financial statements, practically quadrupling its operating income in 2004.
- Positive signs from the Argentine authority with respect to the process of making electricity sector prices more realistic. This began in February with a first adjustment of the seasonal price for large users and commercial customers, followed in November by a second adjustment, continuing in May and December respectively, with the transfer of the new natural gas price to variable generating costs recognized by the regulator, resulting in an increased spot price for generating companies.

- Publication of the adjustment of energy generation tariffs by the Peruvian entity Osinerg for the period November 2004 - April 2005, which shows an increase of 19 % in the monomic price in dollars compared to the level set in May 2004. This increase reflects a better estimate of the works plan, a positive adjustment of demand growth, higher fuel costs and a better estimate of the capacity price.
- Strong increase in electricity demand in the countries in which we operate, with accumulated growth in 2004 higher than in 2003, being 6.8 % in Argentina, 5.4 % in Brazil, 2.7 % in Colombia, 7.9 % on the principal electricity grid in Chile and 5.9 % in Peru.
- Record daily production of the assets managed by Endesa Chile in Latin America, reaching 204,115 MWh on November 23, 13 % more than the previous daily record. This level corresponds to a load factor that day of 58.1 %.
- On January 26, 2005, the international credit-rating agency Moody's Investor Services raised its rating for Endesa Chile to Ba1 with stable prospects, from Ba2. This rating, while we believe it under-estimates the company's real strengths, is based on its improved operations and finances.

The company's consolidated sales in 2004 were 9.5 % up on 2003, at a level of ThCh\$ 1,032,662,084. Electricity sales volumes grew by 5.5 % and the average sales price also rose. Endesa Chile's consolidated cost of sales amounted to ThCh\$ 629,191,426, representing an 11.5% increase over the year before, mainly as a result of the higher fuel costs for thermal generation which reaches ThCh\$ 119,210,144 in 2004. Electricity generation increased by 11.4 % to 4,899 GWh, from thermal generation, thus permitting a 23% reduction in physical energy purchases, equivalent to 1,924 GWh.

The consolidated operating income for 2004 was ThCh\$ 369,025,170, 6.4 % higher than the previous year. This improvement reflects increases in Colombia, Brazil and Argentina.

Chile's operating income represented 40.6 % of the company's total operating income. This amounted to ThCh\$ 149,718,155, a reduction of ThCh\$ 9,423,245 compared to 2003, mainly the result of higher variable operating costs. This result was heavily impacted by the poor result in the first half of the year, which fell by close to ThCh\$ 14,000,000, or 17.3 % below that of the first half of 2003. During the last quarter of 2004, Chilean operating income increased by more than ThCh\$ 5,300,000 compared with the same period of 2003, equivalent to 14% growth, as a result of a 17 % increase in hydroelectric generation.

In Argentina, the operating income for 2004 was ThCh\$ 34,378,759, which represents 9.3 % of Endesa Chile's total operating income. This figure compares to ThCh\$ 33,121,053 in 2003. The operation in Argentina shows a significant 30 % increase in sales to ThCh\$ 148,299,615, reflecting the large increase in generation and electricity demand. The higher physical sales of the subsidiary Central Costanera, which rose by 74 %, as a result of the plant's capacity to operate not only with natural gas but also with fuel oil, are partially offset by reduced sales by El Chocón due to the low hydrology in the Comahue zone. Costanera's share of thermal generation grew from 50.3 % of Endesa Chile's thermal generation in 2003, to 70.4 % in 2004. The cost of sales in Argentina increased by 41.0 % to ThCh\$ 111,351,798 in 2004 because of the higher fuel cost which rose by 237.6 % in the year due to the increased generation by Costanera which was double the previous year and the natural gas restrictions in the Argentine market which led the company to increase its generation using liquid fuels.

Operating income in Brazil of the subsidiary Cachoeira Dourada represents 3.9 % of Endesa Chile's consolidated operating income in 2004. The operating income of Cachoeira Dourada reached ThCh\$ 14,314,032, 281.8 % above 2003, demonstrating the achievements made by the company with respect to its contractual dispute with its principal customer, CELG, which was fully resolved in 2004. Sales increased by 33.1 % over 2003 to ThCh\$ 42,006,221. Physical generation by Cachoeira Dourada increased by 7.9 % as a result of growing demand and favorable hydrology.

In Colombia, operating income in 2004 reached ThCh\$ 118,456,420, which represents a 34.4 % increase over 2003 and contributed 32.1 % of Endesa Chile's total operating income. The subsidiary Emgesa reported operating income of ThCh\$ 100,903,361 and Betania ThCh\$ 17,553,059, equivalent to an increase of ThCh\$ 18,332,755 and ThCh\$ 11,990,042 respectively. Energy sales in Colombia increased by 17.6 % as a result of higher demand and good hydrology. Physical sales rose by 667 GWh and generation by 1,087 GWh, with a lesser contribution from thermal generation, thus reducing energy purchases and fuel costs compared to 2003.

In Peru, operating income of the subsidiary Edegel in 2004 was ThCh\$ 52,157,804, compared to ThCh\$ 62,828,950 the year before. The operating income of Edegel represents 14.1 % of Endesa Chile's total operating income for 2004. Sales increased by 7.7 %, the equivalent of ThCh\$ 8,842,943, to a total of ThCh\$ 123,375,092. Physical sales were lower than in 2003 due to low hydrology in the zone but the following price increase, also impacted by the higher international fuel prices, allowed this physical fall to be compensated. However, the reduced hydrology also affected the company's cost of sales which rose by 44.6 % to ThCh\$ 63,778,805. Edegel's physical electricity generation fell by 3.9 % to 4,285.2 GWh in 2004, with hydroelectric generation reducing by 408.4 GWh and thermal generation rising by 235.2 GWh, which led to higher spending on fuel and greater energy purchases.

Regarding the non-operating results, the company showed a negative consolidated result in 2004 that was lower than that recorded in 2003, amounting to (ThCh\$ 165,108,918), the equivalent of a 10% improvement. Lower financial expenses of ThCh\$ 16,681,469 and increased gains from exchange differences and price-level restatements were partially offset by higher non-operating expenses net of income as a result of the re-calculations of the payment for capacity in Chile. Income from investments in related but non consolidated companies reached ThCh\$ 19,289,364, an increase of ThCh\$ 1,102,901.

The higher non-operating expenses, net of income, of ThCh\$ 12,168,055 are basically explained by higher losses of ThCh\$ 27,186,987 arising from the conversion adjustment according to Chilean regulations, through the application of Technical Bulletin No.64, principally the subsidiaries in Colombia and Brazil; higher losses through the increase in provisions for the Re-calculation of Capacity for previous years of ThCh\$ 13,380,006, mainly offset by an improved result from the sale of fixed assets of ThCh\$ 12,470,874 and ThCh\$ 6,915,462 of profit on the liquidation of derivative instruments in 2004.

Taxes increased by ThCh\$ 65,364,259 in 2004 compared to 2003. The accumulated consolidated income tax amounted to ThCh\$ 93,426,794, composed of a charge of ThCh\$ 52,778,126 for income tax, an increase of ThCh\$ 1,439,529 over last year and related to a higher taxable income, and ThCh\$ 40,648,668 for deferred taxes representing an increase of ThCh\$ 63,924,730 over 2003. The higher charge for deferred taxes, which represented a credit of ThCh\$ 23,276,062 in 2003, was recorded mainly in Argentina basically as a result of the effect of the significant devaluation made as part of the country's emergency plan. This occurs because in June 2003, the effects of the tax losses of the companies were recorded for the first time, which amounted to ThCh\$ 33,933,175 at December 31, 2003, caused by the devaluation of the Argentine peso since early 2002. However, as a result of the recovery in the exchange rate and better company results, the tax loss has reduced, showing at December 2004 losses for the reversal of deferred taxes of ThCh\$ 14,028,643.

CREDIT RATING

Endesa Chile's current external debt credit rating is BBB- with stable prospects, according to Standard & Poor's, BBB- with positive prospects, according to Fitch, and Ba1 with stable prospects, according to Moody's. The domestic bonds of Endesa Chile are rated at A+ by Fitch Chile and Feller Rate.

As a result of the successful financial strategy followed by Endesa Chile during 2003 and early 2004, and the macroeconomic and operating improvements seen in the countries where the company operates, Moody's in January 2005 raised the credit rating for the external debt of Endesa Chile from Ba2 with stable prospects, to Ba1 with stable prospects. In February 2005, Fitch also raised its rating from BBB- with stable prospects to BBB- with positive prospects. Standard & Poor's has maintained its rating.

INSURANCE

Operational

In December 2003, 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, 2003 and was renewed to December 31, 2004, while the civil liability cover expired on June 30, 2004 and was renewed until June 2005.

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\$ 100 million for protecting the generating plants and principal transformer substations against the risks of earthquake, avalanche, 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 for 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 (Ralco).

In the case of the Ralco plant, in April 2004 the arbitrator passed sentence in the proceedings brought by AGF Allianz against Endesa Chile seeking the nullity of the policy contracted by that insurer. The Arbitrator did not accept the insurer's demand and confirmed the full validity of the contents of the contract.

On the other hand, following the demand made by Endesa Chile against AGF Allianz seeking payment of the claim for the incident affecting the plant in May 2001, the arbitrator gave judgment in favor of Endesa Chile and determined a payment in its favor of US\$ 6,120,000 which was made on December 28, 2004.

REFINANCINGS DURING 2004

In February 2004, Endesa Chile, through the Agency in the Cayman Islands, signed a syndicated loan agreement with a group of banks led by BBVA, Citigroup, Caja de Madrid and Santander Central Hispano Investments Inc. for a loan of US\$ 250 million with an interest rate of LIBOR + 115 basis points and a bullet repayment in 3.5 years. The proceeds plus available cash were used to fully prepay a syndicated loan for US\$ 284 million. This meant the elimination of the restrictive covenants related to this loan and a reduction in the interest margin by 185 basis points.

Later, in November 2004, also through the Agency of Endesa Chile in the Cayman Islands, the amount outstanding of US\$ 250 million was again refinanced, with Caja de Madrid, Miami

Agency acting as agent bank. A reduction in the interest rate to LIBOR + 37.5 basis points was obtained and the bullet repayment term was extended to 6 years. This financing was obtained under the voluntary drawings and prepayments mechanism (revolving facility), depending on the funds requirements of the debtor during the term of the facility.

Concerning the foreign subsidiaries, mention should be made of the syndicated loan renegotiation of Central Costanera S.A. and the successful bond issues of Betania in Colombia and Edegel in Peru.

In September 2004, Central Costanera S.A. successfully concluded the renegotiation of the syndicated loan for US\$ 47.7 million, including an extension of the repayment term to June 2006.

On November 10, 2004, with an over-subscription of close to 263 % of the amount offered and known as one of the most successful such transactions in Colombia, Central Hidroeléctrica de Betania S.A. E.S.P. placed the first tranche of its first issue of bonds in the Colombian capital market. A total the equivalent of US\$ 118 million was placed. A second tranche, for US\$ 40 million, is planned to be placed during 2006. Most of the proceeds were used to reduce inter-company debt that Central Hidroeléctrica de Betania S.A. has with Compañía Eléctrica Conosur S.A., a 100% subsidiary of Endesa Chile.

In 2004, Edegel made two bond issues in local currency for a total of 50 million Peruvian soles and two issues in foreign currency for a total of US\$ 20 million, with maturities of 4 and 5 years respectively. The proceeds of these issues were used to refinance existing debt and the operations resulted in extending the average maturity of the company's debt.

DIVIDENDS



Santa Rosa Plant, Peru

DIVIDEND POLICY 2005

For 2005, the board intends to propose to the shareholders' meeting the distribution of a dividend of an amount equivalent to 50% of the net income for the year.

The board, for 2005, does not intend to distribute interim dividends against the net income for the year and to propose to the shareholders' meeting that the final dividend to be paid in 2006 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.

Procedure for dividend payments

In order to avoid the improper collection of them, the company offers the same three methods for the payment of dividends as in previous years:

1. Deposit in a bank checking account whose holder is the shareholder;
2. Deposit in a bank savings account whose holder is the shareholder;
3. Sending of a nominative check or bankers draft by registered mail to the address of the shareholder appearing in the shareholders register; and
4. Withdrawal of check or banker draft from the offices of DCV Registros S.A., as Endesa Chile's registrar, or from the bank appointed for this purpose.

The bank checking or savings accounts can be in any location in Chile.



Curillínque Plant, Chile

It should be pointed out that the payment method chosen by each shareholder will be used by Endesa Chile for all dividend payments unless the shareholder indicates in writing his intention of changing it and registering another option.

Payments will be made according to option No.4 to those shareholders not registering a payment method. In cases where the checks or bankers drafts are returned by the post to DCV Registros S.A., these will remain in custody until withdrawn or requested by the shareholder.

In the case of deposits in bank checking accounts, the company may request, for security reasons, their verification by the respective bank. If the account stated by the shareholder is rejected, whether in a prior checking process or for any other reason, the dividend will be paid in accordance with the stated method No.4.

The company has adopted and will continue to adopt all the security measures necessary for the payment of dividends in order to safeguard the interests of both shareholders and Endesa Chile.

DIVIDENDS DISTRIBUTED IN THE LAST FEW YEARS

Year	Dividend per Share (Pesos of each year)	Restated Amount at December 31, 2004
1997	11.74800	14.60356
1998	2.06200	2.41377
1999	-	-
2000	0.96000	1.04823
2001	0.94000	1.01821
2002	-	-
2003	2.30000	2.36000

DISTRIBUTABLE EARNINGS OF YEAR 2004

The distributable earnings in relation to the net income for 2004 are as follows:

Net Income for the Year	Ch\$ 83,788,756	thousands
Amortization of Goodwill	Ch\$ 16,101,574	thousands
Net Income	Ch\$ 67,687,182	thousands
50 % of Net Income	Ch\$ 33,843,591	thousands
Number of Shares	8,201,754,580	shares
Pesos per Share	Ch\$ 4.13	



San Isidro Plant, Chile

INFORMATION ON SUBSIDIARY AND ASSOCIATE COMPANIES

MAIN SUBSIDIARIES

CENTRAL COSTANERA S.A.

Costanera is an electricity generation company publicly traded in Argentina with 2,303 MW total installed capacity including a 1,451 MW capacity oil and gas-fired generation facility and a 852-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.

CENTRAIS ELÉTRICAS

CACHOEIRA DOURADA S.A.

Cachoeira Dourada, incorporated in Brazil, is located in Goias 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. 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 Bio-Bio river. The first unit commenced operations on October 31, 1996, while the second unit commenced operations on February 3, 1997. 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.

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.

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 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. This company 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 2,069 MW. 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. 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 (151 MW), and a 220 kV transmission line linking both plants to the Peruvian system. 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. CEMSA is incorporated in Argentina.

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. CIEN is incorporated in Brazil.

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.

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.

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.

GASATACAMA S.A. (GASATACAMA)

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. This company was incorporated in Chile.

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.

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.

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 Pacífico Generación de Energía Limitada ("Napel Ltda.") changed its name to GasAtacama Generación Limitada in October 2002, and changed again in December 2003 to Gasatacama Generación S.A.

