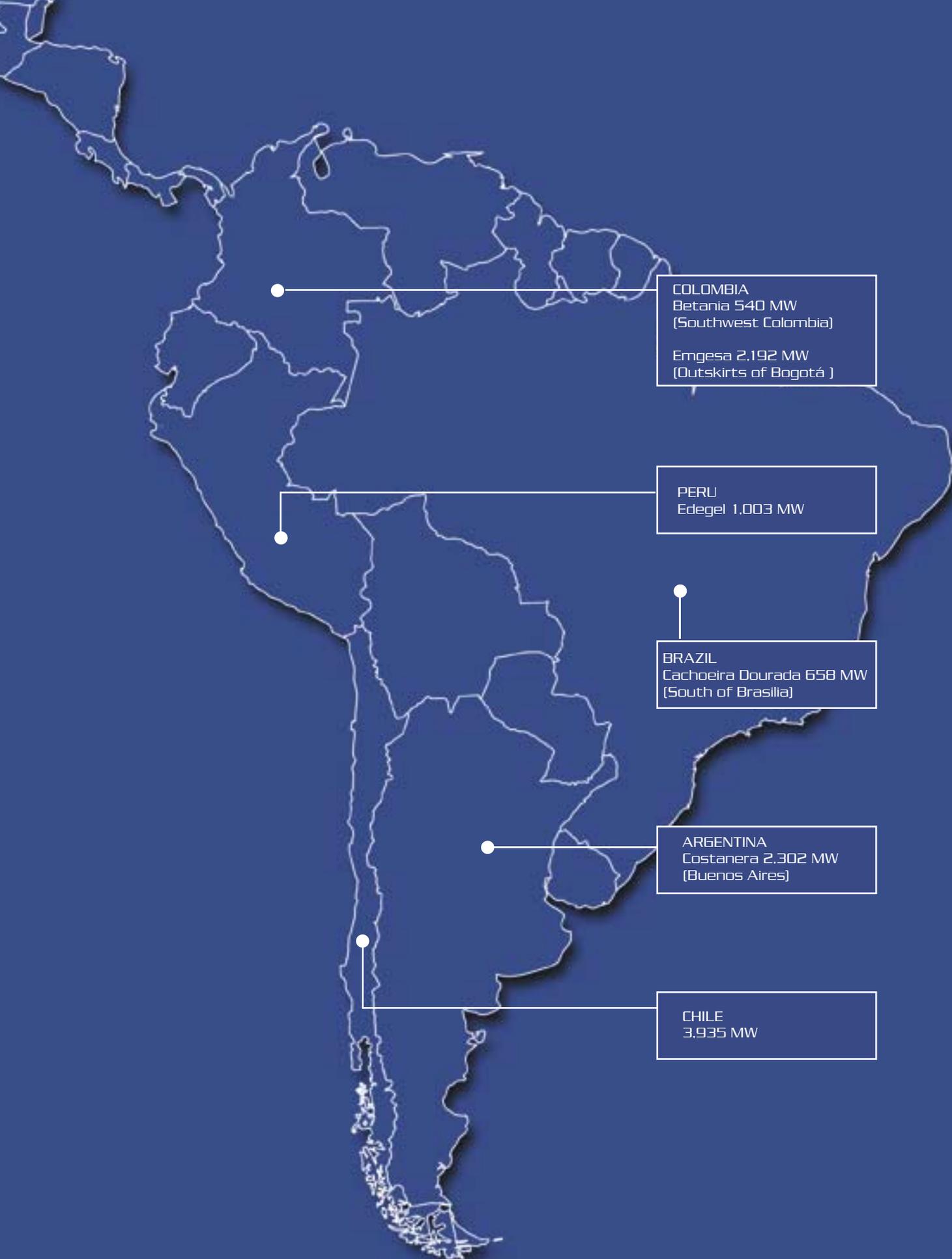




2002 ANNUAL REPORT



ENDESA
GRUPO ENERSIS



COLOMBIA
Betania 540 MW
(Southwest Colombia)

Emgesa 2,192 MW
(Outskirts of Bogotá)

PERU
Edegel 1,003 MW

BRAZIL
Cachoeira Dourada 658 MW
(South of Brasilia)

ARGENTINA
Costanera 2,302 MW
(Buenos Aires)

CHILE
3,935 MW

Content

2002 Annual Report	
Chairman's Letter	2
Administration	6
Consolidated Highlights	11
Company's Identification	12
Historical Review	14
Corporative Structure	15
Endesa-Chile's Holding in Subsidiaries and Associated Companies	16
Human Resources	18
Company's Ownership	21
Stock-Market Transactions	22
Investing and Financing Policies	25
Operational Summary	28
Risk Factors	38
Operations in Argentina	43
Operations in Brazil	47
Operations in Chile	51
Operations in Colombia	61
Operations in Peru	65
Other Businesses	67
Investments	71
Financial Activities	72
Dividends	77
Material Information	79
Principal Subsidiaries and Associated Companies	82
Addresses	85
Consolidated Financial Statements	86
Summarized Financial Statements of Subsidiaries	167
Declaration of Responsibility	171

Chairman's Letter

To our Shareholders,

I have pleasure in presenting to you the Annual Report and Financial Statements of Endesa-Chile for the year 2002.

Before referring to the company's activities last year, allow me to remind you that an analysis of what occurred in 2002 should take into account an international environment marked by less growth and greater uncertainty. The attacks in the United States of September 11, 2001 contributed notably to stress the climate of instability and to intensify the symptoms of economic deceleration in practically the whole world.

This deterioration in the international environment has affected Latin America most significantly, especially the two principal economies, Brazil and Argentina, countries where Endesa-Chile has important assets.

In 2001, Argentina suffered its third consecutive year of recession, with a 4.4% fall in GDP. This led the country to abandon in 2002 its convertibility policy that had been in force for ten years. The delicate Argentine situation affected

the Brazilian economy which saw its direct foreign capital investment inflows significantly reduced, while its currency devalued to an unexpected extent.

RIGUROUS EFFORTS

In this context, it is clear that the Latin American economic situation has impacted the companies and has required especially rigorous efforts from all its management, efforts which in general have been and are being faced seriously and with a high degree of responsibility.

Endesa-Chile, like many other companies, has had to assume the effects of this complicated situation and has implemented the necessary measures for overcoming it, stressing at all times its wish to continue with a presence in the region and to contribute to resolving its problems. Its investments are not speculative but have been made within a long-term strategic perspective.

Our company has reacted quickly, rigorously and with maximum prudence to the challenge of the region's economic reality. This has led it to consider an adjustment to the book value of its investments for a total of Ch\$ 98,944 million. These accounting adjustments and extraordinary charges, which imply no cash outflow at all and therefore do not affect the company's liquidity, have had a direct impact on results and explain the Ch\$ 9,319 million of consolidated losses for the year 2002.

RESULTS OF THE YEAR

Endesa-Chile's operating income was Ch\$ 346,224 million, 0.5% less than that at December 2001. This slight decline is due to weaker performances in Argentina and Brazil, which were practically offset by improved results in Chile and Peru.

In Chile, operating income grew by 25.4% as a result of increased hydroelectric generation following higher water levels in reservoirs and the high reliability of the company's plants. There was also an increase in average sales prices in the non-regulated and spot customer market.

Operating income in Peru also improved by 6.7% to Ch\$ 70,477 million, thanks to firmer average spot market prices.

In Colombia, operating income grew by 1.1% to Ch\$ 75,373 million, as a result of an increase in energy sales volumes following greater hydroelectric generation and higher average spot market sale prices.

In Argentina, operating income declined by Ch\$ 30,784 million compared to 2001, mainly explained by lower average energy sales prices for El Chocón, caused by the devaluation of the Argentine peso, and a 39.2% fall in energy sales volumes.

The operating income of the Cachoeira Dourada plant in Brazil declined by 39.2%, largely caused by a 20.3% fall in average energy sales prices, following the devaluation of the real against the dollar, and to greater purchases of energy to meet contracts, following the prolonged drought in the south-east of the country.

Endesa-Chile's non-operating result at December 2002 was a loss of Ch\$ 313,424 million due to the accounting adjustments and extraordinary charges already mentioned. This figures compares to a loss of Ch\$ 247,798 million in 2001.

Last year's results also reflect an 8.8% decline in net financial expenses. This reflects reduced debt in dollar terms (measured in dollars of each year) of US\$ 240 million and lower interest rates.



SHARE PRICE

Even though the effects of the complicated economic situation have affected all companies with investments in the region and therefore their share prices, the movement in the Endesa-Chile share price during 2002 has been notable. In the case of the ADR, this was some 1% above the average performance of electricity companies on the American market and the share price amply exceeded, by around 11.7%, the average return of Chilean companies traded on foreign markets.

We believe this is indicative of a market recognition of the management's efforts to face the contingencies described and of the incomparable position of our company's assets throughout the region.

In any case, we are convinced that the expected improvement in the Latin American environment, where some signs are beginning to suggest some prudent optimism, together with the measures being taken by Endesa-Chile, will be reflected in firmer share prices on the markets where they are traded.

STRENGTHENING PLAN

The company has not remained passive in the current situation. On October 3, 2002, the board that I preside implemented the Financial and Economic Strengthening Plan which contemplates a series of asset divestments and the refinancing and reduction of debt in order to strengthen Endesa-Chile's equity and financial position and thus of its Chilean and foreign subsidiaries.

The funds we hope to generate from the measures contained in the Plan will allow the company to improve its credit structure, facilitate the ongoing investment process and provide the company with greater liquidity for facing the surrounding situation.

INVESTMENTS AND TARIFFS

With respect to investments, Endesa-Chile is constructing the Ralco plant whose start-up is planned for June 2004. The works, of the only electricity plant being built in Chile today, had achieved an advance of 73.9% by the end of December 2002.

Another of the investments that the company has made during 2002 relates to the second electricity interconnection line between Argentina and Brazil. This new 1,000 MW line is managed by CIEN, a company in which Endesa-Chile has a 45% holding, entered into commercial operation last August and is added to the previous line having an identical transportation capacity.

Regarding Endesa-Chile's investments in Argentina, the development of the country's economy is being followed closely, especially

the impact of the devaluations and government resolutions. However, it is good news that the Argentine regulator has recently taken measures which include modifications implying a 20% increase in the price for capacity, an increase in its recognition and the definition of new reserve services which will permit the annual revenues of our Argentine subsidiaries to increase by around US\$ 5.6 million.

Despite the above, the company is constantly monitoring and controlling its Argentine companies as well as maintaining permanent contact with the authorities and entities of that country to explain the difficult position being faced by the Argentine electrical sector.

With respect to Chile, the node price in effect since November 1, 2002 fell by 3.6% in dollar terms compared to the price set in April. This is the third consecutive reduction, making a total reduction of 9.8% in dollar terms since October 2001 and providing a negative signal concerning the viability of future investments in generation needed to face the growing increase in electricity demand. Despite announcements by the authorities about new plants, the above is evidenced by the fact that the only plant presently under construction, and the first for many years, is Ralco.

ENVIRONMENTAL COMMITMENT

I should like to emphasize the efforts made in the environmental field by the company in 2002. Around 43% of Endesa-Chile's generation in Latin America had obtained the ISO 14,001 certification by the end of the year, demonstrating its commitment to and conscientiousness with the

environment. The company has thus exceeded the target set in its environmental management plan which contemplates that 80% of its generating capacity will have this certification by the year 2006.

This standard was obtained in 2002 by the plants of Taltal, the associated company GasAtacama Generación, Pangué (the first hydroelectric plant in Chile to achieve this) and El Chocón and Arroyito in Argentina, with which all Endesa-Chile's generating capacity in Argentina is certified under ISO 14,001.

Endesa-Chile thus continued to give clear signs of its environmental commitment and the application of the measures and methods necessary to produce clean, reliable energy with respect for the environment.

Finally, I can say that we are a company that works transparently and has a special concern for its shareholders; this was recognized last year by the Institutional Investor Research Group which chose Endesa-Chile as the best company in Chile for investor relations, under a prestigious market survey that collects the opinions of the most important players in the Latin American finance industry.

One of the principal strengths of our company is its people. Despite the problems we have faced, I am confident that we will overcome them because we have top-level technicians, professionals and executives committed to Endesa-Chile who are capable of moving ahead in adverse circumstances. The important thing is to look to the future, learn from difficult times and come out strengthened.

You may be assured that the company's human team, with your support, will enable Endesa-Chile to resolve its difficulties and maintain its leadership in the region over the long term.



Luis Rivera Novo
Chairman of the Board

Administration

BOARD OF DIRECTORS



CHAIRMAN
Luis Rivera Novo
*Roads, Channels and Ports
Engineer
Universidad Politécnica
de Madrid*



VICE CHAIRMAN
Antonio Pareja Molina
*Commercial Engineer
Universidad de Granada*



DIRECTOR
Jaime Bauzá Bauzá
*Civil Engineer
Pontificia Universidad
Católica de Chile*



DIRECTOR
Emilio García Diez
*Industrial Engineer
Escuela de Ingenieros
Industriales de Bilbao*

Administration

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

The present board of directors was elected by the Ordinary Shareholders' Meeting held on April 11, 2002, except for Luis Rivera Novo who was appointed at the extraordinary board meeting held on July 25, 2002, to replace Pablo Yrarrázaval Valdés who presented his resignation as a director and chairman of the company.

MANAGEMENT REMUNERATION

Remuneration received by the company's management during the year 2002 amounts to Ch\$1,056,464,996. Includes the remuneration of those managers working as at December 31, 2002 and those who left the company during the year.

INCENTIVE PLANS

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



DIRECTOR
**José María Hidalgo
Martín-Mateos**
Commercial Engineer
Universidad Santiago de
Compostela



DIRECTOR
Rodolfo Martín Villa
Industrial Engineer
Escuela Técnica Superior
de Ingenieros Industriales
de Madrid



DIRECTOR
Andrés Regué Godall
Industrial Engineer
Escuela Técnica Superior
de Ingenieros Industriales
de Barcelona



DIRECTOR
Antonio Tuset Jorratt
Commercial Engineer
Universidad de Chile



DIRECTOR
Leonidas Vial Echeverría
Vice-president of the
Santiago Stock Exchange



Laja Lake - Chile

Administration

PRINCIPAL EXECUTIVE OFFICERS

CHIEF EXECUTIVE OFFICER

Héctor López Vilaseco
Attorney-at-Law
and Economist
ICADE, Madrid

EXTERNAL AFFAIRS

Rodolfo Nieto Maturana
Journalist
Universidad de Chile

GENERAL COUNSEL

Carlos Martín Vergara
Attorney-at-Law
Universidad Católica de
Valparaíso

FINANCE

Alfredo Ergas Segal
Commercial Engineer
Universidad de Chile

HUMAN RESOURCES

Juan Carlos Mundaca Álvarez
Commercial Engineer
Universidad de Santiago

PLANNING AND CONTROL

Julio Valbuena Sánchez
Roads, Channels and Ports
Engineer
Universidad Politécnica
de Madrid

TRADING AND COMMERCIALIZATION

José Venegas Maluenda
Industrial Civil Engineer
Pontificia Universidad
Católica de Chile

ENERGY PLANNING

Rafael Errázuriz Ruiz-Tagle
Civil Engineer
Universidad de Santiago

PRODUCTION AND TRANSPORT

Rafael Mateo Alcalá
Industrial Engineer
Escuela Técnica Superior
de Ingenieros Industriales
de Zaragoza

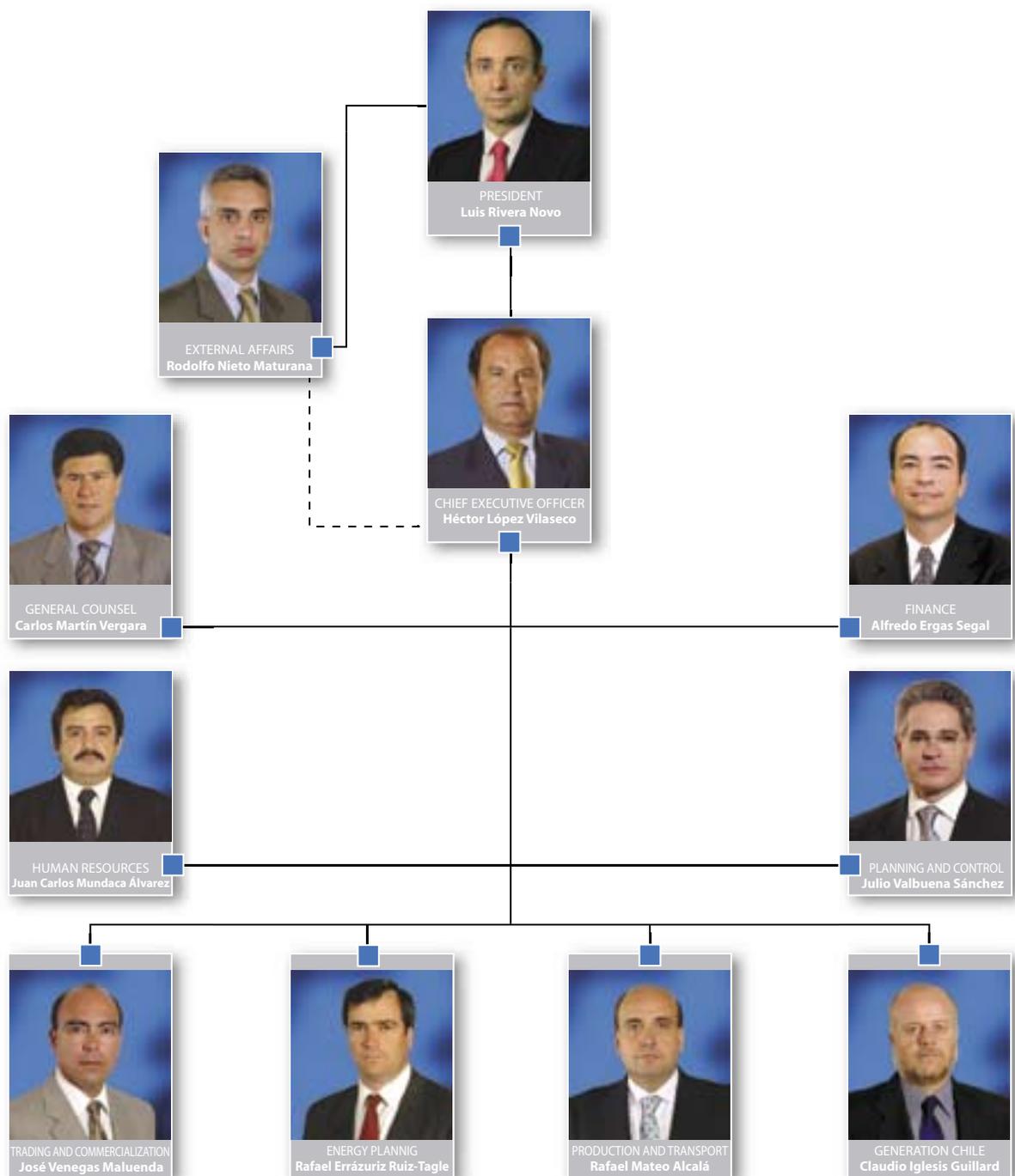
GENERATION - CHILE

Claudio Iglesias Guillard
Electrical Civil Engineer
Universidad de Chile



San Isidro Plant - Chile

ORGANIZATIONAL STRUCTURE



Administration

ADMINISTRATION OF PRINCIPAL SUBSIDIARIES

GENERATION ARGENTINA
Miguel Ortiz Fuentes
Mecanic Engineer
Escuela Naval de Chile

GENERATION BRAZIL
Juan Antonio Madrigal Royo
Mining Engineer
Universidad Politécnica de Madrid

GENERATION COLOMBIA
Lucio Rubio Díaz
Commercial Engineer
Universidad Santiago de Compostela

GENERATION PERU
José Griso Gines
Merchant Marine Captain
Sub Secretaría de Marina Mercante

INGENDESA
Juan Benabarre Benaiges
Civil Engineer
Universidad de Chile

INFRAESTRUCTURA DOS MIL S.A.
Roberto Aigner Ríos
Civil Engineer
Universidad de Chile



Cipreses Plant - Chile

Consolidated Highlights

	Years ended December 31,				
	1998	1999	2000	2001	2002
IN ARGENTINA					
EMPLOYEES	469	430	287	285	284
INSTALLED CAPACITY (MW)	3,622	3,622	3,622	3,622	3,622
GENERATION (GWh)	7,310	9,150	10,129	9,948	7,168
SALES OF ELECTRICITY (GWh)	14,084	14,643	15,549	12,988	7,897
IN BRAZIL					
EMPLOYEES	87	81	45	47	52
INSTALLED CAPACITY (MW)	658	658	658	658	658
GENERATION (GWh)	2,941	3,222	3,406	2,256	2,467
SALES OF ELECTRICITY (GWh)	3,894	3,754	3,887	3,743	3,591
IN CHILE					
EMPLOYEES	1,763	1,383	888	870	818
INSTALLED CAPACITY (MW)	3,765	4,130	4,035	3,935	3,935
GENERATION (GWh)	12,188	13,672	15,346	15,741	16,286
SALES OF ELECTRICITY (GWh)	14,161	15,949	20,086	18,673	18,344
IN COLOMBIA					
EMPLOYEES	584	454	377	386	315
INSTALLED CAPACITY (MW)	3,034	3,035	3,035	3,035	2,732
GENERATION (GWh)	11,489	10,898	9,618	10,106	10,616
SALES OF ELECTRICITY (GWh)	14,873	13,467	13,356	14,591	14,639
IN PERU					
EMPLOYEES	255	178	167	164	154
INSTALLED CAPACITY (MW)	806	806	997	997	1,003
GENERATION (GWh)	3,072	2,950	3,623	4,176	4,279
SALES OF ELECTRICITY (GWh)	3,279	2,999	3,604	4,239	4,158
(Millions of constant Chilean pesos as of December 31, 2002)					
TOTAL ASSETS	5,987,528	6,397,842	6,016,568	6,361,571	6,524,201
TOTAL LIABILITIES	3,096,932	3,791,864	3,333,335	3,482,442	3,595,335
MINORITY INTEREST	1,415,517	1,344,698	1,306,336	1,432,580	1,498,231
SHAREHOLDERS' EQUITY	1,475,081	1,261,280	1,376,897	1,446,549	1,430,635
REVENUES FROM OPERATIONS	925,654	957,319	937,650	1,045,279	938,099
COST OF OPERATIONS	(550,368)	(721,818)	(637,296)	(662,608)	(555,586)
OPERATING INCOME	332,069	185,940	266,929	347,975	346,224
NON-OPERATING RESULTS	(196,797)	(350,627)	(36,076)	(247,798)	(313,425)
NET INCOME	51,525	(196,499)	114,925	72,160	(9,319)
SHARES OUTSTANDING (millions)					
SHARES OUTSTANDING (millions)	8,202	8,202	8,202	8,202	8,202
EARNINGS PER SHARE (constant Ch\$)					
EARNINGS PER SHARE (constant Ch\$)	6.28	(23.96)	14.01	8.80	(1.14)
EARNINGS PER ADR (US\$)					
EARNINGS PER ADR (US\$)	0.26	(1.00)	0.58	0.37	(0.05)
PRICE PER SHARE (constant Ch\$)					
PRICE PER SHARE (constant Ch\$)	182.12	265.48	218.76	231.34	179.00
PRICE PER ADR (US\$)					
PRICE PER ADR (US\$)	10.87	14.25	10.88	10.38	7.69
MARKET CAPITALIZATION (US\$ Million)					
MARKET CAPITALIZATION (US\$ Million)	2,079	3,030	2,497	2,640	2,043
P/E					
P/E	28.99	(11.08)	15.61	26.29	(157.54)

Head Office
**Santa Rosa 76, Santiago,
Chile**

Zip Code
6510207

Telephone
(562) 630 9000

Telex
**VTR: 34 02 91 ENDESA
CK**

Fax
(562) 635 4720 - (562) 635

Web Site
www.endesa.cl

Auditors
**Ernst & Young Serv. Prof.
de Auditoria Ltda.**

Stock Exchange Listings
**In Chile Endesa-
Chile's shares are
listed and traded on
the Santiago Stock
Exchange, the Electronic
Stock Exchange and
the Valparaiso Stock
Exchange. Endesa-Chile's
ADSs are listed and**

**traded on the New York
Stock Exchange (symbol
EOC) since July 1994. In
addition, since December
17, 2001, Endesa-Chile's
shares are traded on the
Madrid Stock Exchange
for Latin American
Companies - Latibex
(symbol XEOC).**

Company's Identification

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



INCORPORATION DOCUMENTS

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

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

Funds to be invested in the company's shares, and the amendment of 1988 which enlarged the company's purpose to include the rendering of consulting services.

Also, the amendment of 1992 must be mentioned, which further enlarged the company's purpose to expressly allow the company to make investments in financial assets, to develop projects and to carry out activities both in the energetic field and in others where the electric power is essential, and to participate in concessions of public works infrastructure in the civil or hydraulic fields, being entitled to act either directly or through subsidiaries or affiliates, both within the country and in foreign countries. In 1994 an amendment was made in order to include the fantasy name "Endesa-Chile" in the By-laws and to increase the company's capital in order to place part of such increase in the international markets through the ADRs mechanism, in any of their forms, and to adapt the By-laws to the new standards introduced by Law N° 19,301 to Law N°3,500

entification

Depository Bank
Citibank
111 Wall Street 5th floor
New York , NY 10043
Telephone: (212) 657 8786
Mr. Ricardo Szlezinger

Investor Relations
Endesa-Chile
Santa Rosa 76, 5th floor
Telephone: (562) 634 2329
Fax: (562) 635 4980

e-mail:
jmontero@endesa.cl /
gsuazo@endesa.cl
Mr. Jaime Montero /
Mr. Giovano Suazo

International Rating Agencies
Standard & Poor's (current
Rating: BBB- with negative
outlook)
Moody's (current Rating: Baa3
under revision for a possible
further fall in rating)
Fitch (current Rating: BBB+ with
negative outlook)



Sauzal Plant - Chile

of 1980, which allowed, among other things, to increase the maximum percentage of shares concentration to 26%. In 1995 an amendment modified the arbitration system, in order to allow that the difficulties among shareholders or between them and the company or its managers are solved either through an arbitration or through

the Ordinary Justice. In 1999 an amendment allowed to increase the maximum percentage of shares concentration to 65% of the company's capital with voting right. Finally, in 2000 an amendment allowed to reduce the Activo Contable Depurado (cleansed book assets) factor of the company from factor 1 to factor 0.6.

Historical Review



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

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

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

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

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

In May, 1999, Enersis S.A., a subsidiary of Endesa-Spain, which as of that time owned 25.3% of the shares of Endesa-Chile, acquired in the Santiago

Corporative Structure

Stock Exchange and in the American markets, through a bidding process, an additional stake of 34.7% of the company, thus becoming the controlling shareholder.

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

Regarding the infrastructure business, it will be recalled that an extraordinary board meeting held on April 17, 2001 resolved to sell the 60% shareholding in Infraestructura Dos Mil S.A. to the Spanish constructor Obrascón Huarte Lain S.A. On June 23, 2003, Endesa-Chile closed the sale of Infraestructura Dos Mil S.A. to the Spanish company, OHL Concesiones, S.L., subsidiary of the Spanish company Obrascón Huarte Lain S.A. for a total amount of UF 2,305,507 (approximately US\$55 million).

Corporative Structure

SUBSIDIARIES							ASSOCIATED COMPANIES
ENERGY					ENGINEERING	INFRASTRUCTURE	
Argentina	Brazil	Chile	Colombia	Peru			
Costanera 51.93%	Cachoeira 92.50%	Pehuenche S.A. 92.65%	Emgesa 22.36%	Edegel 37.90%	Ingendesa 97.64%	Túnel El Melón 99.95%	CEMSA 45.00%
El Chocón 47.45%		Pangue S.A. 94.99%	Betania 85.62%			Autopista del Sol (*) 60.04%	CTM 45.00%
		Celta S.A. 100.00%				Aut. Los Libertadores (*) 58.36%	CIEN 45.00%
		San Isidro S.A. 75.00%					Electrogas 42.50%
							Tranquillota 37.50%
							Gasoducto Atacama Chile 50.00%
							GasAtacama Generación 50.00%
							Gasoducto Atacama Argentina 50.00%
							Gasoducto Taltal Ltda. 50.00%

(*) The subsidiaries Sociedad Concesionaria Autopista del Sol S.A. and Sociedad Concesionaria Autopista Los Libertadores S.A. relate to investments made through Infraestructura Dos Mil S.A. which was sold on June 23, 2003.

Endesa-Chile's Holding in Subsidiaries and Associated Companies

SUBSIDIARY	% HOLDING	
	2001	2002
IN ARGENTINA		
CENTRAL COSTANERA S.A.	51.93	51.93
HIDROELÉCTRICA EL CHOCÓN S.A.	47.45	47.45
ENDESA ARGENTINA S.A.	99.99	99.99
HIDROINVEST S.A.	69.93	69.93
IN BRAZIL		
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	92.42	92.50
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.)	93.66	92.65
EMPRESA ELÉCTRICA PANGUE S.A. (PANGUE S.A.)	92.48	94.99
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
INFRAESTRUCTURA DOS MIL S.A. (1)	60.00	60.00
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.	99.95	99.95
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A. (1)	60.04	60.04
INECSA DOS MIL S.A.	58.39	58.39
SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A. (1)	58.36	58.36
ENDESA INVERSIONES GENERALES S.A. (ENIGESA)	99.97	99.96
INVERSIONES ENDESA NORTE S.A.	100.00	100.00
IN COLOMBIA		
EMGESA S.A. E.S.P. (EMGESA)	22.36	22.36
CENTRAL HIDROELÉCTRICA DE BETANIA S.A. E.S.P.	85.62	85.62
ENDESA DE COLOMBIA S.A.	100.00	100.00
CAPITAL ENERGÍA S.A.	43.58	43.58
IN PERU		
EDEGEL S.A.A. (EDEGEL)	37.90	37.90
GENERANDES PERÚ S.A.	59.63	59.63
IN PANAMA, BAHAMAS AND CAYMAN ISLANDS		
COMPAÑÍA ELÉCTRICA CONO SUR S.A.	100.00	100.00
LAJAS INVERSORA S.A.	92.88	92.88
ENDESA CHILE INTERNACIONAL	100.00	100.00

(1) The subsidiaries Sociedad Concesionaria Autopista del Sol S.A. and Sociedad Concesionaria Autopista Los Libertadores S.A. relate to investments made through Infraestructura Dos Mil S.A. which was sold on June 23, 2003.

Subsidiaries and Associated Companies

ASSOCIATED COMPANY	% HOLDING	
	2001	2002
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. (TRANQUILLOTA)	37.50	37.50
GASATACAMA S.A. (GASATACAMA) (1)	50.00	50.00
GASODUCTO ATACAMA CHILE LIMITADA (GASODUCTO ATACAMA CHILE) (1)	50.00	50.00
GASATACAMA GENERACIÓN LIMITADA (GASATACAMA GENERACIÓN) (1)	50.00	50.00
GASODUCTO ATACAMA ARGENTINA LIMITADA (GASODUCTO ATACAMA ARGENTINA) (1)	50.00	50.00
INVERSIONES ELECTROGAS S.A.	42.50	42.50
GASODUCTO TALTAL LTDA.	50.00	50.00
CONSORCIO INGENDESA-MINMETAL LTDA.	48.82	48.82
IN CAYMAN ISLANDS		
ENERGEX CO.	50.00	50.00
ATACAMA FINANCE CO.	50.00	50.00

(1) The following companies changed their names in October 2002. Administradora Proyecto Atacama S.A. became GasAtacama S.A., also trading as GasAtacama; Gasoducto Atacama Compañía Limitada (Gasatacama) became Gasoducto Atacama Chile Limitada, also trading as Gasoducto Atacama Chile; Nor Oeste Pacífico Generación de Energía Limitada (Nopel Ltda.) became GasAtacama Generación Limitada, also trading as GasAtacama Generación; and Gasoducto Cuenca Noroeste Limitada became Gasoducto Atacama Argentina Limitada, also trading as Gasoducto Atacama Argentina.

Human Resources

NUMBER OF PERSONNEL

As of December 31, 2002, the personnel of Endesa-Chile and its subsidiaries was as follows:

Human Resources

COMPANY	EXECUTIVE OFFICERS	PROFESSIONALS AND TECHNICIANS	OTHER EMPLOYEES	TOTAL
IN ARGENTINA				
CENTRAL COSTANERA S.A.	5	213	16	234
HIDROELÉCTRICA EL CHOCÓN S.A.	1	43	6	50
TOTAL PERSONNEL IN ARGENTINA	6	256	22	284
IN BRAZIL				
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	3	45	4	52
TOTAL PERSONNEL IN BRAZIL	3	45	4	52
IN CHILE				
ENDESA-CHILE	24	401	40	465
PEHUENCHE S.A.	0	3	0	3
PANGUE S.A.	0	2	0	2
SAN ISIDRO S.A.	0	2	0	2
CELTA S.A.	1	0	0	1
INGENDESA	3	147	18	168
INFRAESTRUCTURA DOS MIL S.A.	4	9	6	19
TÚNEL EL MELÓN S.A.	1	20	2	23
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.	0	65	23	88
SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A.	0	39	8	47
TOTAL PERSONNEL IN CHILE	33	688	97	818
IN COLOMBIA				
EMGESA S.A.	8	278	29	315
CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P.	1	33	0	34
TOTAL PERSONNEL IN COLOMBIA	9	311	29	349
IN PERU				
EDEGEL S.A.A.	5	130	19	154
TOTAL PERSONNEL IN PERU	5	130	19	154
TOTAL PERSONNEL ENDESA-CHILE AND SUBSIDIARIES	56	1,430	171	1,657

HUMAN RESOURCES ACTIVITIES

Training

The training plan based on a skills model continued to be developed during 2002, providing the organization with a base for carrying out and giving consistency to its integral Human Resources plan. This plan is intended to develop personnel in a new style of working which promotes creative abilities and innovation. On the technical professional side, this provides new skills linked to the needs of our electricity business.

Endesa-Chile and its subsidiaries provided 47.8 man-hours of training during 2002, i.e. every employee received approximately a week's training. 2.3% of total hours worked was dedicated to training and 75% of all personnel participated in training programs during the year.

Training activities in 2002 included: the Environment Diploma, which covered 35 professionals responsible for regional environmental management, a Performance and Leadership Program, a Process Redesigning Program, Technical Training which included the start of the common plan of technical skills matrices for thermal plant operators and maintenance electrical mechanics.

Risks Prevention

Training was given in 2002 for implementing improvements in the Company's Accidental



Losses Control Program. Courses were offered to both employees and contractors in Program Administration, Program Tools Management and Identification and Control of Labor Risks. 285 people took part in these activities involving a total of 836 man-hours of training.

Another important aspect was the up-dating and putting into practice of contingency plans in all the plants and corporate offices for responding efficiently in any event that upsets or prevents normal activities as well as assuring the safety of everyone working there.

Another innovation in 2002 was the publication and analysis of accidents occurring in Latin America as a means of making all operating areas aware of the preventive measures to be considered affecting employees and contractors in carrying out risk-related work.

Human Resources

Welfare

Apart from the renewal in 2002 of existing agreements, others were signed with health-cover, education and other institutions. Preventive health programs were developed in the areas of general medicine and ophthalmology. Sports and recreational activities were supported, mainly centered on the family groups of Company workers.

Human Resources Development

The following activities took place in 2002 within the Human Resources Plan:

Continuation of skills identification in order to introduce them into a human resources management model. The methodology was applied to the different hierarchical levels across the organizational structure.

A survey was made of the Company's working atmosphere, finding a general level of satisfaction slightly above the international industry average.

The survey also highlighted aspects for achieving higher levels of personal satisfaction and commitment.

The program of innovation and creativity was continued to motivate personnel to bring forward ideas for making continuous improvements in procedures, management techniques and organizational growth and development. 51 innovation proposals were received and there was an improvement in the quality of the proposals judged by the percentage of suggestions approved; these rose from 60.6% to 64.0% compared to the year before.

Labor Relationships

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

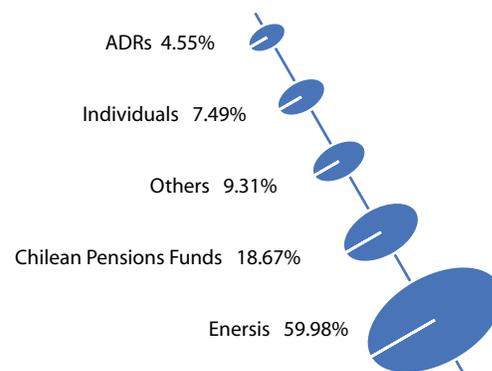
A new collective agreement was signed in June 2002 with representatives of the Intercompany Workers Union No. 7 of the Company and its subsidiaries. Its term was extended to December 31, 2005. Other collective agreements remained in full force.



Tarapacá Plant - Chile

Company's Ownership

Ownership Distribution



Company's Ownership

As of December 31, 2002, the share capital of the company consisted of 8,201,754,580 paid and subscribed shares, distributed among 29,712 shareholders.

TWELVE PRINCIPAL SHAREHOLDERS

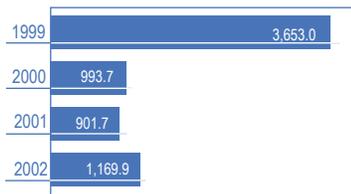
NAME	AS OF DECEMBER 31, 2002	
	NUMBER OF SHARES	% HOLDING
ENERSIS S.A. (1)	4,919,488,794	59.98%
A.F.P. PROVIDA S.A. PARA FONDO DE PENSIONES	487,411,980	5.94%
CITIBANK N.A. BANCO DEPOSITARIO CIRC. 1375	373,417,980	4.55%
A.F.P. HABITAT S.A. PARA FONDO DE PENSIONES	337,229,493	4.11%
A.F.P. CUPRUM S.A. PARA FONDO DE PENSIONES	250,010,198	3.05%
A.F.P. SANTA MARIA S.A. PARA FONDO DE PENSIONES	196,028,059	2.39%
A.F.P. SUMMABANSANDER S.A. FONDO DE PENSIONES	195,252,037	2.38%
BANCHILE CORREDORES DE BOLSA S.A.	59,142,211	0.72%
CIA. DE SEGUROS DE VIDA CONSORCIO NACIONAL DE SEGUROS S.A.	51,808,964	0.63%
COINDUSTRIA S.A.	44,448,588	0.54%
A.F.P. PLANVITAL S.A. PARA FONDO DE PENSIONES	40,955,492	0.50%
LARRAIN VIAL S.A. CORREDORES DE BOLSA	31,353,385	0.38%
TOTAL	6,986,547,181	85.18%

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

Stock-Market Transactions

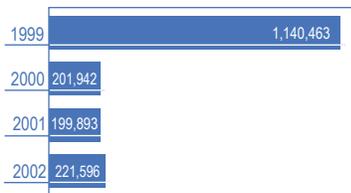
SANTIAGO STOCK EXCHANGE

Shares Traded (Millions of Shares)



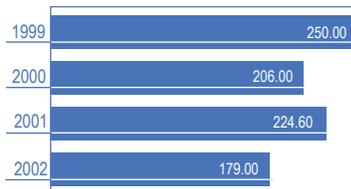
Amount Traded

(Millions of Pesos as of December of each year)



Closing Price

(Millions of Pesos as of December of each year)



IN CHILE

During 2002, 1,169.9 million shares of Endesa-Chile were traded on the Santiago Stock Exchange, equivalent to Ch\$ 221,596 million. A further 595 million shares were traded on the Chilean Electronic Exchange, equivalent to Ch\$ 114,367 million. Finally, 9.7 million shares were traded on the Valparaíso Stock Exchange, equivalent to Ch\$ 1,808 million.

The Endesa-Chile share price closed at Ch\$ 179.0 on the Santiago Stock Exchange, at Ch\$ 179.0 on the Chilean Electronic Exchange and at Ch\$ 179.01 on the Valparaíso Stock Exchange.

Transactions

TRANSACTIONS ON THE NEW YORK STOCK EXCHANGE (NYSE)

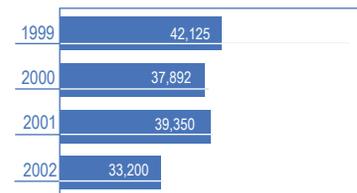
In the United States, 33.2 million ADRs were traded, equivalent to US\$ 262.9 million. Each ADR represents 30 shares. The ADR price closed the year 2002 at US\$ 7.69.

TRANSACTIONS ON THE MADRID STOCK EXCHANGE FOR LATIN AMERICAN COMPANIES (LATIBEX)

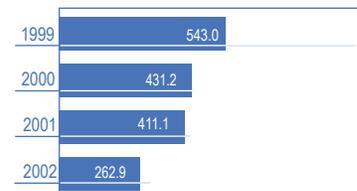
Since December 17, 2001, Endesa-Chile's shares are traded on the Madrid Stock Exchange for Latin American Companies (Latibex). The contract bundle unit is 30 shares. 2,919,742 contract bundles were traded on Latibex in 2002, equivalent to Euros 25,504.5 thousands. The contract bundle closed the year 2002 at Euros 7.19.

NUEVA YORK STOCK EXCHANGE (NYSE)

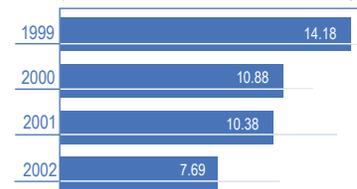
ADRs Traded (Thousands of ADRs)



Amount Traded
(Millions of Pesos as of December of each year)



Closing Price
(Millions of Pesos as of December of each year)



Investing and



Investing and Financing Policies

INVESTING POLICY

During the fiscal year 2003, the company will carry out investments according to what is established in its by-laws, in the following areas of investment, indicating in each case the maximum limit:

1. Generation of electric power

It shall be considered as the maximum limit of investment that which is necessary to comply with the main purpose of the company (production, transportation, distribution and supply of electrical power), with a maximum amount equivalent to 10% of the Shareholders' Equity plus the Consolidated Minority Interest of Endesa-Chile.

2. Capital Contribution of the subsidiaries and affiliates

2.1 Capital Contributions shall be carried out to the subsidiaries Pangué S.A., Pehuenche S.A., San Isidro S.A., Celta S.A., as well as the affiliates Electrogas S.A., Gasoducto Atacama Chile Limitada, Gasoducto Taltal

Ltda, Gasoducto Atacama Argentina Limitada and GasAtacama Generación Limitada, in order to carry out the projects that are being developed and those investments that are necessary to comply with the corresponding social purpose.

2.2 Capital Contributions shall be carried out to the subsidiaries Enigesa e Ingendesa, so that each one may comply with its corresponding social purpose. It shall be considered as a maximum investment for these subsidiaries for the year 2003 an amount equivalent to 0.5% of the Shareholders' Equity plus the Consolidated Minority Interest of Endesa-Chile.

2.3 Capital Contributions shall be carried out to the subsidiaries Infraestructura Dos Mil S.A., Autopista del Sol S.A, Inecsa Dos Mil S.A. and Túnel El Melón S.A., in order to carry out the projects that are being developed or those that it decides to carry out to comply with the social purpose. It is considered as a maximum investment of these subsidiaries, for the year 2003,

Investing and

an amount equivalent to 3% of the Shareholders' Equity plus the Consolidated Minority Interest of Endesa-Chile.

2.4 It shall be considered as the maximum global limit of investment in all the national subsidiaries for the year 2003, an amount equivalent to 10% of the Shareholders' Equity plus the Consolidated Minority Interest of Endesa-Chile.

3. Financial assets, titles, rights, movable assets, real estate, capital contributions to companies, as established in the by-laws, with the purpose to carry out investments in the electrical sector. It shall be considered as the maximum limit of investment which is necessary to take advantage of the business opportunities, with a maximum amount per year equivalent to 15% of the Shareholders' Equity plus Minority Interest of Endesa-Chile.

4. Financial assets, titles, rights, movable assets, real estate and capital contributions to companies, as established in the by-laws, with the purpose to develop projects and operations or activities in associated industrial processes to obtain energetic sources, as well as in those where electrical energy is essential, determining and has an intensive use in such processes, with an amount equivalent not greater than 5% of the Shareholders' Equity plus the consolidated Minority Interest of Endesa-Chile.

5. Endesa-Chile shall carry out investments in negotiable values in accordance to criteria of selection and a diversity of portfolios determined by the management of the

company, with the purpose to optimize the performance of its surplus of cash.

6. Within the structure of what is approved by the Shareholder's Meeting, the Board of Directors must agree on the specific investments in work and studies to be carried out by the company, in relation to what is referred to the amount as well as the modalities of financing of each one of the latter, and shall adopt the necessary measures leading to the control of the referred investments.

FINANCING POLICY

The financing policy of the company considers that the level of indebtedness, defined as the relation of the total passive (liabilities) with respect to the Shareholders' Equity plus the Minority Interest of the consolidated balance, cannot be greater than 1.50. The obtainment of the resources shall be provided by the following sources:

- Proper resources
- Suppliers credit
- Banks and institutional Loans
- Placing of values in the local and international market
- Incomes from sale of assets and/or rendering of services carried out by Endesa-Chile

OTHER MATTERS

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 lease of goods and services necessary for the development of the company's business, within applicable legislation,

Financing Policies

observing market conditions relating to each case of goods or services of the same kind, quality and characteristics. The management is also authorized to cancel obligations arising from such contracts, according to the law, when deemed convenient for the corporate interest.

Under the provisions of clause 120 of Decree Law 3500, the disposal of assets or rights declared in these policies as essential for the company's functioning, and the constitution of encumbrances over them, is subject to a resolution of an extraordinary shareholders' meeting. In accordance 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 company and 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. and Celta S.A., Compañía Eléctrica Conosur S.A. that maintain at least 50.1% of the subscribed and paid shares in these companies.

An extraordinary shareholders' meeting should also approve the granting of real or personal guarantees to cover the obligations of third parties except when such obligations are contracted by the subsidiaries, in which case the approval of the board shall be sufficient.



Melado Dam - Chile

Operational Summary

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

In Argentina, Central Costanera S.A. and Hidroeléctrica El Chocón S.A. operate a total installed capacity of 3,622 MW, which represents 16% of the total of the Argentinean Interconnected System.

In Brazil, Centrais Elétricas Cachoeira Dourada S.A., operates an installed capacity of 658 MW, which represents approximately 1% of Brazil's installed capacity. At the same time, through the interconnection line with Argentina operated by CIEN, 2,000 additional MW were added to that market, energy and capacity that is provided by the Argentine subsidiary Central Costanera S.A.

Endesa-Chile is the main electric power generating company in Chile and one of the largest companies in the country. In Chile Endesa-Chile and subsidiaries operate a total installed capacity of 3,935 MW, which represents 37.1% of the total installed capacity in the country. 73.7% of Endesa-Chile and subsidiaries' installed capacity is hydroelectric and the balance,

thermal. Endesa-Chile participates in the Central Grid System (SIC), the main grid system of the country, where approximately 93% of the Chilean population live. Endesa-Chile and its subsidiaries in Chile have an installed capacity of 3,753 MW in this system, representing approximately 53.6% of the SIC. The company also participates in the northern grid system (SING), through its subsidiary Celta S.A. and indirectly through Gasoducto Atacama Chile Limitada and GasAtacama Generación Limitada, supplying various mining companies and with sales on the spot market. The installed capacity of Celta S.A. in this system is 182 MW, representing 5.1% of the SING and, with the inclusion of GasAtacama Generación, in which Endesa-Chile holds 50%, the installed capacity on the SING reaches 25.7%.

In Colombia, Central Hidroeléctrica de Betania S.A. E.S.P. and the generation company Emgesa operate a total installed capacity of 2,732 MW, both representing 20% of the Colombian installed capacity.

In Peru, a total installed capacity of 1,003 MW is operated through Edegel S.A.A., which represents 23% of the Peruvian system.

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

INSTALLED CAPACITY (MW) (1)	2001	2002
IN ARGENTINA	3,622	3,622
IN BRAZIL	658	658
IN CHILE	3,935	3,935
IN COLOMBIA (2)	3,035	2,732
IN PERU (3)	1,003	1,003

GENERATION (GWh)	2001	2002
IN ARGENTINA	9,948	7,168
IN BRAZIL	2,256	2,467
IN CHILE	15,741	16,286
IN COLOMBIA	10,106	10,616
IN PERU	4,176	4,279

SALES OF ELECTRICITY (GWh)	2001	2002
IN ARGENTINA	12,988	7,897
IN BRAZIL	3,743	3,591
IN CHILE	18,673	18,344
IN COLOMBIA	14,591	14,639
IN PERU	4,239	4,158

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

(2) As from July 3, 2002, the installed capacity of Cadena Vieja was reduced from 544 MW to 241 MW.

(3) The installed capacity figures reflect Effective Capacity, up-dated and approved by the COES, Peru in 2001.

INDUSTRY DESCRIPTION

Endesa-Chile generates and sells electricity in five countries. Each of these has its own regulatory framework, energy policies, number of participants in the sector, growth models and different consumption levels. The following briefly summarizes, for each country in which Endesa-Chile operates, the main legislation governing the business, the size of the market and the principal market players.

Argentina

Law 24065 of January 1992 (the “Argentine Electricity Act”) divides the industry into three sectors: generation, transmission and distribution. Generation is organized on the basis of independent producers who compete by selling their production on the Wholesale Electricity Market (the WEM) or through private contracts with other entities. The transmission sector comprises companies that transmit electricity from generating points to consumers based on a free-access system. Distribution companies can buy energy under contracts or on the WEM.



El Chocón Plant - Argentina

Operational Su

The Argentine dispatch system is similar to the Chilean model, with the Organismo Encargado del Despacho (OED) that coordinates the system's most economic operation. The State Electricity Regulator (ENRE) is responsible for controlling and supervising compliance with the sector's regulations. The Energy and Ports Authority is responsible for setting policies, regulations and procedures governing the energy sector, particularly electricity.

Generating companies sell their production to distribution companies and other large customers through the WEM under contracts or at the spot prices set by CAMMESA (the WEM management company). There are three kinds of prices in the market: contractual, seasonal and spot. Contractual prices are freely agreed between distributors or large industrial customers, including the exports to Brazil contracts. Seasonal prices, calculated by CAMMESA every six months, are those payable by distributors buying in the wholesale market. The spot price is used to value transactions between generators to cover their generation surpluses or deficits compared to their contractual commitments.

In addition to their energy sales revenues, generating companies receive a payment for capacity based on the capacity made available to the system in some hours of the day and the base capacity calculated by CAMMESA in each seasonal fixing (May-April).

The country's crisis affected the whole electrical sector due to the "pesofication" of the tariffs for the Argentine market. In particular, in the case of determining the spot price, all the costs are "pesofied" at an exchange rate estimated at the time and later modified to the degree that it could be shown that such costs had varied by more than a certain percentage. In the case of domestic market contracts, these were also "pesofied" and it was established that the parties involved (seller and buyer) had to adapt their contracts to a term of one year. Later, during the course of the year, some improvements to the regulatory scheme were introduced. These assumed the convertibility of the currency and thus forced the definition of temporary operating rules that will have to be changed in the short term to maintain the viability of investments and avoid supply problems in the coming years. In the case of export contracts, and given the above described situation, these were renegotiated to adapt them to the new market rules, with the possibility of obtaining important reductions in supply costs and the consequent positive effects on the cash flows of group companies.

WEM's installed capacity at December 2002 was 22,638 MW, of which 60% corresponded to thermal capacity. Maximum demand during 2002 was 13,481 MW and annual consumption was 72,125 GWh. Consumption fell 2.0% in 2002 compared to the previous year.

Apart from the WEM, there is a small sub-system which serves users of the Patagonia System and whose installed capacity was 778 MW in December 2002, equivalent to 3.3% 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 generators in Argentina, with 16% of total installed capacity and 10% in terms of energy sales in 2002. There are also CTM, a transmission company that owns an interconnection line with Brazil, and CEMSA, a trading company that has signed export contracts with that country through the related company CIEN, which is mainly supplied by Central Costanera S.A. and has 1,207 MW committed 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. Regulatory policies are implemented by the National Electricity Agency (ANEEL) which is responsible for i) granting and supervising concessions for generation, ii) supervising and auditing concession-holding companies, iii) publishing regulations for the sector, and iv) planning and carrying out hydrological resource studies.

The concession regulations were replaced by two pieces of legislation published in 1995, the concession laws Nos.8987 and 9074. The main purpose of these laws is to establish the basis for reform to meet the new economic model, promoting competition in generation, granting free access to the transmission system, defining a timetable for reducing the minimum size of non-regulated customers from 10 MW, etc.

During recent years, Brazil has privatized generating plants, granted permits for the construction of thermal plants, granted concessions for new hydroelectric plants and authorized the import of energy from Venezuela and Argentina. Endesa-Chile through its associated company CIEN, participates in a 2,000 MW Argentina-Brazil interconnection business, which last 500 MW module came into operation on August 1, 2002.

The law also introduced the concept of Independent Power Producer (IPP). The regulations establish that an independent producer may obtain a concession following a competitive tender if related to a certain-sized hydroelectric project, or by simply obtaining the corresponding authorizations if a thermal project. The concessions or authorizations last for between 30 and 35 years, with the possibility of an extension. As a way to prevent monopolies, the law allows that once the concession is received, the producer has access to the transmission and distribution systems provided it reimburses the related costs.



Operational Su

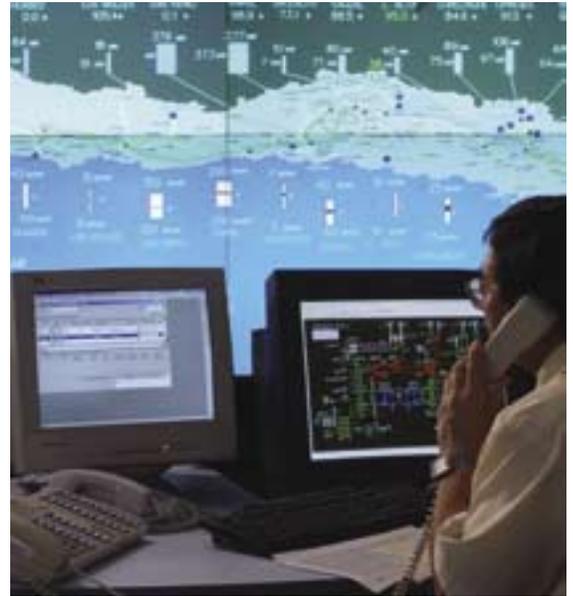
The National System Operator (ONS) is an independent entity responsible for making the hourly economic dispatch of the system. The price for spot transactions is determined by the Energy Market Assignor (MAE), controlled by the government. This spot price is calculated weekly in advance, representing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

The government assigned contracts to generators on the opening of the market. These initial contracts contain programmed reductions in order to gradually free the market.

A so-called guaranteed energy figure is calculated for each generator, consisting of the generation that can be reached with a high degree of certainty. This forms a limit for the contracting of each generator and is also used in the so-called Energy Assignment Mechanism Process (MRE). This distributes the real generation of the system as a function of the guaranteed energy of each plant, thus considerably reducing exposure to the spot price and to volatility in the generators' revenues.

Following the rationing, the authorities decided to restudy the grid's economic operational rules. There are six groups currently working, involving representatives from the different players in the sector, to define a new operational framework.

The Brazilian electricity sector consists of four interconnected sub-systems (South, South-east – Center-west, North and North-east). 63% of



Generation Control Centre - Chile

demand is in the South-east – Center-west, around 15% each in the South and North-east, and 7% in the North.

Installed capacity at December 2002 was 81,090 MW of which 90 % was hydroelectric and 10% thermal. Peak demand during the year 2002 was 51,658 MW and generation for the year was 346,711 GWh, a 4.9% increase compared to 2001.

Endesa-Chile has a small participation in this market through its subsidiary Centrais Eléctricas Cachoeira Dourada S.A. in the South-east – Center-west system, having 1% of the country's installed capacity and 1% of total energy sales in 2002. It also participates in the trading business through its subsidiary CIEN. Other important private operators in the market, apart from the state-owned Eletrobrás, are Tractebel and AES.

Chile

The Chilean electricity sector is regulated by the Ley General de Servicios Eléctricos contained in Decree Law No.1 of 1982 of the Ministry of Mining and related regulations contained in Supreme Decree No.327 of 1998. Three governmental entities are responsible for the application and compliance with the law: the Comisión Nacional de energía (the CNE) has the authority to propose the regulated tariffs (node prices) and to prepare indicative plans for the construction of new generating units; the Superintendencia de Electricidad y Combustibles (the SEC) regulates and supervises compliance with the law, regulations and technical standards for electricity generation, transmission and distribution, and liquid and gas fuels; and the Ministry of the Economy revises and approves the tariffs proposed by the CNE and regulates the granting of concessions to electricity generation, transmission and distribution companies based on reports from the SEC.

The law defines three kinds of activity: generation, transmission and distribution. The generation sector is made up of companies producing electricity from hydroelectric and thermal sources. The transmission sector comprises companies transmitting high-voltage electricity produced by the generating companies which sell it to various kinds of customers. The distribution sector comprises companies that buy energy for distribution to the public.

Under the electricity law, companies involved in generation have to coordinate their operations through the Centro Económico de Despacho de Carga (the CDEC) in order for the system to operate at minimum cost while preserving service safety. The CDEC therefore plans and operates the system including the calculation of marginal cost, being the price for transfers of energy between generators.

The generating decisions of each company therefore are subject to the CDEC's operating plan. At the same time, each company is free to decide whether to sell its energy to regulated or non-regulated customers. Any surplus or deficit between customer sales and their generation is sold to or bought from other generators at the marginal cost. An electricity generator therefore would typically have the following kinds of customers:

Regulated customers: These are residential, commercial, small and medium-sized business customers with a consumption of 2,000 kW or less and located within the concession area of a distribution company. The transfer price between generating and distribution companies is limited by the so-called node price which is regulated by the Ministry of the Economy. Node prices are set every six months (April and October) based on a report prepared by the CNE, in turn based on forecasted marginal cost projections for the system over the following 48 months.

Operational Su

Non-regulated or free customers: These are customers with a consumption of over 2,000 kW, mainly industrial and mining companies. They are not subject to price regulation and can freely negotiate electricity supply prices with generating or distribution companies.

Spot market: This corresponds to energy and power transactions between generating companies resulting from the coordination carried out by the CDEC-SIC for managing the economic operation of the system. Production surpluses and deficits compared to their commercial commitments are transferred through sales to/purchases from other generating members of the CDEC-SIC. In the case of energy, this is valued every hour at the marginal cost of the system's economic operation. For power, transfers are valued at the corresponding node price as set semi-annually by the authorities.

Remuneration for the power of each generator in Chile is arrived at by a centralized calculation which produces the firm power for each plant, a value that is independent of its dispatch.

The Chilean Congress is debating a bill for reforming the electricity sector regulatory framework. The principal objectives are to ensure a high level of competition and the reliability, safety and quality of the service to the end consumer. The most important modifications go in the direction of sharing transmission costs between customers and generators and reducing the present node price band from 10% to 5%. This focus on sharing transmission costs and reducing the node price band implies prices that are closer to the market and thus should prove positive to the Company.

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

The SIC, the largest of the systems, extends over a length of some 2,400 km., from Taltal in the north to Quellón on the southern island of Chiloé. It has an installed capacity at December 2002 of 6,999 MW, 61% of which is hydroelectric and 39% thermal. Peak demand on the SIC in 2002 was 4,878 MW and annual production was 31,971 GWh, 4% higher than in 2001.

Endesa-Chile, directly and through its subsidiaries Pehuenche S.A., Pangué S.A. and San Isidro S.A., is the principal operator on the SIC, with 53.6% of the total installed capacity and 57% in energy sales in 2002. Other large operators in this market are AES Gener S.A. and Colbún S.A.

Pangué Plant - Chile



The introduction of natural gas as a fuel for combined-cycle plants has made a significant effect in the sector. The low production costs of this kind of plant have reduced the system's marginal production costs and this has led to a temporary fall in node prices. However, strong growth in demand and the absence of new investments in generation have led node prices to levels which are felt to be more consistent with long-term equilibrium. The introduction of combined-cycle plants has also reduced volatility in spot prices or marginal costs. Companies mainly dependent on hydroelectric generation, like Endesa-Chile, are therefore less exposed to extreme hydrological situations. Endesa-Chile, through its subsidiary San Isidro S.A., is also the owner of three natural-gas combined-cycle plants in Chile. This generation source has allowed it to reduce its dependence on rains and the volatility of its revenues.

The SING covers the north of the country from Arica to Coloso, a distance of some 700 km. The SING had an installed capacity at December 2002 of 3,594 MW, predominantly thermal (99.6% of total capacity). Peak demand on the SING in 2002 was 1,360 MW and annual production was 10,400 GWh, 5.7% higher than in 2001.

Endesa-Chile, through its subsidiary Celta S.A. and its associated company GasAtacama Generación Limitada, is an important operator on the SING, with 25.7% of total installed capacity and 32% of energy sales in 2002. Others include Electroandina S.A., Norgener S.A. and Edelnor S.A.

Colombia

Two pieces of legislation regulate electricity in Colombia. Law No.142 of 1994 which sets the regulatory framework for the supply of public-utility services, including electricity, and Law No.143 of 1994 (the Colombian Electricity Law) which establishes the regulatory framework for electricity generation, commercialization, transmission and distribution.

Under the Colombian Electricity Law, the Electricity and Gas Regulatory Committee (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 methods 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 for quality, reliability and safety in supplies; and vi) protect the rights of consumers.

Muña Dam - Colombia



Operational Su

The generation sector is organized based on a competition model where generators sell their production on an Energy Exchange at spot prices or through freely-negotiated contracts with other Exchange members and non-regulated customers. The purchase and sale of electricity can be made between generators, distributors, traders and non-regulated customers. There are no restrictions on entry into the market provided the regulations are complied with.

The National Dispatch Center (CND) receives daily price offers from generators taking part in the exchange. These offers indicate the daily prices at which each generator is prepared to supply energy and the available capacity. Based on these, the CND determines the actual dispatch, incorporating generation outside the range for reasons of safety and/or limitations in the transmission networks. The over-costs of generation outside the range are paid by consumers through the distribution companies, at a price independent from the offers made by the plants involved. On the other hand, the Commercial Exchange System Administrator (ASIC) makes an ideal economic dispatch from the units and determines the exchange price which is equal to the price offered by the most expensive unit required to supply demand.

The predominance of hydroelectric generation and the hydrological variability of Colombia have led to great volatility in Exchange prices. In order to provide greater price stability, therefore, the

authorities added a charge for capacity in late December 1997. This charge is a fixed monthly payment whose amount represents the capital cost of a gas-fired thermal unit. The capacity charge is received by the generators as a function of their generation in critical hydrological conditions. This generation is estimated based on a calculation made annually by the authorities. Generators receive this payment regardless of their actual dispatch levels.

Trading activities covered by the legislation allow parties to buy energy on the Exchange for resale to end users. Prices with non-regulated customers are agreed freely between the parts. Trading with regulated customers is subject to the maximum charges set by the CREG for each trader. These maximum charges are calculated taking into account high-tension transmission charges, distribution charges, trading charges and generation charges.

Installed capacity at December 2002 was 13,488 MW of which 67% corresponded to hydroelectric capacity and the rest to thermal capacity. Peak demand in 2002 was 8,078 MW and annual consumption was 44,811 GWh. Consumption in 2002 was 3.3% higher than in 2001.

Endesa-Chile, through its subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa, had a 20% market share in terms of installed capacity and 21 % in terms of energy sales in 2002. Other important operators in this market are AES and Unión Fenosa.

Peru

The regulatory framework of the Peruvian electricity industry is practically identical to the Chilean one, which was used in its preparation.

The Ministry of Energy and Mines defines the policies for the electrical sector, preparing projections for the installation of new generating capacity. The Electricity Tariffs Commission (CTE) sets and publishes the regulated prices (benchmark prices) every six months (April and October). The System Economic Operating Committee (COES) coordinates and operates the electricity system in much the same way as the CDEC in Chile. The only relevant difference between the Chilean and Peruvian price systems is that under the latter, non-regulated customers are those with capacity of over 1,000 kW.

Another difference from the Chilean system is a payment for capacity, as defined by Decree 004-99-EM (20/03/1999). This provides for remuneration based on dispatch (which grows

until reaching 30% of capacity payments in 2005) and another guaranteed payment (which reduces to 70% by 2005).

In October 2000, the two principal systems in Peru (Center North and South) were interconnected to form the National Grid (SINAC). There are also a series of small systems for supplying isolated rural areas.

The installed capacity on the SINAC at December 2002 was 4,400 MW of which 60% was hydroelectric. Peak demand was 2,908 MW in 2002. Total generation in 2002 was 19,657 GWh, 6.5% higher than in 2001.

Endesa-Chile, through its subsidiary Edegel S.A.A., had a market share of 23% in 2002 in terms of installed capacity and 21 % in terms of energy sales. Other important operators in this market are Electroperú, Egenor, Enersur, Eepsa and Etevensa.



Matucana Plant - Peru

Risk Factors

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

ELECTRICITY LAW

The Chilean Electricity Law dates back to 1982 and sets out the procedures for fixing tariffs for regulated customers and the different mechanisms for regulating the sector. The law was amended in May 1999. The basic changes introduced relate to the payment of compensation for periods of rationing due to any hydrological event and higher fines that could be charged to sector companies by the Superintendency of Electricity and Fuel. Both of these have affected the supply conditions to companies subject to tariff control. In mid 2002, the Chilean Executive dispatched to Congress a bill for reforming the Chilean electricity sector regulatory framework, called the "Short Law". Its basic objectives include a new transportation systems regulation, regulation of a distribution tolls system, modification of the regulation of revenue for capacity and the

formalization of a complementary services market to provide greater reliability to the electrical systems. The government intends that this law will be published during 2003.

Regarding the other countries where the company operates, the electricity law dates from 1992 in Argentina, from 1993 in Peru and from 1994 in Colombia. All these regulate the electricity sector and impose obligatory regulations.

Brazil, while has numerous rules and regulations that partially regulate the electrical sector and its operation, has no integral legislation and the business is based on contracts in local currency. During the years 2001 and 2002, because of the deep supply crisis suffered by the country due to the drought, a Committee for the Revitalization of Energy was formed which presented a project including a series of reforms covering, among others, the way in which spot market prices are determined and in which market prices for customers of the distributors, under supply contracts, are defined. This project continues to be debated.

Also during 2002, the local currency fluctuated wildly, generating a lot of uncertainty about the cash flows of group companies. This was essentially caused by legal restrictions on the monetary adjustability of contracts in Brazil (just one adjustment a year and, for electricity supply contracts with distributors, just a percentage of this can be related to the exchange rate).

Regarding the post-drought situation, given the high hydroelectric nature of the Brazilian system and the favorable hydrological conditions, there was a heavy energy over-supply situation in 2002. This, together with the fact that consumption



Abanico Plant - Chile

on the system fell as a result of the drought and a change in consumer attitudes, caused market prices offered to customers to fall substantially.

WATER RIGHTS

Approximately 74% of Endesa-Chile's installed capacity in Chile is hydroelectric. The Company owns water rights granted by the Waters Authority for the supply of water from the rivers and lakes near its generating plants. Under the present law, water rights have an indefinite life and are absolute, unconditional and not subject to change. The Chilean Congress is now considering a bill to amend the law governing water rights which includes the payment of an annual licence for water rights already granted but not yet used.

ENVIRONMENTAL FACTORS

The sector is subject to extensive environmental regulations that require environmental impact studies to be made for future projects in order

to be approved. The requirement also applies to existing plants to reduce their levels of contamination. It should be emphasized that Endesa-Chile and its subsidiaries have always planned their projects and operations to meet and comply with the environmental regulations of the various jurisdictions in which they work.

HYDROLOGY

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

Risk Factors



EXCHANGE AND INTEREST RATE FLUCTUATIONS

The Company has a high percentage of its loans in US dollars because to a large degree its tariffs in its different markets are linked to that currency. The Brazilian and Colombian markets show a lower dollar indexation so the subsidiaries in those countries have a greater proportion of debt in local currency. In the case of Argentina, an important portion of revenues comes from the export of energy to Brazil; this is US dollar-indexed and so reduces the exchange risk exposure in this country.

Despite this natural exchange risk hedge the Company, in a scenario of high dollar volatility has continued with its policy of partially covering its dollar liabilities in order to attenuate the fluctuations that cause exchange differences in its results. It is the Company's policy to maintain a dollar-UF coverage of between 70% and 85% of the consolidated balance sheet currency exposure.

At December 31, 2002, the Company in consolidated terms had hedged an amount of US\$ 331 million through dollar-peso forward contracts, compared to US\$ 342 million a year before. The change was because the accounting mis-match had declined, principally due to the reduction in US dollar debt.

Endesa-Chile also maintained its policy of covering exchange risks of currencies other than the US dollar through the use of currency swaps. Of note in this respect was the dollar-euro swap contracted by its subsidiary Endesa Chile

Internacional simultaneously with the issue of its first Eurobond issue amounting to euro 400 million.

Concerning interest rate risks, the Company maintains a mix of fixed-rate (mainly long-term bonds) and floating rate debt (mainly bilateral and syndicated loans). At December 31, 2002, this mix was approximately 73%/27% fixed/floating, compared to the 60%/40% fixed/floating of the year 2001, and being similar to the 75%/25% fixed/floating rate of the Company's consolidated coverage policy.

THE MACROECONOMIC AND POLITICAL SITUATION IN ARGENTINA

As a result of the current macroeconomic and political situation in Argentina and recent modifications to regulations affecting Argentine companies, we cannot assure you that our Argentine subsidiaries will be able to obtain financial resources to repay or refinance their short term debt or that they will otherwise be able to comply with the obligations to which they are subject under their credit agreements and other financial contracts. In addition, the restrictions imposed by the Central Bank of Argentina on the transfer of funds abroad could prevent them from paying principal on their external debt as it comes due. This situation obliges Endesa-Chile to constantly monitor and negotiate in order to overcome periods of crisis and minimize risks.

Despite the difficult macroeconomic and political situation in Argentina during 2002, that substantially affected the results of our

subsidiaries, we can state that none of them has ceased to meet its contracted financial obligations and, in some cases, have successfully extended their loan maturities.

The effect of the crisis on the performance of our subsidiaries has been less than might have been expected. In the face of a devaluation of 53%, the EBITDA in Argentina fell by only 36%. This is mainly explained by the sales of electricity in dollars of the subsidiary Central Costanera S.A. from the interconnection with Brazil, while having associated costs in Argentine pesos.

THE SUPPLY OF ARGENTINA'S NATURAL GAS

On February 19, 2002, a strike by Argentine workers in the oil and natural gas fields of Neuquén resulted in the temporary and partial suspension of natural gas to Chile and to locations within Argentina. In Chile, several gas-fired power plants' generators were forced to shut down or to operate at very low capacity. Among those plants was Endesa-Chile's San Isidro plant, which was shut-down for six hours. The Argentine workers decided to strike after gas producers made announcements of potentially massive layoffs in the event that the Argentine government adopted a decree that would have established a 20% tax on hydrocarbon exports to Chile and other countries.

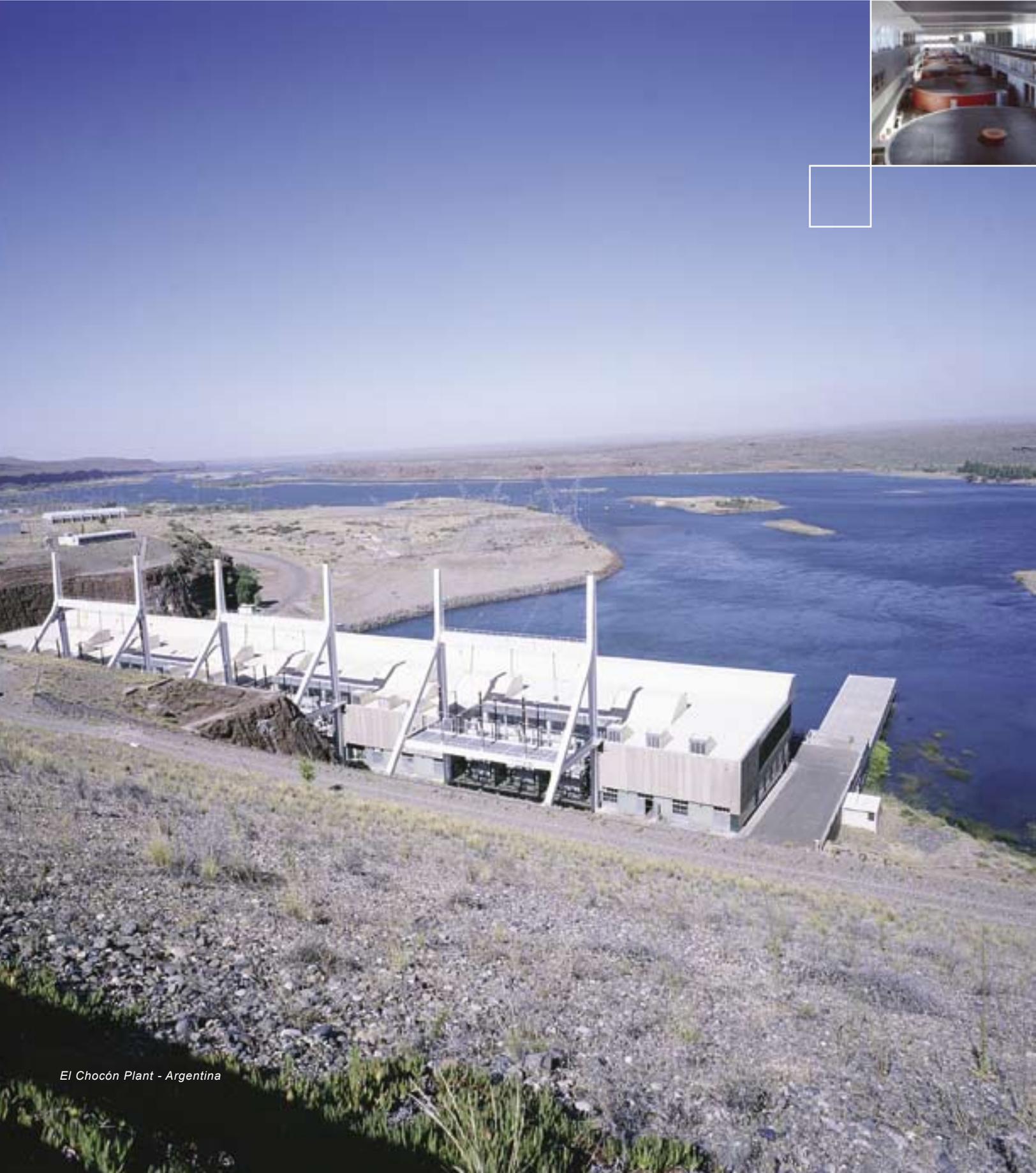
INTERVENTION IN LATIN AMERICAN ECONOMIES BY GOVERNMENTAL AUTHORITIES

Governmental authorities have often changed monetary, credit, tariff and other policies to influence the course of the economy of Argentina, Brazil, Colombia and Peru. Any government's actions to control inflation and effect other policies have often involved wage, price and tariff rate controls as well as other interventionist measures, which have included freezing bank accounts and imposing capital controls. Changes in the policies of these governmental authorities with respect to tariff rates, exchange controls, regulations and taxation could affect Endesa-Chile's business and financial results adversely, as could inflation, devaluation, social instability and other political, economic or diplomatic developments, including the governments' response to such circumstances.

LATIN AMERICAN ENVIRONMENT

All of Endesa-Chile's operations are located in Latin America. Although the Company originally operated only in Chile, it has, through strategic acquisitions and investments, expanded its operations throughout Latin America. The Company now generates a significant portion of its consolidated operating revenue and consolidated operating income outside of Chile. Accordingly, the Company's consolidated revenues are sensitive to the performance of the Latin American economy as a whole. If local, regional or worldwide economic trends affect adversely the economies of any of the countries in which the Company has investments or operations, the Company's financial condition and results of operations could be affected adversely.

Operations in



El Chocón Plant - Argentina

Operations in Argentina

GENERATION FACILITIES

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

INSTALLED CAPACITY (MW)	2001	2002
COSTANERA		
COSTANERA (STEAM-TURBINE)	1,131.0	1,131.0
COSTANERA (COMBINED-CYCLE)	851.0	851.0
CBA (COMBINED-CYCLE)	320.0	320.0
EL CHOCÓN		
EL CHOCÓN (HYDROELECTRIC)	1,200.0	1,200.0
ARROYITO (HYDROELECTRIC)	120.0	120.0
TOTAL INSTALLED CAPACITY IN ARGENTINA	3,622.0	3,622.0

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	2001	2002
COSTANERA	5,451	3,486
EL CHOCÓN	4,496	3,682
TOTAL GENERATION IN ARGENTINA	9,948	7,168
SALES OF ELECTRICITY (GWh)	2001	2002
COSTANERA	8,395	4,178
EL CHOCÓN	4,593	3,719
TOTAL SALES OF ELECTRICITY IN ARGENTINA	12,988	7,897

ACTIVITIES AND PROJECTS

CENTRAL COSTANERA S.A.

This company's business took place in an environment affected by political instability and an extreme economic crisis, the worst in the country's history.

The ending of convertibility in January 2002 and the flotation of the exchange rate produced a devaluation of the currency of 237% in the year 2002 and the reappearance of inflation as a natural consequence.

Demand on the Argentine electrical grid changed from its normal growth trend to a fall of around 2% compared to 2001, mainly the result of the economic crisis.

The year saw heavier rainfalls which led to the reduced use of thermal stations on the National Grid (SIN). In the case of Central Costanera SA., the steam-turbine units generated a total of 65 GWh; combined cycle of 852 MW participated with a load factor of 43% and combined cycle (ex CBA) of 320 MW with a factor of 12%. During the

Operations in



winter, although temperatures were low, the use of liquid fuels was very low due to the depressed demand and high hydroelectric supply.

The maintenance program of Gas Turbine No.9 of the 852 MW combined-cycle plant continued in 2002. This work will ensure the high level of reliability and efficiency of this generating unit. A new 6-year maintenance contract was signed covering this equipment with Mitsubishi Heavy Industries (MHI), the suppliers of the combined cycle unit, which includes, in general terms, the supply of parts on attractive terms for the company.

Regarding the export of electricity to Brazil, as a result of the heavy rainfalls in the area supplied from Argentina there were very few invitations to bid for energy export contracts in 2002, amounting to just 3.9%. Since the start of exports, Central Costanera S.A. has become the principal exporter of electricity from Argentina, having committed 750 MW on the first international interconnection and 457 MW on the second interconnection. Even though the volume of energy exports has been very low, Central Costanera S.A. has benefited from payments for available capacity for that market.

Within the framework of the Economic Emergency Law 25,561, the application of the regulations covering the Wholesale Electricity Market (WEM) were changed radically. The “pesofication” of all prices in both the spot and contracted markets markedly changed the revenues of all WEM participants.

Resolutions published by the Energy Authority during the year enabled energy supplies to be made during the winter and provided for the possibility of explicitly declaring non-fuel and maintenance variable costs in variable production costs (CVP) and the introduction of a new system of WEM contracts called the Anticipated Spot Market. These also incorporated, among other things, the separation of the payment mechanism for capacity from that for energy, the payment for short-term reserves and some changes to the form of making contracts.

Finally, Resolution 126 of the Energy Authority was published in October 2002, attempting to return to a more marginal situation statement that includes all declared costs (fuel variables, non-fuel variables and maintenance).

From a financial aspect and following the credit facility restrictions due to Argentina’s political-economic crisis, the company refinanced most of its maturities during the year and, at the year’s end, was negotiating with members of the US\$ 95 million bank-loan syndicate which expires in June 2003.

As a result of the board’s decision to “pesofy” at an exchange rate of one peso per US dollar, plus the application of the Reference Stabilization Coefficient (CER), the company’s obligations in the agreement related to the Work Order No.4322, signed within the privatization process of the plant with the state of Argentina, the debt of Central Costanera S.A. was reduced by approximately US\$ 36.5 million.

Hidroeléctrica El Chocón S.A.

The pronounced recession resulted in electricity demand by around 2% below that of 2001.

This, combined with another very wet year in all the country's river basins, resulted in very low energy sale prices. There was also a very steep devaluation of the peso against the dollar. This meant selling at average prices below US\$ 7/ MWh, some 60% below the year before in dollar terms.

Another important aspect of Argentina's financial crisis is the impossibility of obtaining domestic or foreign credit. Hidroeléctrica El Chocón S.A. was therefore in no condition to repay the whole of the principal when due (February 19, 2002) of its securities amounting to US\$ 180,000,000. The company in fact paid, on February 11, 2002, securities with a nominal value of US\$ 40,000,000 plus accrued interest, and proposed to bondholders that the board be given time to prepare a proposal for the restructuring of the balance.

The company is currently restructuring its securities and amending certain terms and conditions.

From a regulatory point of view, there were changes in 2002 in the form of remunerating capacity services. This enabled the company to improve its revenues in peso terms. By the end of the year, the market began again to free up, with energy prices recovering part of their normal levels. It is expected that 2003 will see a continuation of the gradual recovery in sale prices.

River flows in the Limay basin which supplies our plants, have been above normal, especially in the last months of the year, including a record flow in the month of October. This led to high generation at that time and the necessary opening of sluice-gates at Chocón and Arroyito. As these high flows were at the end of the year, they are not reflected in a very high annual generation, which will be about the same as a normal year, of some 3,600 GWh. However, in compensation, Chocón will end the year with its reservoir, and the reservoirs up-river, at their maximum levels. This implies energy reserves of about 2,400 GWh for ensuring a good level of generation in 2003.

With respect to projects, progress has been made in the expansion of transportation capacity of some 300 MW, to be achieved by expanding the serial compensation of the Choele Choel and Olavarría stations. These works will be carried out in 2003 with specific funds from the Salex Account. The company will therefore not have to meet its costs but will reap the benefit of greater market access.

The El Chocón and Arroyito plants obtained their ISO 14,001 certification in December 2002, demonstrating the company's commitment with the environment through continual improvements in its production processes. It should be noted that the Costanera plant, of Central Costanera S.A., obtained this certification in 2001.

Cien Argentina-Brazil Energy Interconnection

This is covered in the chapter Operations in Brazil.

Operations in



Cachoeira Dourada Plant - Brazil

Operations in Brazil

GENERATION FACILITIES

INSTALLED CAPACITY (MW)	2001	2002
CACHOEIRA DOURADA (HYDROELECTRIC)	658.0	658.0
TOTAL INSTALLED CAPACITY IN BRAZIL	658.0	658.0

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	2001	2002
CACHOEIRA DOURADA	2,256	2,467
TOTAL GENERATION IN BRAZIL	2,256	2,467

SALES OF ELECTRICITY (GWh)	2001	2002
CACHOEIRA DOURADA	3,743	3,591
TOTAL SALES OF ELECTRICITY IN BRAZIL	3,743	3,591

ACTIVITIES AND PROJECTS

Centrais Elétricas Cachoeira Dourada S.A.

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

Cachoeira Dourada sells its firm energy under a long-term contract signed in September 1997 with Companhia Elétrica de Estado de Goiás S.A. (CELG), a distribution company owned by the regional government. The contract is for a 15-year period. During the first five years, CELG is obliged to buy all the electricity produced by Cachoeira Dourada; the amount is then reduced by 10% per year starting in the sixth year.

The National Electric Energy Agency (ANEEL) in 2002 published several regulations affecting the commercial business of Cachoeira Dourada, including:

Operations in

- The Electrical Sector General Agreement, designed to compensate distribution and generating companies for costs related to the rationing during 2001 by a tariff adjustment to be assumed by the end customers for energy.
- Resolution 508 which establishes procedures for the revision of tariffs for the sale of energy generated by Centrais Eléctricas Cachoeira Dourada S.A. and homologates tariffs for supplies to Companhia Elétrica de Estado de Goiás S.A. (CELG).
- Resolution 511 which amends contracting limits through bilateral contracts between participants in the Energy Market Assignor (MAE).

The National Waters Agency also published its Resolution 197 on September 10, 2002, which grants the Cachoeira Dourada municipal authority the right to extract water from the reservoir of the Cachoeira Dourada hydroelectric plant over five years for irrigation purposes.

Cien Argentina-Brazil Energy Interconnection Project

On August 1, 2002, the fourth and last module of the Garabí conversion station (Brazil) came into

operation, thus completing an ambitious project that has had to surmount numerous geographic and technical difficulties which made it not just a model from a technological point of view but the most important electrical interconnection in Latin America and one of the most advanced in the world.

The project consisted of the construction of two 487 km. lines both divided into a 1x500 kV and 134 km-long section between the Rincón de Santa María substation in Argentina and the Garabí conversion station in Brazil, and another section of 1x525 kV and 353 km long, between the Garabí conversion station and the Itá substation in Brazil. It also has a frequency conversion substation from 50 Hz to 60 Hz called Garabí and included the expansions of the Rincón de Santa María and Itá substations.

With the conclusion of the second phase of the CIEN project, a great human and technical effort has ended involving the erection of 2,000 high-tension towers in complex orography, the hanging of some 1,000 kilometers of network and the building of two converters with four modules of 500 MW capacity each.



Electrical Substation - Argentina



Argentina - Brazil Interconnection

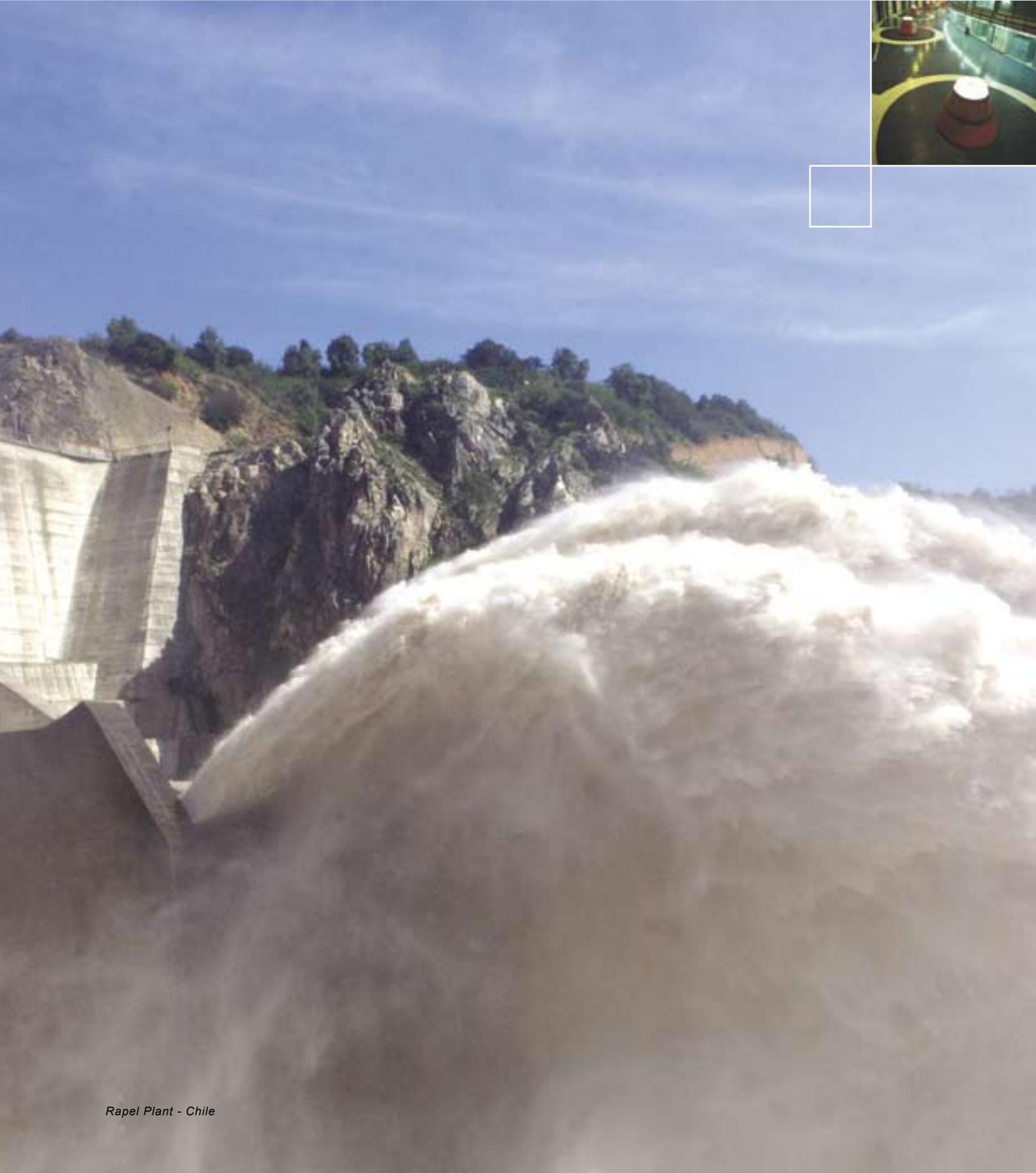
The total project investment has been a little over 700 million dollars and, with this, the group contributes over a half of the annual capacity additional requirements of Brazil, an extraordinary figure when compared to its companies' participation in that market.

Aside from the difficulties of installing the 1,000 kilometers of aerial network, the principal challenge was connecting two electrical systems having different frequencies. The difference of frequencies and the technical peculiarities of the two electrical systems interconnected (Argentina operates at 50 Hz and Brazil at 60 Hz) forced the technicians to seek innovative solutions, incorporated in the four conversion modules that

are now functioning at the Garabí station. Another important element is that the converter has the capacity to transport energy in a back-to-back way; this opens the possibility of exporting energy both to Argentina and to Brazil, depending on the needs and availability of the respective markets.

Finally, the CIEN Project is completely operational, with practically all its capacity contracted. The contracts are 300 MW with Tractebel, 700 MW with Furnas, 800 MW with COPEL and 200 MW with CERJ, totaling 2,000 MW. In addition, the company in the short term should supply Coelce (106 MW in 2003 and 54 MW in 2004) with energy bought from Petrobrás.

Operations in



Operations in Chile

Endesa-Chile and its Chilean subsidiaries have generating facilities comprising nineteen plants along the Central Grid System (SIC) and one plant on the Northern Grid System (SING).

GENERATION FACILITIES OF ENDESA-CHILE AND SUBSIDIARIES

FACILITY	TYPE	SYSTEM	INSTALLED CAPACITY (MW) (1)
Hydroelectric			2,899.0
Rapel	Reservoir	SIC	377.0
Cipreses	Reservoir	SIC	106.0
El Toro	Reservoir	SIC	450.0
Canutillar (2)	Reservoir	SIC	172.0
Pehuenche	Reservoir	SIC	566.0
Pangué	Reservoir	SIC	467.0
Los Molles	Run-of-the-River	SIC	18.0
Sauzal Sauzalito	Run-of-the-River	SIC	90.0
Isla	Run-of-the-River	SIC	68.0
Antuco	Run-of-the-River	SIC	320.0
Abanico	Run-of-the-River	SIC	136.0
Curillínque	Run-of-the-River	SIC	89.0
Loma Alta	Run-of-the-River	SIC	40.0
Thermal-electric (2)			1,035.8
Huasco	Coal-Steam	SIC	16.0
Bocamina	Coal-Steam	SIC	128.0
Tarapacá	Coal-Steam and Gas	SING	181.8
Diego De Almagro	Turbogas	SIC	23.8
Huasco	Turbogas	SIC	64.2
San Isidro	Natural Gas	SIC	379.0
Taltal (2)	Natural Gas	SIC	243.0
Total Power			3,934.8

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

(2) On March 27, 2003, the Board of Directors of Endesa-Chile accepted the offer by Hidroeléctrica Guardia Vieja S.A. of US\$174 million for the purchase of the 172 MW reservoir-based hydroelectric generating power plant Canutillar. This sale was approved by Endesa-Chile's Extraordinary Shareholders' Meeting on March 31, 2003, for which Endesa-Chile received the entire cash payment on April 30, 2003.

Operations in



Atacama Plant - Chile

In November 2002, the associated company GasAtacama Generación Limitada made available for dispatch on the SING its fourth 185 MW combined-cycle module, thus completing the 740 MW installed.

The generation capacity of Endesa-Chile and its subsidiaries in Chile represents 53.6% of the total installed capacity for public service in the SIC and 5.1% of the SING (25.7% with GasAtacama Generación Limitada).

CONTRACTS AND CUSTOMERS

The Company is focused on satisfying the electric energy requirements of its regulated and non-regulated customers on the Central Grid System (SIC) and the Northern Grid System (SING).

The electricity market on these grids has shown annual growth rates which have reached averages of 6.1% and 11.1% respectively over the last 6 years.

Endesa-Chile signed important supply contracts with free customers in 2002, incorporating hydrology risk cover clauses. These customers included the CMPC group (220 MW) for its Inforsa, Pacífico, Santa Fé and Laja plants for a term of eight years, and Compañía Minera del Pacífico (55 MW) for two years to supply its Pellets, Romeral, Algarrobo and Los Colorados plants.

Compañía Minera Doña Inés de Collahuasi gave its approval for the expansion of its mine which will come into operation in the second half of 2004. This means that the subsidiary Celta S.A., jointly with the associated company GasAtacama Generación Limitada, will be supplying Collahuasi with 88 MW as from that date.

Regarding contracts with subsidiaries, Endesa-Chile in 2002 bought energy from Empresa Eléctrica Pehuenche S.A. (1,900 GWh) and Compañía Eléctrica San Isidro S.A. (1,735 GWh) under supply contracts whose amount is adjusted to their respective commercial policies in order to maintain a balanced sales portfolio.

Endesa-Chile signed a long-term maintenance contract with General Electric, effective October 2002, covering the two Taltal plant units for a period of twelve years.

In May 2002, Endesa-Chile signed an agreement with the Waters Authority for the provision by that entity of all the hydro-meteorological information necessary for operating its hydroelectric plants and those of its subsidiaries.

MARKET SHARE

The sales of electricity by Endesa-Chile and its subsidiaries to its SIC customers amounted to 14,138 GWh in 2002, showing a decrease of 1.4% with respect to 2001. This volume represents a share of 46.6% in the total sales of the SIC. The sales to regulated clients reached 53% of this total, while the sales to non-regulated clients represented 28%, and the sales in the spot market reached 19%.

Also, the sales of electric power of the subsidiary Celta S.A. to its clients of the SING amounted to 936 GWh during 2002, representing a share of 9.9% in the total sales of the SING.

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

INSTALLED CAPACITY (MW)	2001	2002
ENDESA-CHILE	2,212.0	2,212.0
PEHUENCHE S.A.	695.0	695.0
PANGUE S.A.	467.0	467.0
SAN ISIDRO S.A.	379.0	379.0
CELTA S.A.	181.8	181.8
TOTAL INSTALLED CAPACITY	3,934.8	3,934.8

GENERATION (GWh)	2001	2002
ENDESA-CHILE	7,228	8,153
PEHUENCHE S.A.	4,213	3,963
PANGUE S.A.	1,978	1,977
SAN ISIDRO S.A.	1,628	1,590
CELTA S.A.	695	602
TOTAL GENERATION	15,741	16,286

SALES OF ELECTRICITY (GWh)	2001	2002
TO CUSTOMERS BY CONTRACTS:		
ENDESA-CHILE	11,071	11,793
PEHUENCHE S.A.	754	200
PANGUE S.A.	1,659	1,242
SAN ISIDRO S.A.	849	904
CELTA S.A.	920	936
SALES OF ELECTRICITY IN THE SPOT MARKET	3,419	3,269
TOTAL SALES OF ELECTRICITY	18,673	18,344

OTHER ACTIVITIES AND ELECTRICITY PROJECTS

The following were the main activities and projects carried out in 2002 :



Ralco Project

The Ralco Project is located in the Upper Biobío region, approximately 120 km south-east of the town of Los Angeles and some 30 km up-river from the Pangué plant. The project contemplates the construction of various works making up a hydroelectric plant with a nominal capacity of 570 MW which will contribute an average generation of 3,100 GWh annually to the Central Grid (SIC).

Physical construction-work progress at December 31, 2002 was 73.9% advanced.

The delivery of ready-mixed concrete began in early 2002 for the construction of the dam being built in the River Biobío. By the end of December, it had reached a height of 69 m, out of its planned height of 155 m. The equivalent volume of concrete delivered by the end of December 2002 was 0.75 million m³ out of a total of 1.5 million m³. Following the heavy rainfalls during the year 2002, the River Biobío spilled over the dam under construction on several occasions during August and October. No damage was caused and concrete delivery work was resumed quickly.

5,300 m. of the adduction tunnel have been excavated out of a total of 7,185 m. and 2,466 m. have been concrete lined.

The spirals, distributors, coils and spindles of the turbines, the power transformers of both units

and all the gantry cranes are already assembled in the machinery cavern. Work is currently taking place in assembling the turbines, generators, encapsulated substation, butterfly valve of Unit 1, auxiliary mechanical and electrical systems and architectural terminations. We are only awaiting the butterfly valve for Unit 2 and some electrical and mechanical equipment. The generator stator of Unit 2 is awaiting the arrival of components to repair the fourth one damaged during transportation to the site.

The assembly of the equipment and dry testing of the bottom drainage was completed. The sluice-gate rail assembly is finished and work is well progressed with the assembly of the sluice-gate wagon sluice. The manufacture of the complementary bottom drainage equipment is completed and its assembly should start, weather permitting, in early January 2003.

Regarding the project's environmental aspects, Endesa-Chile continued in 2002 to successfully prepare all its committed plans and programs, making significant progress with what it offered in the environmental impact study and what was imposed in the environmental qualifications for the project.

Compliance by Endesa-Chile with the environmental commitments undertaken has been certified in reports of independent audits to the environmental authorities, both with respect to ecological aspects and to social and cultural matters. The project has a professional organization and team made up of several disciplines, located on site and in Santiago, for the carrying out of the programs and activities of each of these aspects.

Rotor Assembly of Ralco Plant - Chile



Substantial progress was made on several matters during 2002. Regarding the Biological Reserve promised by Endesa-Chile, we are just awaiting the pronouncement of Conama with respect to the alternative plots of land and the form administration proposed by Endesa-Chile. Regarding the elimination of vegetation in the area to be flooded, around 240 ha. of forest out of a total of approximately 540 ha. had been removed by the end of the year. In addition, 150 ha. were reforested during 2002 to compensate for the cutting of forest in the area of the works (roads, sites, works installations, etc), and work started on reforestation to compensate for land to be flooded, under an agreement with CONAF.

The promised scientific studies are being prepared covering native flora species, and a design study is being prepared for the coastal pools demanded by Conama. Work continues in preparing a monitoring system for the prevention of volcanism

risks. The archaeological sites identified in the area of the project have to be excavated and saved; work was actively continued in this area during 2002 with 16 of these having been excavated. There now remain just three sites to be worked on, located at places where Endesa-Chile still awaits permission for access.

Work continues with respect to the commitments set out in the Indirectly Affected Agreement; the electrification project for the Higher Biobío was started jointly with the regional authority and the construction was completed of penetration tracks for gaining access to indigenous properties from the new public road built by Endesa-Chile. The Company is awaiting instructions from the regional authority to make the monetary contributions for other commitments in the agreement, like the technical professional school, tourist project and housing subsidies.

Operations in

With respect to the Relocation Plan, both the sites on which families were relocated are today indigenous communities under the law, called Ayin Mapu and El Barco. The Continuity Assistance Plan is fully operational, with its production (farming, livestock and forestry), social, cultural and tourism programs attracting good participations by the families and their collective organizations. The production program today consists of 222 ha. of irrigated land in El Barco and 318 ha. in Ayin Mapu, and is producing good crop yields. In order to promote reforestation, Endesa-Chile has provided 50,000 tree plants to the families. The social program has held the families' attention and provided links with the state's attention network in education and health. The cultural program has maintained its support for family participation in traditional ceremonies, and in the use of their resources and common goods and in their community organization. For the tourism program, the El Barco community was provided in December 2002 with a tourist infrastructure built by Endesa-Chile. Invitations to tender have been made for the construction of similar facilities in the Ayin Mapu community.

Endesa-Chile has signed 71 of the 77 property exchange agreements with the relocated families, all approved by Conadi. These have already been relocated in the new communities or their remaining sites. The six cases pending agreement are being advised to the Men of Goodwill Commission appointed by the Ministry of the Economy. During December 2002, Mrs Nicolasa Quintremán Calpaán, one of the last six cases pending agreement and relocation, signed an

exchange commitment ratifying the understanding reached between the parties in December 2001.

Ralco Plant Connection To The SIC

This project consists of the construction of a 140 km., 2x220 kV, transmission line linking the Ralco hydroelectric plant to Charrúa substation where the energy is supplied to the Central Grid.

Rights of way contracts continued to be signed during the year with owners affected by the line, and the procedures necessary for the electricity concession are in their final stages.

This project is being carried out by Abengoa Chile S.A. under a structure whereby Endesa-Chile pays an annual toll over 20 years at the end of which the line passes to Endesa-Chile's ownership. The contractor in 2002 progressed with excavations, the building of foundations, assembly of structures and hanging the conductor. It is expected to come into service in the second half of 2003.

Endesa-Chile Obtains its First ISO 14001 Certification at its San Isidro Plant

This company obtained the ISO 14001 certification of its Environmental Management System on October 31, thus meeting the commitment of the Endesa-Chile Group to achieve both plant energy efficiency and to operate with due respect for the environment.

Divestment in Emergency Equipment

Under an emergency plan implemented in the drought years of 1998 and 1999, Endesa-Chile installed thermal-generation equipment to ensure electricity supplies to the SIC.

Having ensured electricity supplies and with the pertinent authorizations, Endesa-Chile decided to reorganize its thermal equipment on the SIC and withdrew and sold certain generating equipment from the Antilhue and Los Robles plants.

Endesa-Chile's last commitment with the authorities was to maintain the generating units of the Antilhue plant until October 2001.

At January 2002, there remained a total to be withdrawn of 136 MW, split between Antilhue (100 MW) and Los Robles (36 MW). All the remaining capacity was completely disassembled during 2002, divesting itself of 86 MW in line with the Company's objectives.

Transfer of the Turbo-Group to Gasatacama Generación

The return and transfer of the turbo-group PG 9171E from the Cabrero plant to the Atacama plant of GasAtacama Generación (Ex Nopel) was completed in 2002. For this, Endesa-Chile had to install a low-emissions combustion system and GasAtacama Generación introduced a gas by-pass chimney, adapting the existing equipment at Cabrero plant.

The inspection and contract administration was carried out by Ingendesa and the labor was carried out by local contractors with technical advice from abroad.



Construction of the Ralco Plant Connection to the SIC - Chile

Operations in

Huinay Scientific Centre - Chile



The assembly and start-up of the unit, with modifications added by GasAtacama Generación, were finished in January 2002. The DLN-1 combustion system was then installed, functioning in April 2002 with natural gas and in October 2002 with liquid fuel.

The existing boiler was prepared in May 2002 for connecting it to the new unit. In September, all functioning tests were carried out in combined cycle of the unit installed by Endesa-Chile, as well as reliability, efficiency, emissions and noise tests.

Finally, on October 25, 2002, Endesa-Chile handed the unit to GasAtacama. The Atacama plant, jointly owned by Endesa-Chile and CMS, thus managed to achieve a gross installed capacity of 781 MW and the ability to have a gas turbine functioning independently from the rest of the plant.

This turbo-group was rented by GasAtacama Generación to Endesa-Chile to face the drought

in 1999 and was returned by Endesa-Chile within the mentioned terms and conditions.

Huinay Mini Hydroelectric Plant

Within the implementation necessary for the functioning of the San Ignacio del Huinay Foundation Research Center, Endesa-Chile built a mini hydroelectric plant to meet the present and future consumption of the center and the neighboring community.

The San Ignacio del Huinay Foundation was created in late 1998 by Endesa-Chile and the Catholic University of Valparaiso to give life to the scientific center which has a laboratory for studying the biological and physical potential of the marine, land and atmospheric areas of the environment. It is located on 35 thousand hectares in Chile's 10th Region (Palena province), 160 kilometers south of Puerto Montt. The Foundation has also carried out interaction programs with the community, notably the donation of complete dental equipment, logistical

support for medical rounds and educational workshops for children and young people.

The Huinay mini plant has a 200 kW generating unit which uses water captured by various works on the “Sin Nombre” and “Tambor Chico” estuaries. The unit is equipped with a Pelton horizontal-axle turbine, has a net water column fall of 122 m. and a flow of 0.2 m³/s. It also has a back-up electrogenous group of 40 KVA.

The handing over of the mini plant to the personnel of the San Ignacio del Huinay Foundation for its use, was made in September 17, 2002.

Record Hydroelectric Generation

The plants of Endesa-Chile and its subsidiaries jointly broke the record for annual hydroelectric generation in 2002. Total production was 13,557 GWh, 845 GWh higher than the level of 2001. This was due to favorable rainfall conditions, the availability of units and a proper coordination of operations.

The Rapel and Los Molles plants broke their own monthly generating records, the former achieving 262,623 GWh in August, 13,910 GWh over the previous high in June 1982, and the latter a generation of 13,400 MWh, 800 MWh higher than in November 1987.

ISO 14,001 Certification

In December 2002, the ISO 14,001 certification was granted for the environmental management system of the Pangué plant belonging to the subsidiary Pangué SA. This is the first hydroelectric plant in Chile to achieve this certification. In the same month, the Taltal thermal plant also obtained its Environmental Management System certification. Endesa-Chile and its subsidiaries are therefore maintaining their commitment to both achieving energy efficiency at their plants and developing their operations with respect to the environment.

In June 2002, the thermal plant of the associated company GasAtacama Generación, Atacama plant, became the first generator on the Northern Grid (SING) to obtain its ISO 14.001 certification.



Operations in C



El Guavio Dam - Colombia

Operations in Colombia

GENERATION FACILITIES

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

Installed Capacity (Mw)	2001	2002
Emgesa		
Guavio (Hydroelectric)	1,150.0	1,150.0
Cadena Vieja (Hydroelectric System) (1)	544.0	241.0
Cadena Nueva (Hydroelectric System)	580.5	580.5
Termozipa (Thermal-Electric)	220.0	220.0
Betania		
Betania (Hydroelectric)	540.0	540.0
Total Installed Capacity in Colombia	3,034.5	2,731.5

(1) As from July 3, 2002, the installed capacity of Cadena Vieja was reduced from 544 MW to 241 MW.

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	2001	2002
EMGESA	8,335	8,787
BETANIA	1,770	1,829
TOTAL GENERATION IN COLOMBIA	10,106	10,616

SALES OF ELECTRICITY (GWh)	2001	2002
EMGESA	12,029	12,002
BETANIA	2,562	2,637
TOTAL SALES OF ELECTRICITY IN COLOMBIA	14,591	14,639



La Guaca Plant - Colombia

ACTIVITIES AND PROJECTS

Emgesa S.A. E.S.P.

Work continued in 2002 on mitigating the environmental impacts of the Muña reservoir, terminating with the construction of the pumping station, the interconnection and tailings dryer. Late in the year, work began on the solution for handling the tailings including, for example, the reforestation of the reservoirs, the construction of an ecological path and the monitoring of water and mud.

In June, the implementation began of the Environmental Management System NTC ISO 14,001 for the Paraíso-Guaca chain including the pumping station and Muña reservoir. This process should end with the granting of the certification during 2003.

On July 2, 2002, the Casalaco chain was partially closed, resulting in a reduction in its installed capacity of 303 MW and producing an economic benefit over five years of US\$ 6.5 million. The

most important maintenance works were the repair of the poles of Guavio Unit 5 with which a very important recurring fault was resolved. The stator of Unit 3 of the Guaca plant was repaired and the poles of Unit 3 at the Paraíso plant were changed following the detachment of an inter-pole connection.

Remote-controlled terminal units were installed for supervising Emgesa's generating plants by the National Dispatch Center, complying with Resolution CREG-080 of 1999. Efficiency tests were carried out on the four units of the Termozipa plant and the bathymetries of the Guavio and Muña reservoirs. The results permit a better remuneration for energy safely dispatched by these plants.

Emgesa has worked intensively on the presentation of technical proposals to the regulator for the equitable distribution of the capacity charge coming into effect on December 1, 2002. However, the regulator has held to its position on this matter and will study changes until 2003 based on a market scheme, as already stated.

Trading with non-regulated customers, begun by Emgesa in March 2001, achieved in 2002 a 20% share of the total market covering 700 customers, with monthly consumption of around 200 GWh.

The Emgesa Foundation supported a total of 16 social projects during the year 2002 for improving the quality of life in communities close to its operations in the districts of San Antonio del Tequendama and El Colegio. The total number of projects supported by the Foundation is 63, amounting to US \$465,000.

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

On October 10, 2002, the expanded Betania substation, of 230-115 kV, came into operation to increase transport capacity by 168 MVA and to meet energy demand in the departments of Huila and Caquetá, generating revenues for Betania as a transporting company of US\$ 842,000.

In April and December 2002, the company made debt repayments totaling US\$ 98 million, following its strategy of reducing debt. In December, it also successfully concluded the first

phase of the placement of a syndicated loan for US\$ 45 million, thus reducing the exposure of the debt to exchange rate fluctuations by converting part of it to Colombian pesos.

The plant's activities included the correction of the triphase short circuit on the collector bars of the Unit 3 stator and the bathymetric measurement of the reservoir whose results will permit a better remuneration of the energy dispatched safely.



Betania Plant - Colombia

Operations in



Huinco Plant - Peru

Operations in Peru

GENERATION FACILITIES

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

INSTALLED CAPACITY (MW) (1)	2001	2002
EDEGEL		
HUINCO (HYDROELECTRIC)	247.3	247.3
MATUCANA (HYDROELECTRIC)	128.6	128.6
CALLAHUANCA (HYDROELECTRIC)	75.1	75.1
MOYOPAMPA (HYDROELECTRIC)	64.7	64.7
HUAMPANI (HYDROELECTRIC)	30.2	30.2
YANANGO (HYDROELECTRIC)	42.6	42.6
CHIMAY (HYDROELECTRIC)	150.9	150.9
SANTA ROSA (THERMAL-ELECTRIC)	263.6	263.6
TOTAL INSTALLED CAPACITY IN PERU	1,003.0	1,003.0

(1) The installed capacity figures reflect Effective Capacity, up-dated and approved by the COES, Peru in 2001.

GENERATION AND SALES OF ELECTRICITY

GENERATION (GWh)	2001	2002
EDEGEL		
	4,176	4,279
TOTAL GENERATION IN PERU	4,176	4,279
SALES OF ELECTRICITY (GWh)		
	4,239	4,158
TOTAL SALES OF ELECTRICITY IN PERU	4,239	4,158

ACTIVITIES AND PROJECTS

Edegel S.A.A.

In order to restore the reliability of the operation of the Callahuanca hydroelectric plant, Edegel decided to recondition three of its four units. The three units relate to Voith groups with a capacity of 12.6 MW each and were installed in 1938; group 4, with a capacity of 34.9 MW, was reconditioned in 1994. The present electrical equipment of the cells and 60 KV lines was installed together with the three Voith groups in 1938, while the electrical equipment of the 220 MW substation was installed in 1971. Most of this equipment has exceeded its estimated useful life of 60 years.

The project includes reconditioning work on the three Voith groups, the tele-inspection of Group 4 and the remote control for the interior 60 kV substation, the exterior 220 kV substation and auxiliary services. It also includes the engineering, adaptations, modifications, supply of new components and disassembly and assembly of each of the groups. It is expected to provide improved efficiency by increasing capacity by a total of 9.0 MW.

Operations in Peru



Callahuanca Plant - Peru

In accordance with the works timetable, the offers were opened on December 3, 2002 presented by the three consortia, led by Voith Siemens, Vatech and Alstom. It is expected that the works will terminate in 2004.

With respect to the renovation of the transmission lines, improvement works amount to US\$ 2.3 million and were 78% advanced at December 31, 2002. Completion is planned for April 2003 but it is possible that this may be extended as it is necessary to interrupt lines of other companies that interfere with the works of changing conductors, insulators, etc. of 60 and 220 kV lines. The renovation works include the replacement of metering equipment and protection relays.

Regarding the system of forced lubrication, this work was completed successfully at a cost

of US\$ 160,000. The alternator bearings of the Huinco plant now have modern lubrication systems that ensure the plant's reliability.

Regarding improvements to the Chimay plant, various works were carried out during the year in coordination with the consortium that built the plant in order to comment on matters pending and thus improve the availability of the plant and provide it with greater safety against overflows of the River Tulumayo. The main works were the widening of the River Tulumayo's bed beside the machinery house, repairs to the principal butterfly valves, repairs to the turbines of both groups, adjustments to the stator winding wedges; repairs to the adduction tunnel and the construction of new coffer dams in the discharge channel (in progress).

Other Businesses

Ingendesa

Ingendesa in 2002 took part in important Chilean and Latin American investment projects, particularly in the areas of energy, infrastructure, mining, public works and telecommunications, through services provided to Group companies and to third parties.

The principal projects worked on for related companies include the detailed design and inspection of the construction of the Ralco hydroelectric plant, supervision of the transfer of turbines from Antilhue to Zofri, advice on the design and implementation of the environmental management systems for the Pehuenche, Curillín and Loma Alta plants, hydro-meteorology services and reservoir monitoring, the design of the mini plant and inspection of the construction of the scientific center of the San Ignacio del Huinay Foundation, design of Endesa-Chile's corporate plant remote-control system, multi-disciplinary engineering and management support services for the construction of the Los Libertadores highway, detailed design of the El Salto substation, design of the Polpaco – El Salto transmission line, design of the reinforcement of the Buin – Chena 110 Kv line, design services for the expansion of distribution substations for Chilectra, and the environmental impact

study for the 220 kV line between the Encuentro and Collahuasi substations for GasAtacama Generación.

Services provided to third-party clients include the detailed design for Concesionaria Costanera Norte of the tunnel below the River Mapocho, Bellavista – Vivaceta section, river diversion and canalization works in the Lo Saldes – Bellavista section, advice and implementation of the system of alerts and contingency plan necessary for working in a river bed during winter, detailed design of the Premina 13.8 kV line and pre-feasibility study of the 69 kV line and principal substation for the Escondida North Project, detailed design for the relocation of the O'Higgins part of the Atacama substation, the start-up of the Domeyko 3 project, advice on the study of capacity flows for Minera Escondida, specialist services in project management and design and technical inspection for the re-capacitating of the Polpaico - SAG line for Codelco's Andina Division, the preparation of master plans for the evacuation of rain waters in the cities of Chillán and Los Angeles, revision of the engineering project of the El Bato reservoir concession-holding company, detailed design of the new Pencahue canal feeder, feasibility study of reservoirs for the Lluta and Azapa valleys for the Ministry of

Other Business

Public Works, supervision of the inspection and counterparty engineering of the La Farfana plant, for Aguas Andinas, technical inspection of the Los Quillayes tailings dam, for Minera Los Pelambres, management support in the construction, revision and execution of the Santiago – Los Vilos highway concession, for Autopista del Aconcagua, detailed design of the Algarrobo – Casa Blanca 110 Kv line, for Chilquinta, preparation of the tender bases for the modification of the 220 kV Polpaico – Quillota line, basic design and preparation of the tender bases for the expansion of the Charrúa, Ancoa and Alto Jahuel substations in 500 and 220 kV for the entry of the Ralco plant, design of the 220 kV Ancoa –Itahue line, design of the transformation to 500 kV of the Charrúa-Ancoa lines, for Transelec, detailed design of the southern extension of Line 2 of the Santiago Metro, technical inspection of the western extension works of Line 5 of the Santiago Metro, design of the access galleries of La Cisterna station and detailed design of Tobalaba station for the Santiago Metro, technical inspection of the civil works of sections B and C of the Viña – Valparaíso rail interconnection, for Merval, technical inspection of the complementary works for the tailings dam of Los Quillayes, for Minera Los Pelambres, environmental monitoring plan for the Lago Atravesado plant, for Edelaysen, study of the effects produced by the increase in the water level of the Colbún reservoir, for Empresa Eléctrica Colbún S.A., and advice on the design and implementation of the environmental management system for the generating plants of Empresa Eléctrica Colbún S.A.

In the international area, the following services were provided in 2002. On-site engineering for works in Ceará, Brazil for the construction of the combined-cycle project of the Fortaleza

plant, together with personnel of the subsidiary, Ingendesa Do Brasil, consultancy for the general technical support coordination for Empresa Propietaria de la Red (EPR) of the SIEPAC project in Central America, for Endesa-Spain, revision and complementation of the technical specifications for the tender for renovation works of the Callahuanca hydroelectric plant in Peru, engineering for evaluating the technical conditions and costs of the functioning of the Termocartajena plant in Colombia, specialized advisory services for evaluating EPC contracts for third parties in Mexico and Central America (the owner contracts one party to provide the engineering, procurement and construction services), and the termination of management and technical inspection services for the CIEN II Argentina – Brazil electrical interconnection project.

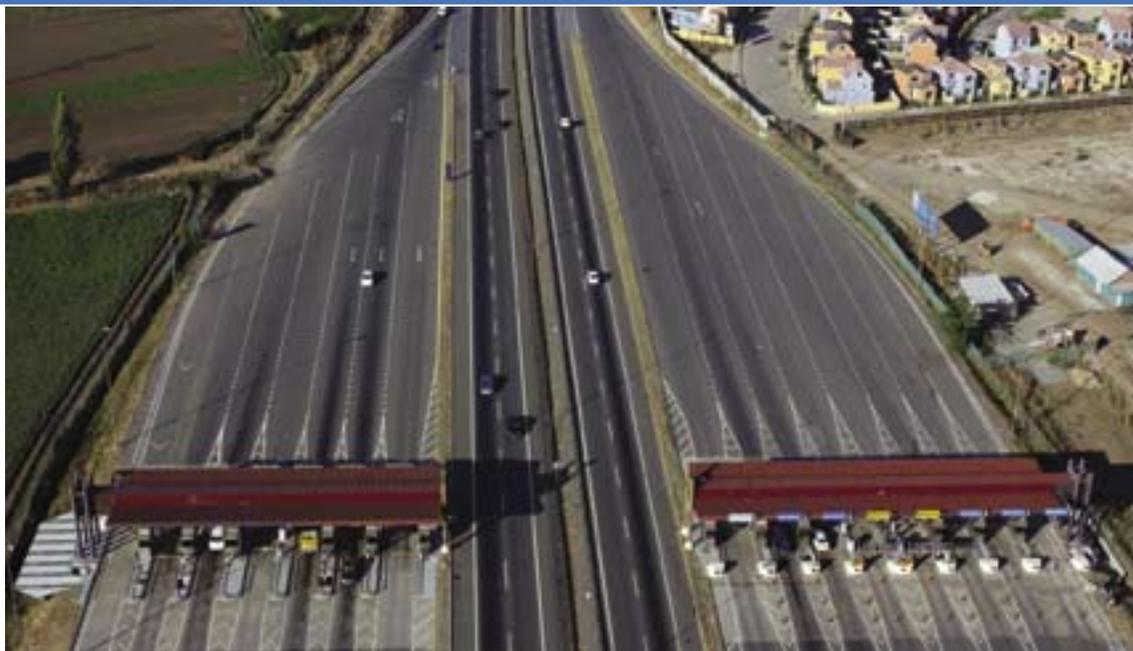
Sociedad Concesionaria Túnel El Melón S.A.

The El Melón tunnel concession was granted in June 1993 and came into operation in September 1995.

The tunnel was used by 1,224,663 vehicles in 2002. This represented a 6.6% increase over 2001, principally due to an increase in the use of the tunnel compared to the hill road as total traffic on the route has not increased. The concession's revenues grew by 4.3% in real terms compared to 2001.

Of the vehicles using the tunnel, 65% are light vehicles, 13.4% buses and 21.6% normal and heavy trucks.

The company continued in 2002 to take actions for increasing the number of users and reducing operating and maintenance costs.



Autopista del Sol Highway - Chile

Sociedad Concesionaria Autopista Del Sol S.A.

(This company was sold on June 23, 2003)

The concession consists of the design, construction and exploitation of the Santiago - San Antonio highway. The project included a new 24 km. urban section between Santiago and Malloco, the upgrading of the existing road surface and new link roads on the Malloco - Leyda section and repaving, route corrections and the building of a new road on the Leyda - Agua Buena section. It also included complementary service areas, bus stop areas and pedestrian walkways.

On May 9, Sociedad Concesionaria Autopista del Sol S.A. placed an issue of bonds for UF 5,539,000 to refinance the company's long-term debt.

During the year, the building of bus stop areas, additional pedestrian walkways and service roads was completed in accordance with the Complementary Agreement N°1.

As a result of amendments to the traffic law, the speed limit on the highway was increased to 120 km per hour in mid September, with restrictions in some sections.

In March, Complementary Agreement N°3 was signed by the Ministry of Public Works for carrying out additional works to improve the standard of the highway such as safety works, construction of the Malloco interconnection, improvement of the Manuel Rodríguez bridge and construction of a police station on the highway.

As part of works related to the highway's operation, we complied with our plans for highway, electrical and lighting conservation and maintenance plans, collection equipment and control of tolls and green areas.

The volume of vehicles in 2002 was 16,658,691, a 3% increase compared with 2001.

Other Businesses

Sociedad Concesionaria Autopista Los Libertadores S.A.

(This company was sold on June 23, 2003)

This concession contemplated the widening and improvement of the existing road called General San Martín, of approximately 90 km., the construction of a dual carriageway and service roads between Santiago and Colina, the dual carriageway Colina by-pass between Peldehue and Casas de Chacabuco and the single carriageway Los Andes by-pass. Improvements were also made to the paving and lighting systems and to the ventilation and emergency systems of the Chacabuco Tunnel.

Traffic flows during the year were 7,754,694 vehicles, an increase of 8% over the year before, mainly explained by increased traffic on the Santiago – Colina section.

Construction work on the intersection with Avenida Américo Vespucio was partially completed in March. These works, added to the concession through a complementary agreement, could not be completed due to problems of availability of land in one sector of the intersection.

As a result of amendments made to the traffic law, the speed limit on the highway was increased to 120 km per hour, with restrictions on some sections.

As part of the normal operational works of the highway, we have met our plans for the conservation and maintenance of the highway and its electrical installations and lighting, collection equipment and control of tolls and green areas.



Autopista Los Libertadores Highway - Chile

Investments

During 2002 Endesa-Chile and its subsidiaries invested a total equivalent to US\$ 183.6 million, according to the following detail:

COMPANY	INVESTMENTS (MILLION DOLLARS)
IN ARGENTINA	
CENTRAL COSTANERA S.A.	0.82
HIDROELÉCTRICA EL CHOCÓN S.A.	0.36
TOTAL INVESTMENTS IN ARGENTINA	1.18
IN BRAZIL	
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.	0.93
TOTAL INVESTMENTS IN BRAZIL	0.93
IN CHILE	
ENDESA-CHILE	151.65
PEHUENCHE S.A.	0.38
PANGUE S.A.	0.32
CELTA S.A.	0.86
SAN ISIDRO S.A.	6.18
INGENDESA	0.75
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN S.A.	0.00
SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.	3.72
SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A.	3.51
TOTAL INVESTMENTS IN CHILE	167.37
IN COLOMBIA	
EMGESA S.A.	3.47
CENTRAL HIDROELECTRICA DE BETANIA S.A. E.S.P.	0.83
TOTAL INVESTMENTS IN COLOMBIA	4.30
IN PERU	
EDEGEL S.A.A.	2.95
TOTAL INVESTMENTS IN PERU	2.95
TOTAL DIRECT INVESTMENT	176.73
TOTAL FINANCIAL INVESTMENTS	6.85
TOTAL INVESTMENTS	183.58

Financial Activities

FINANCIAL ANALYSIS OF 2002

The consolidated financial statements of Endesa-Chile incorporate all of the company's Chilean subsidiaries, as well as its Argentinean subsidiaries Central Costanera S.A. and Hidroeléctrica El Chocón S.A.; its Colombian subsidiaries Central Hidroeléctrica de Betania S.A. and Emgesa; its Brazilian subsidiary Centrais Elétricas Cachoeira Dourada S.A.; and its Peruvian subsidiary Edegel.

Endesa-Chile produced a net loss of ThCh\$ 9,319,056 in 2002 after making an accounting adjustment of ThCh\$ 98,944,096, announced publicly on January 15, 2003, in compliance with Chilean accounting principles. This compares to a net income of ThCh\$ 72,160,018 for the year 2001.

The funds generated by the company during 2002 amount to US\$ 758 million and have been utilized in the following approximate proportions: 38% to pay debt, 30% to pay net financial expenses, 19% to investments and 13% to the payment of dividends and equity withdrawals.

A comparison of the accumulated results as of December 2002 with those as of December 2001 reflects:

- A 25.4% increase in operating income in Chile mainly explained by a better hydrology.
- An improvement of ThCh\$ 18,518,121 in the net results on investments in related companies due fundamentally to the improved results of CIEN, that exports energy from Argentina to Brazil and in which Endesa-Chile has a participation of 45%.
- A reduction of ThCh\$ 19,178,454, or 8.8% in net financial expenses; and
- A one-time accounting adjustment of ThCh\$ 98,944,096 (net of minority interest) mainly explained by the accounting adjustment of positive and negative goodwill of the investments in Argentina and Brazil. The breakdown of this figure is ThCh\$ 26,883,008 in Argentina and ThCh\$ 72,061,088 in Brazil.

The operating income as of December 2002 amounted to ThCh\$ 346,224,491, a decrease of 0.5% compared to December 2001. This slight reduction in the operating income is basically due to a lower operating income in Argentina and Brazil, which was almost entirely compensated by the improved results in Chile and Peru.

In Chile, the operating income as of December 2002 amounted to ThCh\$ 171,136,382, an increase of 25.4%, principally as a result of an increase in the generation of hydroelectricity associated



to an improvement in the levels of the reservoirs and to abundant rainfall. Another contributing factor was the 6.5% increase in average sales prices to the unregulated clients and spot markets. Furthermore, the reduction in the generation of thermoelectricity meant a decrease of ThCh\$ 24,155,307 in the cost of fuel and transport of gas and the greater volumes of water allowed for a reduction of ThCh\$ 10,909,430 in the cost of purchasing energy.

It should be noted that the operating income in Peru coming from the subsidiary Edegel rose by 6.7% to ThCh\$ 70,476,999 mainly due to higher average sales prices on the spot market which more than compensated for the reduction in physical sales.

In Colombia, the operating income as of the fourth quarter of 2002 increased by 1.1% to ThCh\$ 75,373,563 mainly as a result of an increase in physical sales of energy due to an improvement in water supplies and rainfall and to higher average sales prices of energy on the spot market.

In Brazil, the operating income of Cachoeira Dourada decreased by 39.2% to ThCh\$ 16,981,041, largely caused by a 20.3% fall in average energy sales prices, following the devaluation of the real against the dollar, and greater purchases of energy to comply with contractual obligations whilst the reservoirs were recovering after a prolonged drought in southeastern Brazil.

In Argentina, the operating income amounted to ThCh\$ 12,256,506, a fall of ThCh\$ 30,784,413 with respect to December 2001. This decrease

is due to the drop in the average sales prices of energy from El Chocón as a result of the devaluation of the Argentine peso and of a 39.2% decrease in the physical sales of energy in Argentina. Furthermore, the low energy prices in southern Brazil as a result of the abundant water supply in the zone meant that in 2002 only 2% needed to be purchased from the CIEN interconnection line. Nevertheless, the operating income of Central Costanera rose by ThCh\$ 2,899,688 in relation to the previous year explained by the sales of power to the interconnection with Brazil that have partially compensated for the fall in this company's sales of energy.

The non-operating result as of December 2002 was a loss of ThCh\$ 313,424,918 which is compared to a loss of ThCh\$ 247,798,496 in 2001. This difference is basically explained by an increase of ThCh\$ 100,293,198 in positive goodwill amortization, a fall of ThCh\$ 16,751,874 in the net result of other non-operating income and expenditure, an increase of ThCh\$ 14,063,825 from exchange differences results, a decrease of ThCh\$ 19,178,454 in net financial expenses and an improve of ThCh\$ 18,518,121 in the results from investments in related companies.

The increase of ThCh\$ 16,751,874 in the net result of other non-operating income and expenditure is explained principally by the positive effect of the devaluations on the liabilities in local currency of our subsidiaries in Colombia and Argentina. This increase was partially compensated by a higher non-operating expenses due to the write-off related to assets of our generating subsidiary in Brazil, Cachoeira Dourada.

With respect to the results from exchange differences, a loss of ThCh\$ 441,015 as of December 2002, versus a loss of ThCh\$ 14,504,840 as of December 2001, these reflect the fact that as at the close of the year 2002, the Chilean Peso had depreciated by 9.7% against the US Dollar as compared to a depreciation of 14.1% during the same period of the year before. On the other hand, these losses were compensated to a large extent by forward contract operations that produced a profit of ThCh\$ 16,037,562 as of December 2002 compared to a profit of ThCh\$ 36,011,211 as of December 2001.

The fall of ThCh\$ 19,178,454 in net financial expenses is explained principally by a reduction of US\$ 240 million in debt, measured at the US Dollar rate for each period, as a result of operating cash flows that have permitted the repayment of financial debt and by lower interest rates in line with the drop in international rates with respect to the year 2001.

The improvement by ThCh\$ 18,518,121 in the results from investments in related companies is mainly due to the increase in the net profit of CIEN that, as of December 2002, amounted to ThCh\$ 7,230,684 compared to a loss of ThCh\$ 5,826,850 as of December 2001. The improved result of CIEN is explained by a significantly better operating result following the start up of the second transmission line, with the first 500 MW coming on line in May and the other 500 MW in August 2002.

The higher tax burden during this period reflects the improved results of the companies in Chile and Peru. With regard to the extraordinary item for ThCh\$ 10,930,092 that was booked during this year, this corresponds to a new once only tax imposed by the Colombian authorities on the equity of the companies in order to finance the fight against guerillas and drug trafficking and was entirely booked during the 2002 period.

CREDIT RATING

The credit rating for Endesa-Chile's external debt has suffered a fall this year as a result of the difficult situation in the region which has produced an increased perception of market risk. Moody's rating fell from Baa1 to Baa3 (under revision for a possible further fall in rating), Standard & Poor's from BBB+ to BBB- (with negative prospects), and Fitch from A- to BBB+ (with negative prospects).

The rating agencies have all expressed their concern about the region's instability, particularly the situation of our subsidiaries in Argentina and Brazil. They are especially concerned about the need for funds to meet debt maturities (bank and bonds) over the next two years. The company has launched an aggressive plan for financial strengthening and renegotiating its bank debt, which would alleviate liquidity needs for the next two years and permit a debt reduction of between 600 and 700 million dollars. We are confident that these measures will enable us to maintain our international ratings and gradually improve them, as the results materialize.

Endesa-Chile's domestic bonds have held their credit rating at AA by the agencies Fitch-IBCA Chile and Humphreys Ltda., contrasting the perception of local risk versus international risk.

INSURANCE

Operational

In December 2001, Endesa-Chile and subsidiaries invited bids for their regional insurance program from the world's principal insurance brokers with a presence in all the countries where the Company operates. The all risks policy was contracted until December 31, 2002, which was renewed until December 31, 2003, while civil liability cover which expired on June 30, 2002 was renewed until June 2003.

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

- All risk cover for physical assets and business interruptions for up to US\$ 400 million, except earthquake for which a limit of US\$ 150 million will apply, to protect the generating plants and principal transformation substations against earthquake, avalanches, fire, explosions and flooding.

Insurance market restrictions regarding terrorist act damages have prevented the Group from securing this cover for the whole region.

- Cover for loss of profits due to machinery damage up to US\$ 100 million to protect the main plant production equipment and

substations against operating faults risks, short circuits, breakage of parts, material fatigue and mechanical faults in general.

- Extra-contractual civil liability cover for up to US\$ 150 million which covers the Company for physical damage that its business may cause to third parties and which it is obliged to indemnify.

Companies in the region also have cover for sea, air and land transportation of machinery, equipment and inputs, life insurance for their personnel when traveling and those risks that legislation requires them to have.

WORKS INSURANCE

Endesa-Chile has current insurance cover for construction and delays in start-up for all the works it and its associates in the region are undertaking (Ralco and CIEN).

The arbitration proceedings in the case of the Ralco plant have continued in their different stages. To suitably protect the Company's equity position, contingency insurance cover has been taken to maintain the works covered regardless of the result of the arbitration judgment in the face of catastrophes.

With respect to the accident to the cofferdam in May 2001 which affected the Ralco works, the liquidator assigned to the case determined the validity of the claim and losses of around US\$ 16 million. The insurer rejected this report, obliging Endesa-Chile to take legal action to obtain payment.

Financial Activities

Other works are being carried out normally without any claims of importance.

BORROWINGS

The Company's debt during 2002 was characterized by a substantial reduction in its level attributable not only to normal repayments, in Chile and abroad, but to voluntary prepayments made by Endesa Chile Internacional in significant amounts, reaching a total of US\$ 197.1 million. It should be noted that of this figure, US\$ 153.1 million relates to bilateral loans under the so-called Genesis Plan.

This reduction was financed from own funds and with the proceeds of the recovery of investments and intercompany loans.

The following shows the detail of these prepayments:

Creditor	Amount (millions of US dollars)
Banco Santander Central Hispano	40.0
HSBC Bank PLC	18.1
Citibank, N.A.	37.0
JP Morgan Chase	58.0
San Paolo IMI	44.0
TOTAL	197.1

For financing investments, Endesa-Chile (unconsolidated) continued to use loans contracted in 1999 with BNP Paribas and EDC of Canada for the acquisition of generating equipment for the Ralco plant. Disbursements during 2002 amounted to US\$ 18.3 million.

It should also be mentioned that the subsidiary Autopista del Sol S.A. refinanced its bank debt with the placement of a bond for UF 5,565,000 on the local market. The bond carries a term of 16 years and has a nominal interest rate of 5.8% per annum.

Due to governmental measures taken in Argentina, a part of the US dollar debt of Central Costanera was converted into Argentine pesos. This meant a reduction equivalent to approximately US\$ 35 million in the balance of debt with Mediocrédito Centrale from Italy.

In December 2002, Endesa Chile Internacional prepaid a loan of US\$ 100 million with SanPaolo IMI S.p.A. On the same day, this bank lent US\$ 56 million to Endesa-Chile's agency in the Cayman Islands. This loan expires in December 2003 and carries an interest rate of Libor+1.1% per annum.



Tarapacá Plant - Chile

Dividends

Dividends

DIVIDEND POLICY

For the year 2003, the board intends to propose to the Annual Shareholders' Meeting the distribution of a dividend equivalent to 30% of distributive net income for the year.

The board does not intend to pay any interim dividends against the income for 2003 and intends to propose to the ordinary shareholders' meeting to be held in April 2004 the distribution of a final dividend as described above.

Compliance with the above plan will depend on the net income actually produced, as well as on the results projected periodically by the company, and on the applicability of restrictions in different agreements, as the case may be.

DIVIDENDS DISTRIBUTED OVER LAST YEARS

	DIVIDEND PER SHARE	
	CHILEAN PESOS OF EACH YEAR	CONSTANT CHILEAN PESOS AS OF DECEMBER 31, 2002
1997	11.74800	14.10632
1998	2.06200	2.33158
1999	-	-
2000	0.96000	1.01253
2001	0.94000	0.96632
2002	-	-

Material Inform



Antuco Plant - Chile

Material Information

In accordance with General Regulation No.30, the Company reported the following material information to the Chilean Superintendency of Securities and Insurance:

- On March 6, 2002, Endesa-Chile informed that on March 5, 2002 was notified of an arbitration demand made by AGF/Allianz Chile Compañía de Seguros Generales S.A. seeking that the arbitrator Ricardo Peralta rescind the insurance policy No.96676. This policy covers the risks of construction and assembly, including civil liability and anticipated loss of profits for the construction of the Ralco hydroelectric plant. The policy covers the period from May 1, 1999 to May 1, 2003.

This demand is directly related to the damage to the cofferdam at the Ralco plant which occurred on May 27, 2001 and is based on the existence of certain risks, their aggravation and, finally, the lack of information about the nature and scope of the risks contracted.

It should be mentioned that this claim is awaiting the final report from the liquidator appointed to review the case.

From a preliminary examination of the intensions of the plaintiff we can state that, in our opinion, the demand of the insurance company in seeking the nullity of the insurance contract, lacks valid arguments. Endesa-Chile therefore, together with adopting all the pertinent safeguards for protecting the insured assets covered under this policy, will respond to the demand with the facts and arguments for obtaining its complete rejection.

- On March 19, 2002, the press advised massively that the node price will fall by 12% at the next tariff fixing. The source of this news is the delivery by the National Energy Commission to sector companies and to the press of the preliminary node-price report.

On this point, and considering the negative effect seen today on the share price of our company on the stock markets, we feel it pertinent to point out that:



The announced reduction of 12% in node prices relates to a model that the National Energy Commission uses to calculate and make a preliminary report on node-price levels. Under the Electricity Law (DFL No.1) that regulates the matter, this preliminary calculation has to be revised by the National Energy Commission in the light of comments received from the companies. The process ends with a new calculation that has to be made next April taking into account those comments. The present calculation therefore does not in itself constitute the setting of the node price and is just a stage in the process. Endesa-Chile anticipates that a preliminary analysis of this first calculation will suggest several corrective alternatives which will be advised to the authority within the process.

Nevertheless, DFL No.1 requires that the final calculation should be compared with the average un-regulated market price through a price band which, in the event of a rise or fall in the results of the theoretical model, would operate to attenuate any upward or downward change to the final price fixed. It is well known to sector companies and to the authority that if the theoretical model were to maintain in April results similar to those shown in the preliminary calculation, the band referred to will act to attenuate the announced theoretical effect substantially.

It is therefore premature and distorting for the market to anticipate falls in node prices of the range announced without describing the complete process and mentioning the existence of the price band.

- On April 11, 2002, the Company's ordinary shareholders' meeting approved the following:

- 1) The annual report, financial statements and report of the external auditors for the year ended December 31, 2001.
- 2) A final dividend for the year 2001, representing a total dividend of Ch\$ 0.94 per share payable on April 22, 2002.
- 3) The election of the following directors:

Jaime Bauzá Bauzá
Emilio García Díez
José María Hidalgo Martín-Mateos
Pablo Yrarrázaval Valdés
Rodolfo Martín Villa
Antonio Pareja Molina
Andrés Regué Godall
Antonio Tuset Jorratt
Leonidas Vial Echeverría

On the same date, the board appointed Pablo Yrarrázaval Valdés and Antonio Pareja Molina as its chairman and vice-chairman respectively. The same meeting appointed Jaime Bauzá Bauzá, Pablo Yrarrázaval Valdés and Antonio Tuset Jorratt to form its directors' committee.

- On June 27, 2002, the board, in compliance with the resolution passed at Endesa-Chile's ordinary shareholders' meeting, proceeded to appoint the firm Langton Clarke Auditores y Consultoría Ltda. as the Company's external auditors for the year 2002.

This appointment applies also to the successor to this firm in view of its current incorporation process into the Ernst & Young International global network.

- On July 25, 2002, the Company's board proceeded to appoint Mr Luis Rivera Nono as the new chairman of the board following his appointment as a director of Endesa-Chile in replacement of Pablo Yrarrázaval Valdés who presented his resignation as director and chairman of the Company.
- On October 4, 2002, Endesa-Chile informed that on October 3, 2002, an extraordinary board meeting of Empresa Nacional de Electricidad S.A. unanimously agreed a financial and economic strengthening plan for Endesa-Chile and thus its Chilean and foreign subsidiaries, through improving its debt structure, facilitating the investment process already in progress and restoring the financial strength of Endesa-Chile to enable it to face more comfortably the regional environment that is affecting its investments, and which contemplates a series of divestments and the refinancing and reduction of debt to reinforce the Company's equity and financial position.

This plan basically consists of the following:

1. Start of the disposal of Endesa-Chile's Canutillar hydroelectric plant which has an installed capacity of 172 MW and an average production of 950 GWh, and represents 4.4% of Endesa's installed capacity in Chile. An extraordinary shareholders meeting will be called in due course to approve this disposal.
2. Refinance the GasAtacama project by replacing its debt with the companies that are partners

in the project with external financing from international banks.

3. Disposal of transmission lines owned by Endesa-Chile and subsidiaries.

In addition, there is the divestment of Endesa-Chile's shareholding in Infraestructura Dos Mil S.A.. This is a currently on-going process which, apart from the corresponding sale price of around US\$ 50,000,000, will allow consolidated debt to be reduced by approximately US\$ 200,000,000.

Compliance with this financial strengthening plan, comprising the global divestment of assets, the effect of the refinancing of GasAtacama and the reduction in consolidated debt from the sale of Infraestructura Dos Mil S.A., will generate funds of between 600 and 700 million dollars which will be used to reduce the Company's financial debt. Meeting the plan will be progressive but it should be completed during the next year.

The board also agreed to authorize the Company's management to carry out this financial strengthening plan and to take all initiatives and actions leading to its full and complete execution.

- On October 28, 2002, the board agreed unanimously to form a subsidiary company to be called Empresa Eléctrica Canutillar S.A. in which Endesa-Chile would hold 99.9% of the capital and to which, subject to the corresponding corporate authorizations, the assets of the Canutillar plant, currently owned by Endesa-Chile, would be contributed. This falls within the process of the proposed disposal of this hydroelectric plant as advised in our report dated October 4, 2002.



Principal Subsidiaries and Associated Companies



CENTRAL COSTANERA S.A.

Costanera is a publicly traded electricity generation company located in Buenos Aires, Argentina, with a 1,131-MW capacity oil and gas-fired generation facility, a 851-MW capacity natural gas combined-cycle facility, and a 320-MW capacity CBA combined-cycle facility.

Endesa-Chile acquired a 24% interest in Costanera in 1992, when Costanera was privatized by the Argentine government. In 1995, the Company increased its beneficial ownership.

On November 19, 2001, the ordinary, extraordinary and special classes shareholders' meetings of Central Costanera S.A. approved a commitment to merge with Central Termoeléctrica Buenos Aires S.A. (CBA) by its absorption. The merger was effective from December 1, 2001.

Endesa-Chile, through its subsidiary Endesa Argentina owns 51.93% of Costanera.

The Company's generation reached 3,486 GWh and total electricity sales reached 4,178 GWh in 2002.

HIDROELÉCTRICA EL CHOCÓN S.A.

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

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

Endesa-Chile's indirect holding in Hidroeléctrica El Chocón S.A. is 47.45%.

During 2002, total generation was 3,682 GWh and total electricity sales were 3,719 GWh.

CENTRAIS ELÉTRICAS CACHOEIRA DOURADA S.A.

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

In September, 1997, a consortium comprising Endesa-Chile, with 81.94% and the Peruvian associated Edegel, with 18.06% was awarded 79.36% of the share capital of Centrais Elétricas Cachoeira Dourada S.A. In December 1997, the 0.47% balance of shares not taken up by employees was acquired by the company. In the years 1998, 2000, 2001 and 2002, Endesa-Chile, through its subsidiary Lajas Holding Inc. (now Lajas Inversora S.A.), increased its indirect holding in Centrais Elétricas Cachoeira Dourada S.A. Endesa-Chile is the operator of the plant.

Endesa-Chile's indirect holding in Centrais Elétricas Cachoeira Dourada S.A. is 92.50%, through its subsidiary Lajas Inversora S.A.

During 2002, total generation was 2,467 GWh and total electricity sales were 3,591 GWh.

PEHUENCHE S.A.

Pehuenche, a generation company connected to the Central Grid System (SIC) owns three hydroelectric facilities south of Santiago in the high-rainfall hydrological basin of the Maule river. Its 566-MW Pehuenche plant started operating in 1991; its 89-MW Curillínque plant started up in late 1993 and its 40-MW Loma Alta plant started operating in August 1997.

Endesa-Chile holds 92.65 % of the share capital of Pehuenche.

In 2002 total generation was 3,963 GWh and total electricity sales were 3,934 GWh.

PANGUE S.A.

The Company was formed to construct and operate the 467-MW installed capacity Pangue hydroelectric power station on the Bio-Bio river. The synchronization of the first unit was on October 31, 1996, while the synchronization of the second one was on February 3, 1997.

On July 12, 2002, Endesa-Chile purchased 7,275,433 (2.51%) shares of Pangue S.A. for ThCh\$4,998,894, increasing its participation to 94.99%.

During 2002, total generation was 1,977 GWh and total electricity sales were 2,087 GWh.

COMPAÑÍA ELÉCTRICA TARAPACÁ S.A. (CELTA S.A.)

This company was formed in November 1995 to construct and operate the 181.8-MW coal fired thermal plant in the Northern Grid System (SING).

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

During 2002, total generation was 602 GWh and total electricity sales were 936 GWh.

COMPAÑÍA ELÉCTRICA SAN ISIDRO S.A.

The company was formed in February 1996 to construct and operate a 379-MW combined-cycle thermal plant in Quillota in the Fifth region. The plant began commercial operations in October 1998.

Endesa-Chile holds 75% of the share capital of San Isidro.

During 2002, total generation was 1,590 GWh and total electricity sales were 2,606 GWh.

INGENDESA

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

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

Ingendesa is a 97.64% owned subsidiary of Endesa-Chile.

TÚNEL EL MELÓN S.A.

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

Commercial operation of the tunnel began in September 1995.

Endesa-Chile owns 99.95% of this company.

SOCIEDAD CONCESIONARIA AUTOPISTA DEL SOL S.A.

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

The Ministry of Public Works gave its final reception of the highway public works in June 2001.

Endesa-Chile has a 60.04% holding in this subsidiary. The subsidiary Sociedad Concesionaria Autopista del Sol S.A. relates to investments made through Infraestructura Dos Mil S.A. which was sold on June 23, 2003.

Principal Subsidiaries and Associated Companies

SOCIEDAD CONCESIONARIA AUTOPISTA LOS LIBERTADORES S.A.

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

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

In December 2001, the Ministry of Public Works gave its final reception of the highway works.

Endesa-Chile's indirect share holding in this company is 58.36%. The subsidiary Sociedad Concesionaria Autopista Los Libertadores S.A. relates to investments made through Infraestructura Dos Mil S.A. which was sold on June 23, 2003.

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

On September 15, 1997, Central Hidroeléctrica de Betania, through its subsidiary Inversiones Betania S.A. and in association with Endesa Desarrollo S.A. of Spain, was awarded control of the generating company Emgesa, with 48.48% of the shares. Emgesa has a total installed generating capacity of 2,731.5 MW, of which 2,511.5 MW is hydroelectric and 220 MW thermal generated.

Endesa-Chile's indirect holding in Emgesa is 22.36%.

During 2002, total generation was 8,787 GWh and total energy sales were 12,002 GWh.

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

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

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

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

Currently Endesa-Chile owns 85.62% of Betania.

During 2002, total generation was 1,829 GWh and total sales were 2,637 GWh.

EDEGEL S.A.A. (EDEGEL)

Edegel is an electricity generation company that owns seven hydroelectric plants (Huinco, Matucana, Callahuanca, Moyopampa, Huampani, Yanango and Chimay) and one thermal plant (Santa Rosa), with a combined installed capacity of 1,003.0 MW.

Edegel in 2000 completed the construction of two hydroelectric plants, Yanango (42.6 MW) and Chimay (150.9 MW), and a 220 kV transmission line linking both plants to the Peruvian system.

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

During 2002, total generation was 4,279 GWh and total electricity sales were 4,158 GWh.

COMERCIALIZADORA DE ENERGÍA DEL MERCOSUR S.A. (CEMSA)

This Argentine company is responsible for trading electricity, including imports and exports of energy.

Endesa-Chile's indirect holding in CEMSA is 45%. The other shareholder is Endesa-Spain.

COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA S.A. (CIEN)

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

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

ELECTROGAS S.A.

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

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

GASODUCTO ATACAMA CHILE LIMITADA (GASODUCTO ATACAMA CHILE)

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

The company Gasoducto Atacama Compañía Limitada (Gasatacama) changed its name in October 2002 and became Gasoducto Atacama Chile Limitada, also trading as Gasoducto Atacama Chile.

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

GASATACAMA GENERACIÓN LIMITADA (GASATACAMA GENERACIÓN)

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

The company Nor Oeste Pacífico Generación de Energía Limitada (Nopel Ltda.) changed its name in October 2002 and became GasAtacama Generación Limitada, also trading as GasAtacama Generación.

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

Addresses

Addresses

ENDESA-CHILE

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 630 9000
Fax: (562) 635 4720,
635 3938

PEHUENCHE S.A.

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 630 9433
Fax: (562) 635 4087

PANGUE S.A.

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 630 9234
Fax: (562) 635 4087

INGENDESA

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 634 7266
Fax: (562) 635 4070

SAN ISIDRO S.A.

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 630 9227
Fax: (562) 635 4087

CELTA S.A.

Santa Rosa 76,
Santiago, Chile.
Telephone:
(562) 630 9448
Fax: (562) 635 4087

**CENTRAL
COSTANERA S.A.**

Avenida España 3301,
Buenos Aires,
Argentina.
Telephone:
(54 11) 4 307 3040
Fax: (54 11) 4 307 1547

**HIDROELÉCTRICA
EL CHOCÓN S.A.**

Avenida España 3301,
Buenos Aires,
Argentina.
Telephone:
(54 11) 4 307 3040
Fax: (54 11) 4 307 3040

EDEGEL S.A.A.

Av. Víctor Andrés
Belaúnde 147,
Vía Principal 102,
Centro Empresarial
Camino Real,
San Isidro, Lima, Peru.
Telephone:
(511) 215 6300
Fax: (511) 215 6387

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

Carrera 11 N° 8276,
4rd Floor, Santa Fe,
Bogotá, Colombia.
Telephone:
(571) 219 0330
Fax: (571) 636 4462

EMGESA

Carrera 11 N° 8276,
4rd Floor, Santa Fe,
Bogotá, Colombia.
Telephone:
(571) 219 0330
Fax: (571) 636 4495

**CENTRAIS
ELÉTRICAS
CACHOEIRA
DOURADA S.A.**

Praya Do Flamengo 200
Twelve Floor,
Flamengo,
Rio de Janeiro, Brazil.
Telephone:
(5521) 25559800
Fax: (5521) 25548214